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

(Submitted to the Polish Securities and Exchange Commission on May, 16 2005 translated from Polish language)

| SELECTED FINANCIAL DATA | In PLN thousand | | in EURO thousand | |
|---|---|---|---|---|
| | 1 quarter (s) increasingly/ 2005 period from 2005-01-01 to 2005-03-31 | 1 quarter (s) increasingly/ 2004 period from 2004-01-01 to 2004-03-31 | 1 quarter (s) increasingly/ 2005 period from 2005-01-01 to 2005-03-31 | 1 quarter (s) increasingly/ 2004 period from 2004-01-01 to 2004-03-31 |
| **Data concerning abbreviated consolidated financial report** | | | | |
| I. Interest income | 360 360 | 332 483 | 89 747 | 69 357 |
| II. Income on commissions | 78 263 | 123 455 | 19 491 | 25 753 |
| III. Result on banking activity | 282 308 | 309 585 | 70 308 | 64 580 |
| IV. Result on operational activity | 98 046 | 23 751 | 24 418 | 4 955 |
| V. Gross profit (loss) | 98 046 | 23 751 | 24 418 | 4 955 |
| VI. Net profit (loss) | 94 154 | 20 163 | 23 449 | 4 206 |
| VII. Total net cash flows | -828 236 | 503 506 | -206 270 | 105 033 |
| VIII. Total assets | 21 173 168 | 22 966 833 | 5 184 800 | 4 839 708 |
| IX. Liabilities due to banks | 3 117 359 | 5 374 231 | 763 366 | 1 132 490 |
| X. Liabilities due to customers | 14 078 551 | 14 863 232 | 3 447 499 | 3 132 069 |
| XI. Equity | 1 217 608 | 696 857 | 298 163 | 146 846 |
| XII. Share capital | 1 358 294 | 1 056 451 | 332 614 | 222 622 |
| XIII. Number of shares | 271 658 880 | 211 290 240 | | |
| XIV. Book value per 1 share (in PLN / EUR) | 4,48 | 3,30 | 1,10 | 0,69 |
| XV. Diluted book value per 1 share (in PLN / EUR) | 4,48 | 3,30 | 1,10 | 0,69 |
| XVI. Capital adequacy ratio | 13,49 | 9,15 | | |
| XVII. Profit (loss) per 1 ordinary share (in PLN / EUR) | 1,08 | -7,42 | 0,27 | (1,55) |
| XVIII. Diluted profit (loss) per 1 ordinary share (in PLN / EUR) | 1,08 | -7,42 | 0,27 | (1,55) |

| SELECTED FINANCIAL DATA | In PLN thousand | | in EURO thousand | |
|---|---|---|---|---|
| | 1 quarter (s) increasingly/ 2005 period from 2005-01-01 to 2005-03-31 | 1 quarter (s) increasingly / 2004 period from 2004-01-01 to 2004-03-31 | 1 quarter (s) increasingly / 2005 period from 2005-01-01 to 2005-03-31 | 1 quarter (s) increasingly / 2004 period from 2004-01-01 to 2004-03-31 |
| **Data concerning abbreviated financial report** | | | | |
| I. Interest income | 347 259 | 308 570 | 86 484 | 64 369 |
| II. Income on commissions | 78 387 | 115 146 | 19 522 | 24 020 |
| III. Result on banking activity | 245 360 | 246 551 | 61 106 | 51 431 |
| IV. Result on operational activity | 74 828 | 19 056 | 18 636 | 3 975 |
| V. Gross profit (loss) | 74 828 | 19 056 | 18 636 | 3 975 |
| VI. Net profit (loss) | 74 828 | 19 056 | 18 636 | 3 975 |
| VII. Total net cash flows | -754 809 | 538 370 | -187 983 | 112 305 |
| VIII. Total assets | 21 215 367 | 22 372 843 | 5 195 134 | 4 714 539 |
| IX. Liabilities due to banks | 1 852 134 | 3 114 538 | 453 543 | 656 314 |
| X. Liabilities due to customers | 15 518 530 | 16 442 076 | 3 800 115 | 3 464 772 |
| XI. Equity | 1 183 602 | 677 861 | 289 836 | 142 843 |
| XII. Share capital | 1 358 294 | 1 056 451 | 332 614 | 222 622 |
| XIII. Number of shares | 271 658 880 | 211 290 240 | | |
| XIV. Book value per 1 share (in PLN / EUR) | 4,36 | 3,21 | 1,07 | 0,68 |
| XV. Diluted book value per 1 share (in PLN / EUR) | 4,36 | 3,21 | 1,07 | 0,68 |
| XVI. Capital adequacy ratio | 13,34 | 8,87 | | |
| XVII. Profit (loss) per 1 ordinary share (in PLN / EUR) | 0,88 | -7,42 | 0,22 | -1,55 |
| XVIII. Diluted profit (loss) per 1 ordinary share (in PLN / EUR) | 0,88 | -7,42 | 0,22 | -1,55 |

# Interim abbreviated financial report

# Of the Kredyt Bank S.A. Capital Group

# prepared for the first quarter 2005 in accordance with

# the International Standards of Financial Reporting

**CONTENTS**

# Explanatory data (Notes) to the abbreviated financial report of the Kredyt Bank S.A. Capital Group for the first quarter 2005

## I. Basis of preparing the report

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

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

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

The consolidated quarterly report prepared for the fourth quarter 2004 and published on February 28, 2005, the consolidated financial statement of the Group prepared for December 31, 2004 published on March 11, 2005, the Bank's unit financial statement prepared for December 31, 2004 and published on March 10, 2005 as well as all preceding quarterly reports and the consolidated and unit financial statements were prepared on basis of the accountancy principles as provided for in the Law and the regulations applying to banks that are the issuers of securities. The applied principles of accountancy, the methods of assets and liabilities valuation and the measurement of the financial result were presented in detail in the above mentioned, published annual reports.

## II. The Group's financial situation and the events exerting an impact on that situation in the first quarter 2005

The net financial result equal to PLN 94.2 million generated by the Group in the first quarter 2005 as well as the safe level of the capital adequacy ratio equal to 13.49% are the evidence that profound changes in the functioning of the Bank and the Group that were implemented last year and strengthening the capital base with the capital support on the part of KBC Bank NV, created stable foundations for generating profits by the Group over a long term.

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

Over the first quarter 2005 the following changes in the Bank's managing and governing bodies took place:

– On February 9, 2005 the Supervisory Board of Kredyt Bank S.A. appointed as of March 1, 2005 new Members of the Management Board of the Bank – Mr Ronnie Richardson and Mr Krzysztof Kokot as Deputy Presidents of the Bank's Management Board. Simultaneously, in connection with the resignation from the membership on the Supervisory Board submitted by Mr Dirk Mampaey, the Supervisory Board co-opted Ms Rita Docx as its new Member.
– On March 31, 2005 the Supervisory Board of Kredyt Bank S.A. decided to propose to the Banking Supervisory Commission Ronnie Richardson, currently Deputy President as President of the Management Board effective April 26, 2005. Małgorzata Kroker-Jachiewicz holding until that time the position of the President of the Management Board is still on the Management Board holding the position of the Deputy President. At the same time the Supervisory Board accepted the resignation of Fedele Di Maggio from the position of the Deputy President of the Bank's Management Board. Fedele Di Maggio was conferred new responsibilities within KBC Group.

***Generated financial result***

The Group's gross profit in the first quarter 2005 amounted to PLN 98,044 thousand, while a net profit was equal to PLN 94,154 thousand and was over fourfold higher (i.e. by PLN 73,991 thousand higher) than that achieved in the first quarter 2004. The growth of the financial result based on the growing business activity in retail segment, mitigating credit risk as well as an effective functioning costs management.

Total income of the Group over the first quarter 2005 amounted to PLN 291,402 thousand and was by 5.9% lower than total income in the same period of the last year. The main items of the Group's income are presented in the table below.

| Specification | I quarter 2005 (PLN thousand) | I quarter 2004 (PLN thousand) | Change |
|---|---|---|---|
| Net interest | 173 797 | 168 332 | 5 465 |
| Net commissions | 69 114 | 111 897 | -42 783 |
| Result on commercial activity* | 39 397 | 29 356 | 10 041 |
| Result on operating income/costs | 9 094 | 114 | 8 980 |
| **Total income** | **291 402** | **309 699** | **-18 297** |

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

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Net interest generated by the Group amounted to PLN 173,797 thousand and was by 3.3% higher than that achieved in the comparable quarter of 2004 in result of increased volume of clients' funds, increase of profit-generating assets and higher market interest rates.

Net commissions achieved the value of PLN 69,114 thousand and was by 38.2% lower in comparison with the first quarter of last year. The net commissions achieved is a consequence of adopting ISFR (the amount commissions does not contain fees and commissions settled by applying an effective interest rate that were disclosed in interest income).in combination with the growth of sale of promotional consumer and mortgage loans.

Result on commercial activity over the first quarter 2005 amounted to PLN 39,397 thousand, i.e. by 34% more in comparison with the same quarter of 2004. It was achieved owing to an increased scale of market activity conducted in the circumstances of the significant fluctuations of the foreign currency rates and thanks to positive results of the investment activity.

Over the first quarter 2005 a positive impact of the net provisions and loss in value on the net balances account was observed. It amounted to PLN +26,822 thousand, while in the comparable quarter of 2004 this impact was negative (PLN –18,841 thousand). The result achieved is the effect of decreased credit risk, successful realization of restructuring program of credit portfolio and new principles of provisions calculation basing on the identification of loss in value of credit exposures in accordance with IAS.

In the first quarter of 2005 the costs of the Group's functioning amounted to PLN 220,178 thousand and were by 17.6% lower in comparison with the first quarter of 2004, of which the operating costs fell by 17.4%, while the amortization was lower by 18.7%.

In the first quarter of 2005 the economies achieved at the Bank had the most significant impact on the lower level of operating costs of the Group.
The lower tangible costs were incurred in result of the effective control of expenses, among other in the area of IT and telecommunication systems application, supply of materials and the selection of the services providers.
It was possible to incur lower personnel expenses in 2004 thanks to the changes in the organization structure and optimizing the employment in the several divisions of the organization, laying a special emphasis on the growth of effectiveness of work. The employment at the Ban k in the end of the first quarter of 2005 was equal to 5,623 FTEs, which, in comparison with the same period of 2004 signifies the decline in employment by 640 FTEs. The largest decline in employment occurred in the network of branches, which was connected with the reorganization of the branch network through a clear separation of the corporate banking from retail banking and concentrating in the Centers the tasks connected with the credit administration and documentation, credit risk and vindication of receivables. A lower level of amortization was the effect of optimizing the value of the fixed assets.
Cost/income ratio as of the first quarter of 2005 was equal to 75.6%, which signifies an improvement by 11 pp. in comparison with the comparable quarter of the last year.

***Further improvement in the quality of credit receivables portfolio***

In the first quarter of 2005 the value of the Group's gross total receivables (excluding interest) due from the financial, non-financial and budgetary sectors grew by 4.9% in comparison with the end of the fourth quarter of 2004. Having in mind the phenomena occurring in the previous year, the above is the evidence of the advantageous impact of profound changes in the Bank and in the Group with respect to the organization of the sale process of banking products and services. Moreover, it should be stressed that the growth in value of total receivables portfolio took place in the circumstances of further decline of irregular receivables portfolio. This proves that the actions, aimed at the restructuring and vindication of the customers' receivables taken on the basis of new organizational and procedural solutions implemented in the Bank in the past year, were effective.

As the result, over the first quarter of 2005, the quality ratio of the Group's gross receivables portfolio was significantly improved (i.e by 1.7 pp.).

| Specification | 31.03.2005 (in PLN thousand) | 31.12.2004 (in PLN thousand) |
|---|---|---|
| **Gross receivables due from the financial, non-financial and budgetary sectors (excluding interest)** | **17 684 967** | **16 861 365** |
| Regular receivables | 13 524 633 | 12 608 740 |
| Irregular receivables | 4 160 334 | 4 252 625 |
| Interest | 678 401 | 653 185 |
| **Total gross receivables** | **18 363 368** | **17 514 550** |
| Provisions for loss in value of individual receivables and portfolios of receivables | 3 022 701 | 2 807 344 |
| Provisions for loss in value of irregular receivables | 2 802 317 | 2 788 573 |
| **Total net receivables** | **15 340 667** | **14 707 206** |
| **Participation of irregular receivables in total gross receivables** | **23.5%** | **25.2%** |
| **Coverage of irregular receivables by provisions** | **67.4%** | **65.6%** |

Simultaneously, due to the changes in some aspects in the measurement methodology of credit risk, resulting from the application of IAS 39, in the first quarter of 2005 the growht was observed with respect to balance provisions for a loss in value of individual receivables and portfolios of receivables, both at the Bank (by PLN 169,338 thousand) as well as the other entities of the Group (PLN 46,019 thousand). A higher provisioning in the Group against credit risk is expressed by the growth of the coverage ratio of irregular receivables by provisions in the Group as of the end of March 2005 up to 67.4%, i.e. by 1.8 pp. higher than as of the end of December 2004.

***Income and results as achieved by the several segments of activity***

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

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

Retail Segment includes the offer addressed to individual customers as well as Small and Medium Entities (SME), total income of which does not exceed PLN 6 million. The offer contains a wide range of deposit and credit products, insurance products (bancassurance and assurebanking) offered in co-opeation with WARTA S.A. as well as clearing services. This offer is addressed through traditional channels of distribution by the Bank's network of branches as well as the Internet servicing network KB24. The results of this segment also comprise the result of Żagiel S.A. specializing in the sale of installment loans and also in mediation in the distribution of the selected services that are found in the Bank's and WARTA's offer.

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

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

The income and results achieved by the several segments do not contain comparable data for the first quarter of 2004 since these data are not comparable due to:

- A profound process of the Bank's restructuring carried out in 2004 that caused a considerable changes in the Bank's and Group's organization structure;
- New principles of internal settlements among segments.

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

**Net profit of the Group for the first quarter 2005 (data in PLN thousand) – basic division into trade segments**

| | Corporate Segment | Retail Segment | Treasury Segment | Investment Segment | Other | Exclusions | Total |
|---|---|---|---|---|---|---|---|
| 1. Income of the segment (external) | 156 112 | 214 358 | 145 725 | 36 292 | 9 447 | -46 514 | **515 420** |
| 2. Income of the segment (internal) | 52 654 | 136 941 | 154 511 | 0 | 4 | -344 110 | **0** |
| **3. Total income of the segment** | **208 766** | **351 299** | **300 236** | **36 292** | **9 451** | **-390 624** | **515 420** |
| 4. Costs of the segment (external) | -45 979 | -119 563 | -88 566 | -29 355 | -12 503 | 46 514 | **-249 452** |
| 4a. Allocated costs of the segment | -33 881 | -144 875 | -7 385 | -6 792 | -1 607 | | **-194 540** |
| 5. Costs of the segment (internal) | -88 340 | -62 030 | -189 599 | -4 141 | 0 | 344 110 | **0** |
| **6. Total costs of the segment** | **-168 200** | **-326 468** | **-285 550** | **-40 288** | **-14 110** | **390 624** | **-443 992** |
| **7. Operating result of the segment** | **40 566** | **24 831** | **14 686** | **-3 996** | **-4 659** | **0** | **71 428** |
| **8. Net provisions and revaluation of assets** | **31 303** | **-3 833** | **0** | **-34** | **-818** | | **26 618** |
| **9. Result of the segment** | **71 869** | **20 998** | **14 686** | **-4 030** | **-5 477** | **0** | **98 046** |
| 10. Other income – not allocated | | | | | | | **0** |
| 11. Other costs – not allocated | -274 | -3 250 | 0 | -368 | 0 | | **-3 892** |
| **12. Net result** | **71 595** | **17 748** | **14 686** | **-4 398** | **-5 477** | **0** | **94 154** |

### *Corporate banking*

Over the first quarter 2005 the sale of products and services was expanded by the Bank that were addressed to the corporate customers, using new organization structure as well as new products introduced to the Bank's offer in 2004 in result of its modifications. In order to provide modern services that best suit the customers' needs from this segment the offer has been speedily expanded by adding services related to the entities financial and transactional servicing:

- From the beginning of 2005 the Bank has been strengthening its position among the participants of the currency market, and, taking into account interest rates, offers its customers, along with KBC, a number of new option structures. Over the first quarter of 2005 the number of customers concluding option transactions increased by 50%. The products securing against the financial risk constitute one of the key factors of the Bank's income growth in 2005.
- A co-operation was initiated with the banks from KBC and IBOS Groups through the intensification of activity of "European Desk", the objective of which is to attract customers – Polish entities trading with European companies and foreign investors starting their activity. The customers are offered services regarding over-the-border electronic banking, settlements and money management.
- In order to make more efficient the processes of international settlements the steps were taken to implement Straight-through-processing "STP", in accordance with the recommendations of the European Union Directives (transactions below a threshold of EURO 12,500). This enabled to offer customers attractive solutions of payments clearing to/from the EU countries sent in EURO. In the first quarter of 2005 a new product was introduced – EUROmoneytransfer, thanks to which the transferring of money to EU member countries takes now one day (and previously, as a standard it lasted two days). Further improvements are planned to be implemented in the successive months of 2005 in the international settlements.
- The Bank supports the entities in attracting EU funds, among others by offering products related to financial servicing – promissory notes and investment credits adjusted to the requirements of EU programs. Within the period of filing applications - in the first quarter of 2005 - the number of granted promissory notes and credits grew by 17% in comparison with the fourth quarter of 2004.

### *Retail banking and SME*

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

- The Group continued active sale of retail loans through Żagiel; the value of newly extended installment and cash loans amounted to PLN 401.1 million in the first quarter of 2005. In order to expand the scale of activity and attracting new customers, among others, the following was accomplished:
  - housing and mortgage loans were added to Żagiel's offer,

- within the framework of cross-selling strategy realized in the Group a significant progress was noted in the sale of life insurance policies for the customers contracting installment loans through Żagiel (the percentage of customers using this offer in the first quarter 2005 was equal to 59.5% in comparison with 51.4% in the first quarter of 2004),
- the first edition of the Program "Trusted Partner" has been completed; this Program was addressed to commercial partners and it was directed to stimulate the growth of sale of installment loans and establishing their loyalty towards Żagiel. The second edition of the Program started in March 2005,
- An offer of cash loan and information on the simplified procedure applicable to installment buying was sent to the best customers of Żagiel,
- A co-operation on the sale of the installment products was commenced with the company active in the sale of personal computers,
- Special programs, aimed at the attracting of new customers, were implemented: "Employees' benefits" (an offer for the employees of entities serviced by the Bank as well as other entities), a special program for the Warta and Warta Vita employees,
- A modified process of appraising credit applications, filed by individual customers, was implemented, which enabled to significantly shorten the servicing of the borrowers. In the case of occasional cash loans the decision may be taken almost "off-hand" (an offer of "Immediate loan") and in the case of housing loans the Bank guarantees to take credit decision within 48 hours.

– With respect to modification of the <u>deposit offer</u> for individual customers, "Efektywna" (Effective) term deposit was introduced with variable interest rate, based on WIBID 1M market rate. In 2005 the successive editions of periodically implemented editions of occasional deposits were introduced (the sale backed up by the contests, lotteries etc.). It is worth mentioning that the deposits placed on the Savings Accounts, one of the basic deposit products, are steadily growing; the value of funds on these accounts in February 2005 exceeded PLN 1 billion.
– <u>In the SME segment</u> the work was completed on the modification of Extrabusiness package consisting in making available a full, complex package offer to all the entities generating annual income up to PLN 6 million on the activity conducted. The customers from this segment were also offered a new deposit account earmarked for placing financial surpluses, which combines the characteristics of a liquid current account and traditional deposit. The customer benefits from the attractive interest rate, simultaneously preserving their full liquidity.

As of the end of March 2005, in comparison with the end of March 2004, the rate of growth was equal to 125%. The Bank keeps 83,500 current accounts for this segment of customers. The sale of credits is also steadily growing – the customers are particularly interested in credits for investments, where the additional financing from the UE funds is provided. In the first quarter of 2005 the Bank granted the credits for investments totally amounting to PLN 41 million.
In January 2005 the Bank was awarded, already for the third time, the promotional emblem "The Bank friendly for the entrepreneurs" for a broad availability and high quality of services for the customers from the SME sector. "Golden Branch" promotional emblem was also awarded to eight branches of the Bank.

– From the beginning of 2005 the Bank has been observing a further growth of customers' activity with respect to payment cards transactions as well as the growth of sale of credit cards. In the end of March 2005 there were 42,533 active credit cards at the Bank. In the first quarter 2005 totally 4,574 cards were issued, which in comparison with the same period of the previous year is equal to 198%. The number of transactions effected by credit cards increased by 165%. In the first quarter of 2005 the work was completed on expanding the Bank's offer of credit cards (the card for students and mass market. A new type of credit card to be implemented in the end of the first half of 2005 has been prepared in Żagiel.
  In January 2005 for the second time Kredyt Bank became the prizewinner of "Alicja" – the prize of "Twój Styl" (Your Style) magazine. The Bank received this particular consumer's prize for credit cards with microprocessor (previously the Bank was granted a prize for financial services for the youth). In December 2004 Kredyt Bank in the IV All-Poland Ranking of Issuers of Cards was granted a title of the best issuer of cards with microprocessors.

– The Bank actively expanded the sale of services addressed to individual customers with respect of using the <u>electronic distribution channels</u> (KB24). As of the end of March 2005 there were 132,924 KB24 users. In the first quarter of 2005 their number grew by 10,306. Among KB24 users individual customers account for 80%, while the customers from SME segment constitute 19% of the users (1% account for other customers. Generally at the Bank in the individual customer segment, 25% of customers uses KB24, and in the SME segment this percentage is equal to 30%.
  82% of all money transfers effected by individual customers is done by KB24, and in the SME segment this percentage is equal to 55%. Simultaneously the Bank increased up to 1,800 the ATM network, where no commission is collected from the customers while withdrawing money with the use of debit cards.

The steps undertaken by the Bank in the area of the retail and corporate banking brought effects in the first quarter of 2005, i.e. the declining tendency as observed in 2004 was stopped regarding the participation of Kredyt Bank S.A. in the banking services market. In the first quarter 2005 the participation of Kredyt Bank S.A. in the credit market and deposit market was stabilized at 5.2% and 4.0%, respectively and it is believed that the said market shares will gradually improve. Besides, a constant growth of a total number of customers over three last quarters up to 841.4 thousand as of the end of March 2005 also shows that the Bank's market shares will improve in the future (it should be also mentioned that in the fourth quarter 2004 the number of the Bank's customers grew by 7.8 thousand, while in the first quarter 2005 this growth was equal to 9.3 thousand).

***Treasury***

In the first quarter 2005 the Bank reconstructed its long-term portfolios of debt securities due to the repeated classification of financial instruments portfolios in connection with the introduction for the first time of IAS/ISFR standards in the Group. In result of these operations the Bank sold a portion of the securities and purchased in their place, without the increasing of the exposure to the interest rate risk, the securities yielding a higher interest income. An additional effect on these transactions was a profit on the sale equal to PLN 15.7 million.

***Investment banking***

In the first quarter of 2005 (and after the balance date) the Bank continued activity intended for composing and maximizing the effects of the Group's activity:

- On January 18, 2005 the Bank sold the entire stake of shares of Wolny Obszar Gosporarczy (Free Economic Zone). A profit equal to PLN 786.2 thousand was generated in result of this transaction.
- On March 31, 2005 a Conditional agreement was executed on the sale of the organized part of the business in a form of the Investment Brokerage House to KBC Securities NV with its seat in Brussels, Belgium, and KBC Bank NV is a controlling entity of the latter company. This transaction had a neutral impact on the Bank's result. The brokerage activity conducted so far in the Investment Brokerage House of Kredyt Bank S.A. will be continued and expanded at the Polish Branch of KBC Securities.
- On April 20, 2005 the merger of the following companies was registered:

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

The merger was effected by way of transferring on to TFI KB of all assets of the above mentioned subsidiaries of TUR "WARTA" in exchange for shares which TFI KB granted TUJiR WARTA S.A. At the same time the company's name was changed and now it is as follows: "KBC Towarzystwo Funduszy Inwestycyjnych S.A." (KBC TFI).

In result of the companies' merger the share capital of KBC TFI was increased up to a total amount of PLN 25,258 thousand by virtue of issue of 12,257,983 series C registered shares, with the nominal value of each share equal to PLN 1.00. 39.6% participation in the share capital and votes at the General Assembly of KBC TFI is held by Kredyt Trade Sp. z o.o. – the Bank's subsidiary, and TUiR "WARTA" S.A. holds 60.4% participation .

- On April 28, 2005 the Bank sold to Openaco Trading Co. Limited with its seat in Nicosia, Cyprus all the shares of Solaris Bus and Coach Sp. z o.o. accounting for 82.32% participation in capital and votes at the company's General Assembly. Total value of the sold shares was equivalent to PLN 54,239 thousand, while their recorded value amounted to PLN 51,255 thousand. Openaco Trading Co. Limited is not related with the Group.

In the first quarter 2005 the Group noted good results in the area of investment funds management:

- In co-operation with KBC Assets Management a new, closed investment fund was established: KB Klik Ameryka (which is another, fifth investment fund with the protected capital). In the first quarter of 2005 total investments in the fund were equal to PLN 125.8 million, which was the result of the product's attractiveness: investment in a foreign fund, full protection of the capital invested, possibility of yielding a high rate of return. Still other funds with the guarantee of capital, offering a very attractive rate of return will be continuously introduced to TFI KB S.A. offer.
- As of March 31, 2005 TFI KBS,A, altogether managed 9 investment funds:

- 3 open investment funds (KB Pieniądz FIO, KB Obligacja FIO and KB Zrównoważony [Balanced] FIO,
- 1 mixed investment fund investing in foreign investment funds denominated in US dollars (KB Dolar FIM);
- 5 investment funds with the protected capital (KB Kapitał Plus FIM, KB Kapitał Plus II FIM, KB Kapitał Plus III FIM, KB Klik Europa FIZ and KB Klik Ameryka FIZ).

– As of March 31, 2005 a total value of assets in all the funds managed by TFI KB S.A. was equal to PLN 656.4 million, which accounted for 1.61% share in the investment funds market (in comparison with 1.3% share as of December 31, 2004 and 0.6% as of December 31, 2003). Within the first quarter of 2005 the customers' assets deposited with the investment funds and managed by TFI KB S.A. increased by PLN 177.5 million, i.e. by 37.05%.

The activity conducted by the Bank in the area of investment banking over the first quarter 2005 was also aimed at the expansion of the products offer for the entities harmonized with the customers' needs with respect to debt securities, in particular the closed issues of bonds. The said securities are mainly earmarked for the capital groups and holdings and enable to effectively manage the entities' liquidity within capital groups.

As of March 31, 2005 the entities of KB S.A. Group did not issue, did not buy out and did not repay the debt securities.

## III. Structure of the Group

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

The composition and ownership structure of the Group as of March 31, 2005 is presented below.

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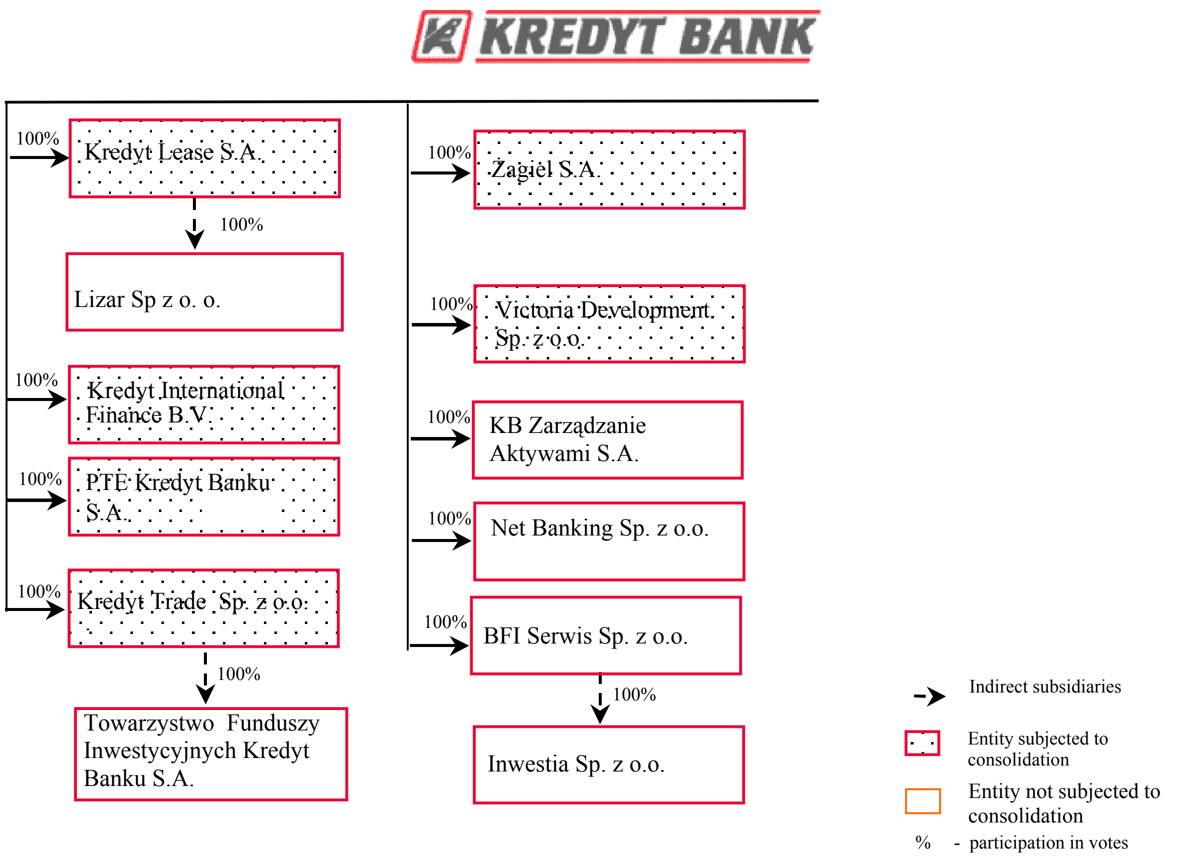
# Grupa Kapitałowa Kredyt Banku S.A.



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

***Change in the composition of the group of entities subjected to consolidation of the Capital Group of Kredyt Bank S.A.***

In result of adopting ISFR standards the Group applies the methodology of determining the criteria of significance which similar to that applied by the Bank's Major Shareholder.
As of March 31, 2005 the following companies were subject to consolidation:

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

Due to the fact that the financial data as well as the scope of operating activity conducted are insignificant in comparison with the published annual 2004 consolidated report, the Group does not consolidate financial statements of BFI Serwis Sp. z o.o. Due to the same reasons the Group does not consolidate financial statements of the following entities that were not consolidated either in the published, consolidated 2004 financial statement of the Group:

- Net Banking Sp. z o.o.
- Investia Sp. z o.o.
- TFI S.A.
- KB Zarządzanie Aktywami S.A.
- Lizar Sp. z o.o.

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

Moreover, the Group does not exercise actual control and does not exert a significant impact on the financial and operating activity of Solaris Sp. z o.o. and Dolwis S.A. despite the fact that the Group holds over 50% of shares in each of the said entities. The investments in shares of these companies were classified in the assets portfolio available for sale and assessed in accordance with fair market value in correspondence with the capital from revaluation. In the comparable data shown in this report the shares of these companies were disclosed in “capital investments” item and assessed in accordance with the purchase cost because the Group did not transform the comparable data with respect to IAS 39.

Basing on the same principles, the shares of Wolny Obszar Gospodarczy S.A. were disclosed in comparable data: in 2004 according to purchase cost and assessed by fair market value in the adjustment to the opening balance in 2005 as they were classified to the assets portfolio available for sale. On January 18, 2005 the Bank sold its entire stake of shares of Wolny Obszar Gospodarczy S.A., and on April 28, 2005 the Bank sold the entire stake of Solaris Sp. z o.o. shares.

In the published consolidated 2004 financial statement of the Group Solaris, Dolwis and Wolny Obszar Gospodarczy were presented as companies composing the Group.

## IV. Application of IAS/ISFR for the first time

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

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

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

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

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

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

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

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

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

## V. Description of significant accounting principles applied

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

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

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

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

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

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

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

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

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

Method of the effective interest rate

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

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

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

The above method is not applied to assess the receivables of unspecified maturity cash flows, which does not allow to calculate the effective interest rate.

The disclosure of assessment in the profit and loss account

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

Pursuant to IAS 39 the manner of settlement of commissions/fees and some external costs connected with the financial instruments (by the method of the effective interest rate or by the linear method) depends on the type of a given instrument. In the case of financial instruments with the fixed cash flows, the method of the effective interest rate is applied. In the case of instruments with undefined cash flows, it is impossible to calculate the effective interest rate and commissions/fees are settled linearly over time. The manner of settling over time of the several types of commissions/fees in the profit and loss account as interest or commission income and the necessity of their settlement over time, and the impossibility of their single disclosure in the profit and loss account depends on the economic nature of the commission/fee.

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

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

The fees received, provided that they exert on impact on the future cash flows, are recognized only once in the profit and loss account.

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

Interest income and costs

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

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

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

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

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

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

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

<u>The circumstances indicating to the loss in value</u>

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

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

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

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

<u>Measurement of the individual loss in value</u>

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

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

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

Measurement of portfolio's loss in value

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

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

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

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

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

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

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

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

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

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

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

### 4. *Goodwill*

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

### 5. *Compensation of financial assets and liabilities*

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

### 6. *Fixed assets earmarked for sale*

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

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

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

### 7. *Presentation in the financial statement*

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

## VI. Clarification of adopting the ISFR

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

The value of the said adjustments to the opening balance was assessed according to the best knowledge of the Management Board, applying the adequate, professional judgement. It should be noted, however, that in the successive interim periods of 2005 the other facts may appear and it will be possible to use these facts for more precise estimations and then the adjustment to the opening balance may change.

The Bank did not calculate the adjustment effect of the deferred income tax by virtue of applying ISFR for the first time. In accordance with that what has been presented in the Group's consolidated financial statement prepared as of December 31, 2004, the accounting principle applied in 2003 and 2004 provided that at the Bank, bearing in mind balance and tax losses incurred in 2002 and 2003 and the uncertainty of settlement the surplus of asset item over the provision for the deferred tax in the nearest future, the assets by virtue of deferred tax are recognized only up to the amount of provision for the deferred tax. The above principle, which is conformable with IAS 12, will be further applied while preparing financial statements in accordance with ISFR.

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

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

PLN thousand

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

Table 2 – Adjustment ot the closing balance of the consolidated equity as of March 31, 2004 according to IAS

PLN thousand

| | | | |
|---|---|---|---|
| | **Consolidated equity as of March 31, 2004 according to Polish Accounting Standards** | **668 270** | |
| | *Including net result for current period* | | ***20 278*** |
| 1 | Adjustment by virtue of transforming to comparability financial data disclosed in accordance with Poish Accounting standards – settlement over time of commissions collected on promotional installment credits | -5 099 | *-5 099* |
| | **Equity as of March 31, 2004 according to Poish Accounting Standards after transformation to comparability** | **663 171** | ***15 179*** |
| | *Including net result for current period* | | |
| 2 | Adjustments by virtue of introducing IAS having an impact for undistributed result from previous years: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method not consolidated by applying full consolidation method and deconsolidation effect of entities considered as insignificant ones | 13 858 | - |
| b) | Recognition of permanent loss in value of investment in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permenent loss in value | -16 253 | - |
| | | -2 395 | |
| 3 | Adjustments by virtue of introducing IAS having an impact on net result of current period: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method in correspondence with the result of current period | 231 | *231* |
| b) | Reversal of goodwill amortization charged to 2004 profit and loss account according to Polish Accoutnig Standards | 4 753 | *4 753* |
| | | *4 984* | *4 984* |
| | Total IAS adjustments | 2 589 | *4 984* |
| | **Consolidated equity as of March 31, 2004 according to IAS** | **665 759** | |
| | *Including net result of current period* | | ***20 163*** |

Explanation of the adjustments to the consolidated equity as of January 1, 2004 and March 31, 2004

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

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

Moreover, the comparable data as of March 31, 2004 presenting the consolidated equity according to the Polish Accounting Standards were transformed in order to include the change of the Polish Accounting Standards principle (performed in the fourth quarter 2004) consisting in the settlement over time all fees and commissions collected on retail loans considered to be promotional ones. More details on the above may be found in chapter V item 1 of this report.

Table 3 – Presentation of significant reclassifications of the consolidated balance items in comparison with the data published in the first quarter 2004 according to the Polish Accounting Standards

PLN thousand

| | **ASSETS** | | **31.03.2004 Polish Accounting Standards** | **Adjustments** | **31.03.2004 ISFR** |
|---|---|---|---|---|---|
| I | Financial assets (*) | A | 7 646 020 | -10 224 | 7 635 796 |
| II | Receivables due from customers | B | 17 372 007 | -616 661 | 16 755 346 |
| III | Write-offs for permanent loss in value of receivables due from customers | C | -2 676 432 | -171 879 | -2 848 311 |
| IV | Capital investments | D | 61 439 | 22 236 | 83 675 |
| V | Intangible and legal assets and tangible fixed assets | E | 937 300 | -21 582 | 915 718 |
| VI | Assets by virtue of deferred income tax | F | 16 581 | 142 914 | 159 495 |
| VII | Goodwill | G | 51 252 | -3 782 | 47 470 |
| VIII | Other assets | B | 217 668 | -24 | 217 644 |
| | **TOTAL ASSETS** | | **23 625 835** | **-659 002** | **22 966 833** |

| | **LIABILITIES** | | **31.03.2004 Polish Accounting Standards** | **Adjustments** | **31.03.2004 ISFR** |
|---|---|---|---|---|---|
| I | Financial liabiities (**) | I | 21 698 891 | 5 750 | 21 704 641 |
| II | Provisions | H | 213 448 | -171 879 | 41 569 |
| III | Provision for deferred income tax | J | 3 173 | 142 120 | 145 293 |
| IV | Special funds and other liabilities | K | 1 010 955 | -632 482 | 378 473 |
| | OVERALL LIABILITIES | | 22 926 467 | -656 491 | 22 269 976 |
| V | TOTAL EQUITY | L | 699 368 | -2 511 | 696 857 |
| | **TOTAL LIABILITIES** | | **23 625 835** | **-659 002** | **22 966 833** |

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

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

Explanation of main reclassification adjustments to comparable data for the first quarter 2004:

| Adjustment in Assets | Amount PLN thousand | Title | Adjustment in Liabilities | Amount PLN thousand |
|---|---|---|---|---|
| B | -616 685 | Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest | K | -616 685 |
| C | -171 879 | Reversal of provision for general risk totally amounting to PLN 171,879 thousand and creation of the specific provisions (equal in total to the above amount) for credits in normal situation and watch and irregular credits | H | -171 879 |
| F | 142 120 | Presentation of assets and provisions by virtue of deferred income tax, where asset item and provision are presented separately – asset item in assets and provision in liabilities. | J | 142 120 |

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

| | | PLN thousand | |
|---|---|---|---|
| | **Consolidated equity as of December 31, 2004 according to Polish Accounting Standards** | **1 459 954** | |
| | *Including net result of current period* | | ***185 176*** |
| 1 | Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method not consolidated by full consolidation method and deconsolidation effect of entities considered as insignificant ones. | 13 858 | |
| b) | Recognition of permanent loss in value of investment in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permenent loss in value | -16 253 | |
| | | -2 395 | |
| 2 | Adjustments by virtue of introducing IAS having an impact on net result of current period: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method | -11 012 | *-11 012* |
| b) | Reversal of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 they are disclosed at purchase price decreased by permanent loss in value | 2 062 | *2 062* |
| c) | Reversal of goodwill amortization charged to 2004 profit and loss account according to Polish Accounting Standards | 13 247 | *13 247* |
| | | 4 297 | 4 297 |
| | Total IAS adjustments | 1 945 | *4 297* |
| | **Consolidated equity as of December 31, 2004 according to IAS** | **1 461 899** | |
| | *Including net result of current period* | | ***189 473*** |

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

The comments are the same as in the case of adjustments made as of January 1, 2004 and March 31, 2004.

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

PLN thousand

| | ASSETS | | 31.12.2004 Polish Accounting Standards | Adjustments | 31.12.2004 ISFR |
|---|---|---|---|---|---|
| I | Financial assets (*) | | 8 632 428 | 0 | 8 632 428 |
| II | Receivables due from customers | B | 14 625 465 | -616 113 | 14 009 352 |
| III | Write-offs for permanent loss in value of receivables due from customers | C | -2 551 158 | -146 877 | -2 698 035 |
| IV | Capital investments | D | 74 054 | 11 561 | 85 615 |
| V | Intangible and legal assets and tangible fixed assets | E | 587 992 | -16 291 | 571 701 |
| VI | Goodwill | G | 29 262 | 6 790 | 36 052 |
| VII | Assets by virtue of deferred income tax | F | 18 423 | 67 274 | 85 697 |
| VIII | Other assets | B | 254 265 | -21 | 254 244 |
| | **TOTAL ASSETS** | | **21 670 731** | **-693 677** | **20 977 054** |

| | LIABILITIES | | 31.12.2004 Polish Accounting Standards | Adjustments | 31.12.2004 ISFR |
|---|---|---|---|---|---|
| I | Financial liabilities (**) | I | 19 021 870 | 16 465 | 19 038 335 |
| II | Provision | H | 134 756 | -97 317 | 37 439 |
| III | Liabilities by virtue of deferred income tax | J | 10 048 | 67 274 | 77 322 |
| IV | Special funds and other liabilities | K | 1 044 103 | -682 044 | 362 059 |
| | OVERALL LIABILITIES | | 20 210 777 | -695 622 | 19 515 155 |
| V | EQUITY | L | 1 459 954 | 1 945 | 1 461 899 |
| | **TOTAL LIABILITIES** | | **21 670 731** | **-693 677** | **20 977 054** |

(*) i (**) – the same as in Table 3

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

| Adjustment in assets | Amount In PLN thousand | Title | Adjustment In liabilities | Amount In PLN thousand |
|---|---|---|---|---|
| B | -616 134 | Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest | K | -616 134 |
| C | -97 317 | This item primarily contains released provisions for general risk totally amounting to PLN 97,272 thousand and specific provisions established for credits in normal situation, watch and irregular credits totally equal to the amount specified above | H | -97 317 |
| C | -49 560 | Recognition of permanent loss in value of financial assets | L | -49 560 |
| F | 67 274 | Prezsntation of assets and provisions by virtue of deferred income tax, where asset item and provision are presented separately – asset item in assets and provision in liabilities. | J | 67 274 |

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

| | | PLN thousand |
|---|---|---|
| | **Consolidated equity as of January 1, 2005 according to Polish Accounting Standards** | **1 459 954** |
| 1 | Adjustments by virtue of introducing IAS disclosed in capital from revaluation wprowadzenia MSR ujęte w kapitale z aktualizacji wyceny: | |
| a) | Assessment in fair market value of debt securities reclassified from portfolio held until maturity to portfolio of assets available for sale | 2 726 |
| b) | Shifting of assessment of debt securities assessed in fair market value reclassified from portfolio of assets available for sale to portfolio of assets assessed in fair market value by profit and loss account | 25 539 |
| | | 28 265 |
| 2 | Adjustments by virtue of introducing IAS disclosed in undistributed result from previous years: | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method not consolidated by full consolidation method and deconsolidation effect of entities considered insignificant ones | 2 835 |
| b) | Recognition of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method and currently are disclosed at purchase cost | -14 191 |
| c) | Assessment in fair market value of Solaris and Wolny Obszar Gospodarczy (Free Economic Zone) reclassified from „capital investments" item to portfolio of assets available for sale | 13 281 |
| d) | Withdrawal of goodwill amortization disclosed in profit and loss account according to Polish Accounting Standards | 13 247 |
| e) | Shifting of assessment of debt securities assessed in fair market value reclassified from portfolio of assets available for sale to portfolio of assets assessed in fair market value by profit and loss account | -25 539 |
| f) | Reversal of provision for general risk | 84 168 |
| g) | Reversal of provision equal to 1.5% created for consumer credits in normal situation and watch credits | 20 982 |
| h) | Loss in value of credit receivables measured for individual exposures | -103 427 |
| i) | Loss in value of credit receivables portfolios | -263 296 |
| j) | Assessment of financial assets and liabilities disclosed according to amortized cost with application of effective interest rate | -94 544 |
| | | -366 484 |
| | Total IAS adjustments | -338 219 |
| | **Consolidated equity as of January 1, 2005 according to IAS** | **1 121 735** |

Explanation of adjustments to the consolidated equity as of January 1, 2005:

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

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

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

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

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

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

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

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

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

2h) – loss in value measured for individual credit exposures;

2i) – collective loss in value measured for homogeneous portfolios of credit receivables;

2j) – assessment of the financial assets and liabilities disclosed by the amortized cost applying the effective interest rate;

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

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

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

Table 8 – Adjustment of closing balanceof equity as of March 31, 2004 according to IAS

| | | PLN thousand | |
|---|---|---|---|
| | **Equity as of March 31, 2004 according to Polish Accounting Standards** | **668 270** | |
| | *Including net result of current period* | | ***20 278*** |
| 1 | Adjustment vy virtue of transforming financial data to comparability according to Polish Accounting Standards – settlement over time of commissions collected on promotional installment loans | -2 096 | *-2 096* |
| | **Equity as of March 31, 2004 according to Polish Accounting Standards after transformation to comparability** | **666 174** | |
| | *Including net result of current period* | | ***18 182*** |
| 2 | Adjustments by virtue of introducing IAS disclosed in capital from revaluation: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method in correspondence with capital from revaluation | 3 229 | - |
| | | 3 229 | |
| 3 | Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method | 409 984 | - |
| b) | Recognition of permanent loss in value of investments in shares of subsidiares that were assessed by ownership rights method, and according to IAS 27 are disclosed at purchase price decreased by permanent loss in value | -402 400 | - |
| | | 7 584 | |
| 4 | Adjustments by virtue of introducing IAS having an impact on net result of current period: | | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method in correspondence with result of current period | -5 676 | *-5 676* |
| b) | Reversal of loss in value of capital investments in stock and shares of subsidiaries disclosed at purchase price | 6 550 | *6 550* |
| | | *874* | *874* |
| | Total IAS adjustments | 11 687 | *874* |
| | **Equity as of March 31, 2004 accoarding to IAS** | **677 861** | |
| | *Including net result of current period* | | ***19 056*** |

Explanation of adjustments to equity as of 01.01.2004 oraz 31.03.2004

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

Moreover, comparable data as of March 31, 2004 related to Bank's equity were transformed in order to take into account the change in the accounting principle of the Polish Accounting Standards (performed in fourth quarter 2004) consisting in settling over time all fees and commissions collected on retail credits considered promotional ones. More details on the above may be found in section V item 1 of this report.

Table 9 – Presentation of significant reclassifications of balance sheet items in comparison withdata published according to the Polish Accounting Standards for the first quarter 2004

PLN thousand

| | **ASSETS** | | **31.03.2004 Polish Accounting Standards** | **Adjustments** | **31.03.2004 ISFR** |
|---|---|---|---|---|---|
| I | Financial assets (*) | | 7 438 507 | 0 | 7 438 507 |
| II | Receivables due from customers | A | 16 990 320 | -616 661 | 16 373 659 |
| III | Write-offs for permanent loss in value of receivables due from customers | B | -2 467 718 | -234 704 | -2 702 422 |
| IV | Capital investments | C | 265 625 | -24 265 | 241 360 |
| V | Intangible and legal assets and tangible fixed assets | D | 749 170 | -21 582 | 727 588 |
| VI | Assets by virtue of deferred income tax | E | 0 | 142 210 | 142 210 |
| VII | Other assets | A | 151 962 | -21 | 151 941 |
| | **TOTAL ASSETS** | | **23 127 866** | **-755 023** | **22 372 843** |

| | **LIABILITIES** | | **31.03.2004 Polish Accounting Standards** | **Adjustments** | **31.03.2004 ISFR** |
|---|---|---|---|---|---|
| I | Financial liabilities (**) | | 21 019 548 | 0 | 21 019 548 |
| II | Provisions | F | 311 467 | -270 656 | 40 811 |
| III | Provision by virtue of deferred income tax | G | 708 | 142 210 | 142 918 |
| IV | Special funds and other liabilities | H | 1 127 873 | -636 168 | 491 705 |
| | OVERALL LIABILITIES | | 22 459 596 | -764 614 | 21 694 982 |
| V | OVERALL EQUITY | J | 668 270 | 9 591 | 677 861 |
| | **TOTAL LIABIITIES** | | **23 127 866** | **-755 023** | **22 372 843** |

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

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

## Explanation of reclassification adjustments to comparable data for the first quarter 2004:

| Adjustment in assets | Amount PLN thousand | Title | Adjustment in liabilities | Amount PLN thousand |
|---|---|---|---|---|
| A | -616 682 | Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest | H | -616 682 |
| B | -171 879 | Reversal of provision for general risk totally amounting to PLN 171,879 thousand and creation of specific provisions for credits in normal situation watch and irregular credits totally amounting to the specified amount | F | -171 879 |
| B | -62 825 | Recognition of permanent loss in value for capital investments in the amount exceeding purchase price of shares of subsidiaries: the surplus of permanent value is charged to credits granted these entities. | J | -62 825 |
| C | -24 265 | Withdrawal of subsidiaries assessment by ownership rights method and repeated application of purchase price with recognition of permanent loss in value of investment | J | -24 265 |
| D | -21 582 | Setting off assets and liabilities by virtue of settlement of investment in fixed assets | H | -21 582 |
| E | 142 210 | Presentation of assets and provisions by virtue of deferred income tax, where asset item and provision are presented separately – asset item in assets and provision in liabilities. | G | 142 210 |
| | | Transforming of financial data to comparability by virtue of deferred settlement over time of commissions collected on installment loans considered promotional ones | H<br>J | 2 096<br>-2 096 |
| | | Withdrawal of negative assessment of subsidiries assessed according to Polish Accounting Standards by ownership rights mehtod | F<br>J | -98 777<br>98 777 |
| **Total** | **-755 023** | | | **-755 023** |
| | | *Including total adjustment of equity* | *J* | ***9 591*** |

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

| | | PLN thousand | |
|---|---|---|---|
| | **Equity as of 31.12.2004 according to Polish Accounting Standards** | **1 459 954** | |
| | *Including net result for current period* | | ***185 176*** |
| 1 | Adjustments by virtue of introducing IAS having an impact on capital from revaluation: | | |
| a) | Withdrawal of assessment of subsidiaries by ownership rights method | 285 | - |
| | | 285 | |
| 2 | Adjustments by virtue of introducing IAS having an impact on undistributed result from previous years: | | |
| a) | Withdrawal of assessment of subsidiaries by ownership rights method | 409 984 | - |
| b) | Recognition of permanent loss in value of investments in shares of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed according to purchase price decrease by permanent loss in value | -402 400 | - |
| | | 7 584 | |
| 3 | Adjustments due to introducing IAS having an impact on net result of current period: | | |
| a) | Withdrawal of assessment of subsidiaries by ownership rights method | -71 090 | *-71 090* |
| b) | Reversal of loss in value of capital investments in stock and shaes disclosed according to purchase price | 45 075 | *45 075* |
| | | -26 015 | -26 015 |
| | Total IAS adjustments | -18 101 | *-26 015* |
| | **Equity as of 31.12.2004 according to IAS** | **1 441 853** | |
| | *Including net result of current period* | | ***159 161*** |

Explanation to adjustments of equity as of December 31, 2004

With respect to disclosing investments in stock and shares of subsidiaries, the adjustment of equity was performed similarly as in the case of adjustments of equity as of January 1, 2004 and March 31, 2004 (basing on the same stipulation in IAS 27).

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

PLN thousand

| | **AKTYWA** | | **31.12.2004 Polish Accounting Standards** | **Adjustments** | **31.12.2004 ISFR** |
|---|---|---|---|---|---|
| I | Financial assets (*) | | 8 602 189 | 0 | 8 602 189 |
| II | Receivables due from customers | A | 14 669 866 | -665 718 | 14 004 148 |
| III | Write-offs for permanent loss in value of receivables due from customers | B | -2 396 110 | -146 877 | -2 542 987 |
| IV | Capital investments | C | 231 038 | -54 945 | 176 093 |
| V | Intangible and legal assets and tangible fixed assets | D | 515 884 | -16 291 | 499 593 |
| VI | Assets by virtue of deferred income tax | E | 0 | 67 274 | 67 274 |
| VII | Other assets | A | 184 993 | -21 | 184 972 |
| | **TOTAL ASSETS** | | **21 807 860** | **-816 578** | **20 991 282** |

| | **LIABILITIES** | | **31.12.2004 Polish Accounting Standards** | **Adjustments** | **31.12.2004 ISFR** |
|---|---|---|---|---|---|
| I | Financial liabilities (**) | | 19 116 613 | 0 | 19 116 613 |
| II | Provision | F | 220 259 | -183 721 | 36 538 |
| III | Liabilities by virtue of deferred income tax | G | 0 | 67 274 | 67 274 |
| IV | Special funds and other liabilities | H | 1 011 034 | -682 030 | 329 004 |
| | OVERALL LIABILITIES | | 20 347 906 | -798 477 | 19 549 429 |
| V | EQUITY | J | 1 459 954 | -18 101 | 1 441 853 |
| | **TOTAL LIABILITIES** | | **21 807 860** | **-816 578** | **20 991 282** |

(*) i (**) – jas in the Table 9

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

| **Adjustment in assets** | **Amount PLN thousand** | **Title** | **Adjustment in liabilities** | **Amount PLN thousand** |
|---|---|---|---|---|
| A | -665 739 | Setting off interest accrued on irregular receivables due from financial and non-financial customers with deferred interest | H | -665 739 |
| B | -97 272 | Reversal of provision for general risk totally amounting to PLN 97,272 thousand and creation of specific provisions for credits in normal situation, watch and irregular credits totally amounting to the specified amount | F | -97 272 |

| | | | | |
|---|---|---|---|---|
| B | -49 605 | Recognition of permanent loss in value for capital investments in the amount exceeding purchase price of shares of subsidiaries: the surplus of permanent value is charged to credits granted these entities. | J | -49 605 |
| C | -54 945 | Withdrawal of subsidiaries assessment by ownership rights method and repeated application of purchase price with recognition of permanent loss in value of investment | J | -54 945 |
| D | -16 291 | Setting off assets and liabilities by virtue of investment in fixed assets | H | -16 291 |
| E | 67 274 | Presentation of assets and provisions by virtue of deferred income tax, where asset item and provision are presented separately – asset item in assets and provision in liabilities. | G | 67 274 |
| | | Withdrawal of negative assessment of subsidiries assessed according to Polish Accounting Standards by ownership rights mehtod | F<br>J | -86 404<br>86 404 |
| **Total** | **-816 578** | | | **-816 578** |
| | | *Including total adjustment of equity* | J | ***-18 101*** |

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

| | | PLN thousand |
|---|---|---|
| | **Equity as of January 1, 2005 according to Polish Accounting Standards** | **1 459 954** |
| 1 | Adjustments by virtue of introducing IAS disclosed in capital from revaluation | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method in correspondence with capital from revaluation | 285 |
| b) | Assessment of debt securities in fair market value reclassified from portfolio held until maturity to portfolio of assets available for sale | 2 726 |
| c) | Shifting of assessment of debt securities assessed in fair market value reclassified from the portfolio of assets available for sale to portfolio of assets assessed in fair market value by profit and loss account | 25 539 |
| | | 28 550 |
| 2 | Adjustments by virtue of introducing IAS disclosed in undistributed result from previous years: | |
| a) | Withdrawal of subsidiaries assessment by ownership rights method | 338 894 |
| b) | Recognition of permanent loss in value of investments in shaes of subsidiaries that were assessed by ownership rights method, and according to IAS 27 are disclosed by purchase price decreased by permanent loss in value | -380 919 |
| c) | Assessment of Solaris and Wolny Obszar Gospodarczy in fair market value reclassified from „capital investments" item to portfolio of assets available for sale | 13 281 |
| d) | Shifting of assessment of debt securities assessed in fair market value reclassified from portfolio of assets available for sale to portfolio of assets assessed in fair market value by the profit and loss account | -25 539 |
| e) | Reversal of provisions for general risk | 84 212 |
| f) | Reversal of provision equal to 1.5% created for consumer credits in normal situation and watch credits | 20 937 |
| g) | Loss in value of credit receivables measured for individual exposures | -102 239 |
| h) | Loss in value of credit receivables portfolios | -255 951 |
| i) | Assessment of financial assets and liabilities disclosed according to amortized cost with application of effective interest rate | -74 120 |
| | | -381 444 |
| | Total IAS adjustments | -352 895 |
| | **Equity as of January 1, 2005 according to IAS** | **1 107 059** |

Explanation to adjustments of equity as of January 1, 2005

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

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

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

The Ordinary General Assembly of Kredyt Bank S.A. convened on April 25, 2005 was the most important event that had an impact on the Group's activity after the end of the first quarter 2005. The General Assembly took decisions on the 2004 profit distribution and the allocation of the supplementary capital and the general risk fund to cover the losses from previous years.

It was decided that the loss from previous years, disclosed in the financial statement of Kredyt Bank S.A., amounting to PLN 588.9 million will be covered in the following manner:

- the amount of PLN 185.2 million will be covered in full from the 2004 entire net profit,
- the amount of PLN 350.9 million will be covered from the supplementary capital,
- the amount of PLN 52.8 million will be covered from the general risk fund.

Furthermore, the General Assembly of Kredyt Bank S.A. passed resolutions concerning, among other, the following issues:

- approving the Bank's and the Group's 2004 financial statements,
- amendments to the Bank's by-laws,
- applying the Corporate Governance principles at the Bank ("Best practices in the listed companies 2005"),
- appointment of the Bank's Supervisory Board,
- preparing the Bank's financial statements in accordance with the International Accounting Standards.

## VIII. Changes in conditional liabilities or conditional assets

The essential change that took place in the first quarter of 2005 with respect to the Group's conditional liabilities consisted in a significant decrease in the value of conditional liabilities granted (by PLN 593,218 thousand as of March 31, 2005 as compared with December 31, 2004). The above resulted from advance repayment of 83.3% of a loan (i.e. EURO 150 million) effected on January 7, 2005 by Kredyt International Finance BV (subsidiary 100% owned by the Bank). The said loan was granted by KBC Bank NV Dublin Branch in October 2002. In connection with the transaction the Bank decreased the guarantee amount securing the repaid loan.

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

| OFF-BALANCE SHEET ITEMS (PLN thousand) | 31.03.2005 end of first quarter 2005 | 31.12.2004 end of fourth quarter 2004 |
|---|---|---|
| **I. Off-balance sheet conditional liabilities granted and received** | 5 373 546 | 5 771 653 |
| **1. Liabilities granted:** | 4 542 041 | 5 256 655 |
| **a) financial** | 1 964 483 | 2 085 879 |
| **b) guarantee** | 2 577 558 | 3 170 776 |
| **2. Liabilities received:** | 831 505 | 514 998 |
| **a) financial** | 347 135 | 51 707 |
| **b) guarantee** | 484 370 | 463 291 |
| **II. Liabilities related to execution of purchase/sale operations** | 67 730 468 | 31 099 032 |
| **III. Other (by virtue of):** | 3 582 739 | 3 649 245 |
| **- collateral received** | 3 582 735 | 3 649 150 |
| **- other** | 4 | 95 |
| **Total off balance sheet items** | **76 686 753** | **40 519 930** |

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

As of March 31, 2005 in comparison with December 31, 2004 no changes occurred in the shareholders' structure who hold directly or indirectly through the subsidiaries over 5% participation in the share capital of the Controlling Entity as well as over 5% of votes at GAS.

| Shareholder | *Scope of activity* | Number of shares and votes at GAS | Participation in votes and capital (%) |
|---|---|---|---|
| KBC Bank N.V.* | Banking | 232 341 875 | 85,53 |

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

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

The Bank's share capital as of March 31, 2005 was equal to PLN 1,358,294,400 and was divided into 271,658,880 shares, nominal value of each share equal to PLN 5.00, which includes 271,582,105 bearer shares and 76,775 registered shares. In comparison with December 31, 2004 the Bank's share capital did not change. In result of conversions of the Bank's registered shares into berarer shares performed until March 31, 2005 by the National Securities Deposit the number of registered shares decreased by 2,926 and the number of bearer shares increased by 2,926 in comparison with December 31, 2004.

As of March 31, 2005 there are 271,582,105 bearer shares traded on the primary market of the Warsaw Stock Exchange.

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

As of March 31, 2005 in comparison with December 31, 2004 no changes occurred in the stakes of the Bank's shares as well as the stakes of shares and stock in subsidiaries and affiliates owned by the Bank's Management Board and the Supervisory Board Members.

## XI. Information on proceedings before courts or public administration authority

In those cases where the Bank's is a plaintiff, the value of PLN 131,800 thousand regarding the combined liabilities claimed from Salesian Society in Wrocław is the highest from among the Bank's claims in connection with the non-repayment of the lombard loans granted by the Bank in 2001 (the suits were filled by the Bank in November and December 2001).

In those court cases, where the Bank is a defendant, the cases where the amounts claimed are the highest are as follows:

1) Plaintiff: Plasma Fractionating Laboratory Co. Ltd. (LFO) – claiming for payment of indemnity – by the reason of termination of a credit agreement equal to PLN 119,477 thousand. The suit was filed on June 18, 2003. The Bank is of the opinion that the LFO Sp. z o.o. claims are deprived of the actual and legal basis. On March 16, 2005 the court rejected the suit of LFO Sp. z o.o. – the verdict is not valid.
2) Plaintiff: Plasma Fractionating Laboratory Co. Ltd. (LFO) – claiming to deprive the enforceability clause of the executory title (the suit was filed on January 6, 2005). The value of the object of the dispute is equal to PLN 102,154 thousand (for all syndicate members, the amount falling on to the Bank is equal to PLN 6,770 thousand). The lawsuit is pending.
3) Plaintiff: Receiver in bankruptcy of the bankrupt's estate of company active in developer's sector (as applied for the name of the company is treated as confidential) claiming for payment of indemnity equal to PLN 32,256 thousand by the reason of effecting by the Bank financial orders from the company's account on basis of bank transfers and checks bearing a forged signature of one of the persons entitled to represent the company towards the Bank (the suit was filed on February 6, 2004). The Bank applied to entirely reject the suit stating that the receiver's in bankruptcy claims are prescribed. Moreover, the Bank is of the opinion the claims listed in the suit not justified and deprived of legal grounds since the company did not incur a loss in connection the performing by the Bank financial settlements. The Bank may not be held responsible for executing the company's financial orders. The hearing took place on September 30, 2004. At the next hearing held on January 13, 2005 the court suspended the proceedings until legal proceeding is completed. The Bank is continuously claiming that the receiver's in bankruptcy demands are prescribed.
4) Due to the extra-judicial compromise concluded on April 13, 2005 between Kredyt Bank S.A. and Centrum Leasingu I Finansów CLIF S.A. a suit claiming for payment of compensation equal to PLN 75,400 thousand by the reason of termination credit agreements to finance leasing activity (suit of May 19, 2003). The compromise concluded on April 13, 2005 provides for all disputable issues and ultimately sets off mutual claims. Pursuant to the said compromise CLIF S.A. is a party entitled to the receivables arising from leasing agreements and at present is the owner of the leased objects. The Parties made efforts to amicably settle the dispute, primarily taking into

account the lessees' own good. The adopted arrangements as well as the financial terms of the compromise are satisfactory for the Bank.

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

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

On January 6, 2005 Kredyt Lease S.A. (the Bank's subsidiary) concluded two transactions on the sale of real estate to the Bank's benefit and the value of each transaction exceeded PLN equivalent of EURO 500 thousand. Total value of these transactions was equal to PLN 12,673.4 thousand.

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

The specification below presents those exposures by virtue of guarantees or sureties of credits and loans granted by the Bank its subsidiary: Kredyt International Finance BV (KIF BV) as of March 31, 2005, where 10% of the Bank's own funds were exceeded.

| Lp. | Customer's name | Amount of surety/ guarantee in foreign currency | Amount of surety/ guarantee in PLN | Date of issuance | Valid until |
|---|---|---|---|---|---|
| 1. | KIF BV | 30.000 tys. EUR | 122.511 | 7.10.2002 | 28.06.2007 |
| 2. | KIF BV | 200.000 tys. CHF | 526.820 | 7.10.2002 | 1.10.2006 |
| 3. | KIF BV | 150.000 tys. EUR | 612.555 | 28.11.2002 | 22.02.2007 |
| | **TOTAL** | | **1.261.886** | | |

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

# Financial statement of Kredyt Bank S.A. Group

| BALANCE SHEET | | as at 31.03.2005 / IQ 2005 | as at 31.12.2004 / IVQ 2004 | as at 31.03.2004 / IQ 2004 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| I | Cash, operations with the Central Bank | 421 460 | 1 512 591 | 711 514 |
| II | Debt securities eligible for refinancing with the Central Bank | 0 | 0 | 0 |
| III | Receivables due from banks | 3 730 350 | 2 699 554 | 2 178 268 |
| IV | Financial assets available for trading | 528 083 | 527 835 | 807 378 |
| V | Financial assets available for sale | 2 704 968 | 2 399 852 | 2 125 073 |
| VI | Receivables due from clients | 13 767 479 | 13 862 475 | 16 583 467 |
| VII | Impairement on receivables due from clients | -2 985 285 | -2 551 158 | -2 676 432 |
| VIII | Financial assets held to maturity | 1 885 923 | 1 492 596 | 1 813 563 |
| IX | Investments in subsidiaries | 45 588 | 85 615 | 83 675 |
| X | Intangible fixed assets | 131 259 | 140 187 | 174 095 |
| XI | Goodwill | 36 052 | 36 052 | 47 470 |
| XII | Tangible fixed assets | 407 487 | 431 514 | 741 623 |
| XIII | Deferred income tax assets | 257 191 | 85 697 | 159 495 |
| XIV | Other assets | 242 613 | 254 244 | 217 644 |
| **TOTAL ASSETS** | | **21 173 168** | **20 977 054** | **22 966 833** |

| | | | | |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| I | Liabilities due to Central Bank | 0 | 0 | 0 |
| II | Liabilities from banks | 3 117 359 | 3 007 090 | 5 374 231 |
| III | Liabilities from customers | 14 078 551 | 14 061 105 | 14 863 232 |
| IV | Liabilities relating to sold securities with repurchase promise | 762 772 | 718 772 | 0 |
| V | Liabilities relating to issuance of own securities | 409 384 | 418 150 | 341 857 |
| VI | Other liabilities relating to financial instruments | 276 676 | 233 932 | 348 265 |
| VII | Subordinated liabilities | 608 105 | 599 286 | 777 056 |
| VIII | Provision for deferred income tax | 243 685 | 77 322 | 145 293 |
| IX | Provisions | 11 255 | 37 439 | 41 569 |
| X | Special funds and other liabilities | 447 773 | 362 059 | 378 473 |
| **TOTAL LIABILITIES** | | **19 955 560** | **19 515 155** | **22 269 976** |
| | **Equity held by shareholders** | **1 217 608** | **1 461 899** | **665 759** |
| XI | Share capital | 1 358 294 | 1 358 294 | 1 056 451 |
| XII | Share capital called, not paid (a negative figure) | 0 | 0 | 0 |
| XIII | Supplementary capital | 350 940 | 350 910 | 1 019 988 |
| XIX | Other capital | 184 451 | 154 497 | 192 463 |
| | - reserve capital | 173 779 | 173 779 | 235 779 |
| | -foreign exchange differences from conversion of subsidiaries | -281 | -285 | -3 219 |
| | -capital from revaluation | 10 953 | -18 997 | -40 097 |
| XX | Net profit (or loss) from previous years | -770 231 | -591 275 | -1 623 306 |
| XXI | Net profit (or loss) | 94 154 | 189 473 | 20 163 |
| XXII | Equity held by minority shareholders | 0 | 0 | 31 098 |
| | | | | |
| **TOTAL EQUITY** | | **1 217 608** | **1 461 899** | **696 857** |
| **TOTAL EQUITY AND LIABILITIES** | | **21 173 168** | **20 977 054** | **22 966 833** |

| | | | |
|---|---|---|---|
| **Capital adequacy ratio** | **13,49** | **14,72** | **9,15** |
| **Book value** | **1 217 608** | **1 461 899** | **696 857** |
| **Number of shares outstanding** | **271 658 880** | **271 658 880** | **211 290 240** |
| **Book value per 1 share (in PLN)** | **4,48** | **5,38** | **3,30** |
| **Diluted number of shares** | **271 658 880** | **271 658 880** | **211 290 240** |
| **Diluted book value per 1 share (in PLN)** | **4,48** | **5,38** | **3,30** |

| OFF-BALANCE | | as at 31.03.2005 / IQ 2005 | as at 31.12.2004 / IVQ 2004 | as at 31.03.2004 / IQ 2004 |
|---|---|---|---|---|
| I | Off-balance sheet contingent liabilities | 5 373 546 | 5 771 653 | 9 392 747 |
| | Liabilities granted: | 4 542 041 | 5 256 655 | 5 469 247 |
| | a) related to financing | 1 964 483 | 2 085 879 | 2 182 258 |

| | | | | |
|---|---|---|---|---|
| | b) related to guarantees | 2 577 558 | 3 170 776 | 3 286 989 |
| | Liabilities received: | 831 505 | 514 998 | 3 923 500 |
| | a) related to financing | 347 135 | 51 707 | 44 567 |
| | b) related to guarantees | 484 370 | 463 291 | 3 878 933 |
| II | Liabilities connected with purchase/sale transactions | 67 730 468 | 31 099 032 | 80 542 219 |
| III | Other, including: | 3 582 739 | 3 649 245 | 7 127 420 |
| | - collaterals received | 3 582 735 | 3 649 150 | 7 127 325 |
| | - liabilities by virtue of leasing agreements | 4 | 95 | 95 |
| **TOTAL OFF- BALANCE SHEET ITEMS** | | **76 686 753** | **40 519 930** | **97 062 386** |

| PROFIT AND LOSS ACCOUNT | | I Q 2005 31.03.2005 / IQ 2005 | I Q 2004 31.12.2004 / IVQ 2004 |
|---|---|---|---|
| I | Interest income | 360 360 | 332 483 |
| II | Interest expense | -186 563 | -164 151 |
| III | Net interest income(I - II) | 173 797 | 168 332 |
| IV | Commissions earned | 78 263 | 123 455 |
| V | Commissions paid | -9 149 | -11 558 |
| VI | Net commissions (IV - V) | 69 114 | 111 897 |
| VII | Net income from sold products and goods | 730 | 3 293 |
| VIII | Income on shares, other securities and other financial instruments of variable income | 787 | 154 |
| IX | Result on financial operations | 5 787 | 48 222 |
| X | Result on foreign exchange operations | 32 093 | -22 313 |
| **XI** | Result on banking activity | 282 308 | 309 585 |
| XII | Other operating income | 11 319 | 16 362 |
| XIII | Other operating expense | -2 225 | -16 248 |
| XIV | Costs of the Bank's functioning | -184 694 | -223 471 |
| XV | Depreciation of fixed assets and intangible fixed assets | -35 484 | -43 636 |
| XVI | Provisions written-off and revaluation | -226 725 | -591 035 |
| XVII | Reversal of provisions and revaluation | 253 547 | 572 194 |
| XVIII | Net provisions and revaluation | 26 822 | -18 841 |
| XIX | Result from operating activities | 98 046 | 23 751 |
| **XX** | Gross profit (or loss) | **98 046** | **23 751** |
| XXI | Corporate income tax | -3 892 | -2 820 |
| XXII | Other obligatory decrease of profit (increase of loss) | 0 | 0 |
| XXIII | Participation of subsidiaries in net profit (or loss) evaluated by ownership rights method | 0 | 1 |
| XXIV | Profit (or loss) of minority shareholders | 0 | -769 |
| **XXV** | **Net profit (loss)** | **94 154** | **20 163** |

-

| | | |
|---|---|---|
| **Net profit (or loss) (for 12 months)** | **263 464** | **-1 567 306** |
| **Average weighed number of ordinary shares** | **243 783 743** | **211 290 240** |
| **Profit (or loss) per 1 ordinary share (in PLN)** | **1,08** | **-7,42** |
| **Diluted average weighed number of ordinary shares** | **243 783 743** | **211 290 240** |
| **Diluted profit (loss) per 1 ordinary share (in PLN)** | **1,08** | **-7,42** |

| BREAKDOWN OF CHANGES IN THE BANK'S EQUITY | | IQ 2005 period from 01.01.2005 to 31.03.2005 | IQ 2004 period from 01.01.2004 to 31.03.2004 |
|---|---|---|---|
| I | Equity - opening balance according to Polish Accounting Standars | 1 459 954 | 644 481 |
| | Adjustments - first time using IFRS | -338 219 | -2 395 |
| I.a | Equity - opening balance according to IFRS | 1 121 735 | 642 086 |
| **1** | **1. Share capital - opening balance** | 1 358 294 | 1 056 451 |
| **1** | **Share capital - closing balance** | **1 358 294** | **1 056 451** |
| 2 | Supplementary capital - opening balance | 350 910 | 1 020 023 |
| | Changes in the supplementary capital | 30 | -35 |
| | a) increases (due to) | 35 | 6 |
| | - sale of fixed assets | 35 | 6 |
| | b) decreases (due to) | 5 | 41 |
| | - costs of shares issue | 5 | 41 |
| **2** | **Supplementary capital - closing balance** | **350 940** | **1 019 988** |
| 3 | Capital from revaluation - opening balance according to Polish Accounting Standars | -18 997 | -41 423 |

| | | | |
|---|---|---|---|
| | Adjustments - first time using IFRS | 28 265 | 0 |
| 3 | Capital from revaluation - opening balance according IFRS | 9 268 | -41 423 |
| | Changes in the supplementary capital | 1 685 | 1 326 |
| | a) increase (due to) | 1 720 | 1 332 |
| | - due to evaluation of financial assets | 1 720 | 1 154 |
| | - by virtue of foreign exchange differences arising from conversion of foreign branches | 0 | 178 |
| | b) decreases (due to) | 35 | 6 |
| | - sale of fixed assets | 35 | 6 |
| | - due to evaluation of financial assets | 0 | 0 |
| **3** | **Capital from revaluation - closing balance** | **10 953** | **-40 097** |
| 4 | **General banking risk fund - opening balance** | 173 779 | 173 779 |
| **4** | **General banking risk fund - closing balance** | **173 779** | **173 779** |
| 5 | **Other items of the remaining reserve capitals (funds) - opening balance** | 0 | 62 000 |
| **5** | **Other items of the remaining reserve capitals - closing balance** | **0** | **62 000** |
| **6** | **Foreign exchange differences from conversion of subsidiaries** | **-281** | **-3 219** |
| 7 | Profit/loss related to previous years - opening balance according to Polish Accounting Standars | -403 747 | -1 620 911 |
| 7.1 | Adjustments - first time using IFRS | 185 176 | 0 |
| | Profit/loss related to previous years - opening balance according to IFRS | 4 297 | 0 |
| 7.2 | Profit related to previous years - opening balance according to Polish Accounting Standars | 189 473 | -1 620 911 |
| 7.3 | Adjustments - first time using IFRS | **189 473** | **-1 620 911** |
| 7.4 | Profit related to previous years - closing balance according to IFRS | -588 923 | -1 620 911 |
| | Loss related to previous years - opening balance according to Polish Accounting Standars | -370 781 | -2 395 |
| 7.5 | Adjustments - first time using IFRS | -959 704 | -1 623 306 |
| 7.6 | Loss related to previous years - closing balance according to IFRS | **-959 704** | **-1 623 306** |
| **7.7** | **Profit (loss) related to previous years - closing balance** | **-770 231** | **-1 623 306** |
| **8** | **Net profit** | 94 154 | 20 163 |
| **II.** | **Equity - closing balance** | **1 217 608** | **665 759** |

| | CASH FLOW STATEMENT | period from 01.01.2005 to 31.03.2005 | period from 01.01.2004 to 31.03.2004 |
|---|---|---|---|
| A | **NET CASH FLOWS FROM OPERATING ACTIVITY - indirect method** | **823 767** | **1 166 308** |
| **I** | **Net profit/loss** | **94 154** | **20 163** |
| **II** | **Total adjustments:** | **729 613** | **1 146 145** |
| 1 | Profit (loss) of minority shareholders | 0 | 769 |
| 2 | Participation in (profit) loss of entities under consolidation by ownership rights method | 0 | -1 |
| 3 | Depreciation | 35 484 | 43 636 |
| 4 | Foreign exchange gains/losses | -1 572 | 18 132 |
| 5 | . Interest and dividend | -42 782 | -9 310 |
| 6 | Profit/loss from investment activity | 9 039 | -3 213 |
| 7 | Change in reserves | -12 818 | 12 228 |
| 8 | Change in stock | -78 | 153 |
| 9 | Change in debt securities | 876 318 | 77 103 |
| 10 | Change in receivables from banks | -155 154 | -888 201 |
| 11 | Change in receivables from clients | 100 911 | 740 186 |
| 12 | Change in shares and other securities and other financial assets | -14 317 | 123 057 |
| 13 | Change in liabilities due to banks | 345 628 | 1 337 270 |
| 14 | Change in liabilities due to clients | -613 730 | -256 543 |
| 15 | Change in liabilities related to sold securities with repurchase promise | 45 332 | 0 |
| 16 | Change in other liabilities | 168 823 | -18 816 |
| 17 | Change in accruals and prepayments | -4 707 | -14 171 |
| 18 | Change in income to be received and in deferred income | -11 540 | 1 157 |

| | | | |
|---|---|---|---|
| 19 | Other adjustments | 4 776 | -17 291 |
| | **Net cash flows from operating activity - indirect method (I+/-II)** | **823 767** | **1 166 308** |
| **B** | **NET CASH FLOW FROM INVESTEMENT ACTICIVITY (I-II)** | **-1 426 727** | **57 815** |
| **I** | **Inflows from investment activities** | **11 263 378** | **464 603** |
| 1 | Sale of shares in other entities, other securities and other financial assets | 11 226 115 | 458 433 |
| 2 | Sale of intangible fixed assets and tangible fixed assets | 35 886 | 5 777 |
| 3 | Sale of real estate investment and intangible fixed assets | 0 | 381 |
| 4 | Other investment income | 1 377 | 12 |
| **II** | **Outflows related to investments activities** | **12 690 105** | **406 788** |
| 1 | Purchase of shares in subsidiaries | 10 317 | 0 |
| 2 | Purchaseof shares in other entities, other securities and other financial assets | 12 643 755 | 366 931 |
| 3 | Purchase of intangible fixed assets and tangible fixed assets | 35 581 | 37 189 |
| 4 | Other investment expeditures | 452 | 2 668 |
| | **Net cash flows from investment activity(I-II)** | **(1 426 727)** | **57 815** |
| **C.** | **NET CASH FLOW FROM FINANCIAL ACTICIVITIES (I-II)** | **-225 276** | **-720 617** |
| **I** | **Inflows from financial activities** | **-** | **4 987** |
| 1 | Contracting long-term credits with banks | 0 | 397 |
| 2 | Issuance of debt securities | 0 | 4 075 |
| 3 | Other financial income | 0 | 515 |
| **II** | **Outflows related to financial activities** | **225 276** | **725 604** |
| 1 | Long-term credits repaid to banks | 194 700 | 80 |
| 2 | Redemption of securities | 0 | 719 222 |
| 3 | Financial leasing liabilities paid | 66 | 76 |
| 4 | Other financial expenditures | 30 510 | 6 226 |
| 5 | **Net cash flows from financial activity (I-II)** | **(225 276)** | **(720 617)** |
| **D.** | **TOTAL NET CASH FLOWS (A+/-B+/-C)** | **-828 236** | **503 506** |
| **E.** | **CHANGE IN CASH DISCLOSED IN BALANCE SHEET** | **-828 236** | **503 506** |
| | **- including change in cash related to foreign exchange differences** | 0 | 0 |
| **F.** | **CASH - OPENING BALANCE** | **4 031 523** | **2 140 262** |
| **G.** | **CASH - CLOSING BALANCE (F+/- D), including:** | **3 203 287** | **2 643 768** |
| | **-of the limited availability** | **534 422** | **625 008** |

## Financial Statment of Kredyt Bank

| BALANCE SHEET | | as at IQ 2005 | as at IVQ 2005 | as at IQ 2004 |
|---|---|---|---|---|
| ASSETS | | | | |
| I | Cash, operations with the Central Bank | 421 440 | 1 512 560 | 677 630 |
| II | Debt securities eligilble for refinancing with the Central Bank | - | - | - |
| III | Receivables due from banks | 3 730 273 | 2 699 473 | 2 017 259 |
| IV | Financial assets designed at fair value through profit or lost including: financial assetts available for trading | 528 083 | 527 835 | 804 745 |
| V | Financial assets available for sale | 2 704 380 | 2 399 650 | 2 159 334 |
| VI | Receivables due from customers | 13 802 602 | 14 003 848 | 16 373 659 |
| VII | Impairment on receivables due from customers | - 2 825 281 | - 2 542 687 | - 2 702 422 |
| VIII | Financial assets held until maturity | 1 855 500 | 1 462 671 | 1 779 539 |
| IX | Capital investments | 125 744 | 176 093 | 241 360 |
| X | Intangible fixed assets, including: | 129 988 | 138 720 | 167 535 |
| XI | Tangible fixed assets | 367 280 | 360 873 | 560 053 |
| XII | Related to deferred income tax | 231 682 | 67 274 | 142 210 |
| XIII | Other assets | 143 676 | 184 972 | 151 941 |
| **TOTAL ASSETS** | | **21 215 367** | **20 991 282** | **22 372 843** |

| | | | | |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| I | Liabilities due to Central Bank | - | - | - |
| II | Liabilities due to banks | 1 852 134 | 1 125 115 | 3 114 538 |
| III | Liabilities due to customers | 15 518 530 | 16 021 358 | 16 442 076 |
| IV | Liabilities relating to sold securities with repurchase promise | 762 772 | 718 772 | - |
| V | Liabilities relating to issuance of own securities | 409 384 | 418 150 | 337 613 |
| VI | Other liabilities relating to financial instruments | 276 676 | 233 932 | 348 265 |
| VII | Subordinated liabilities | 608 105 | 599 286 | 777 056 |
| VIII | Provision for deferred income tax | 231 682 | 67 274 | 142 918 |
| IX | Provisions | 9 793 | 36 538 | 40 811 |
| X | Special funds and other liabilities | 362 689 | 329 004 | 491 705 |
| **TOTAL LIABILITIES** | | **20 031 765** | **19 549 429** | **21 694 982** |
| XI | Share capital | 1 358 294 | 1 358 294 | 1 056 451 |
| XII | Share capital called, not paid (a negative figure) | - | - | - |
| XIII | Supplementary capital | 350 940 | 350 910 | 1 019 988 |
| XIV | Other capital | 184 732 | 154 782 | 195 693 |
| | - reserve capital | 173 779 | 173 779 | 235 779 |
| | -capital from revaluation | 10 953 | - 18 997 | - 40 086 |
| XV | Net profit (or loss) from previous years | - 785 192 | - 581 294 | - 1 613 327 |
| XVI | Net profit (or loss) | 74 828 | 159 161 | 19 056 |
| **TOTAL EQUITY** | | **1 183 602** | **1 441 853** | **677 861** |
| **TOTAL EQUITY AND LIABILITIES** | | **21 215 367** | **20 991 282** | **22 372 843** |

| | | | |
|---|---|---|---|
| **Capital adequacy ratio** | **13,34** | **14,40** | **8,87** |
| **Book value** | **1 183 602** | **1 441 853** | **677 861** |
| **Number of shares outstanding** | **271 658 880** | **271 658 880** | **211 290 240** |
| **Book value per 1 share (in PLN)** | **4,36** | **5,31** | **3,21** |
| **Diluted number of shares** | **271 658 880** | **271 658 880** | **211 290 240** |
| **Diluted book value per 1 share (in PLN)** | **4,36** | **5,31** | **3,21** |

| OFF-BALANCE SHEET ITEMS | | as at IQ 2005 | as at IVQ 2005 | as at IQ 2004 |
|---|---|---|---|---|
| I | Off-balance sheet contingent liabilities | 5 464 832 | 5 867 635 | 9 088 700 |
| 1 | Liabilities granted: | 4 630 462 | 5 349 060 | 5 349 061 |
| | - related to financing | 2 052 904 | 2 178 284 | 2 163 211 |
| | - related to guarantees | 2 577 558 | 3 170 776 | 3 185 850 |
| 2 | Liabilities received: | 834 370 | 518 575 | 3 739 639 |
| | - related to financing | 350 000 | 55 284 | - |
| | - related to guarantees | 484 370 | 463 291 | 3 739 639 |
| II | Liabilities connected with purchase/sale transactions | 67 780 468 | 31 099 032 | 80 538 229 |
| III | Other, including: | 3 595 154 | 3 661 768 | 5 497 537 |
| | - collaterals received | 3 595 154 | 3 661 677 | 5 497 445 |
| | - liabilities by virtue of leasing agreements | - | 91 | 92 |
| **TOTAL OFF- BALANCE SHEET ITEMS** | | **76 840 454** | **40 628 435** | **95 124 466** |

| PROFIT AND LOSS ACCOUNT | | IQ 2005 period from 01.01.2005 to 31.03.2005 | IQ 2004 period from 01.01.2004 to 31.03.2004 |
|---|---|---|---|
| I | Interest income | 347 259 | 308 570 |
| II | Interest expense | - 194 476 | - 163 916 |
| III | Net interest income(I - II) | 152 783 | 144 654 |
| IV | Commissions earned | 78 387 | 115 146 |
| V | Commissions paid | - 24 938 | - 39 683 |
| VI | Net commissions (IV - V) | 53 449 | 75 463 |
| VII | Income on shares, other securities and other financial instruments of variable income | 787 | - |
| VIII | Result on financial operations | 5 787 | 48 408 |
| IX | Result on foreign exchange operations | 32 554 | - 21 974 |
| **X** | Result on banking activity | 245 360 | 246 551 |
| XI | Other operating income | 8 990 | 9 653 |
| XII | Other operating expense | - 7 179 | - 10 481 |
| XIII | Costs of the Bank's functioning | - 161 561 | - 178 245 |
| XIV | Depreciation of fixed assets and intangible fixed assets | - 33 041 | - 37 921 |
| XV | Provisions written-off and revaluation | - 222 569 | - 578 849 |
| XVI | Reversal of provisions and revaluation | 244 828 | 568 348 |
| XVII | Net provisions and revaluation | 22 259 | - 10 501 |
| XVIII | Result from operating activities | 74 828 | 19 056 |
| **XIX** | Gross profit (or loss) | **74 828** | **19 056** |
| XX | Corporate income tax | - | - |
| XXI | Other obligatory decrease of profit (increase of loss) | - | - |
| **XXII** | Net profit (loss) | **74 828** | **19 056** |

| | | |
|---|---|---|
| **Net profit (or loss) (for 12 months)** | **214 933** | **- 1 568 154** |
| **Average weighed number of ordinary shares** | **243 783 743** | **211 290 240** |
| **Profit (or loss) per 1 ordinary share (in PLN)** | **0,88** | **- 7,42** |
| **Diluted average weighed number of ordinary shares** | **243 783 743** | **211 290 240** |
| **Diluted profit (loss) per 1 ordinary share (in PLN)** | **0,88** | **- 7,42** |

| | BREAKDOWN OF CHANGES IN THE BANK'S EQUITY | IQ 2005<br>period from 01.01.2005 to 31.03.2005 | IQ 2004<br>period from 01.01.2004 to 31.03.2004 |
|---|---|---|---|
| I | Equity - opening balance according to Polish Accounting Standars | 1 459 954 | 644 481 |
| | Adjustments - first time using IFRS | - 352 895 | 13 026 |
| I | Equity - opening balance according to IFRS | 1 107 059 | 657 507 |
| 1 | **1. Share capital - opening balance** | 1 358 294 | 1 056 451 |
| **1** | **Share capital - closing balance** | **1 358 294** | **1 056 451** |
| 2 | Supplementary capital - opening balance | 350 910 | 1 020 023 |
| | Changes in the supplementary capital | 30 | - 35 |
| | a) increases (due to) | 35 | 6 |
| | - sale of fixed assets | 35 | 6 |
| | b) decreases (due to) | 5 | 41 |
| | - costs of shares issue | 5 | 41 |
| **2** | **Supplementary capital - closing balance** | **350 940** | **1 019 988** |
| 3 | Capital from revaluation - opening balance according to Polish Accounting Standars | - 19 282 | - 46 861 |
| | Adjustments - first time using IFRS | 28 550 | 5 442 |
| 3 | Capital from revaluation - opening balance according IFRS | 9 268 | - 41 419 |
| | Changes in the from revaluation capital | 1 685 | 1 333 |
| | a) increase (due to) | 1 720 | 1 339 |
| | - due to evaluation of financial assets | 1 720 | 1 154 |
| | - by virtue of foreign exchange differences arising from conversion of foreign branches | - | 185 |
| | b) decreases (due to) | 35 | 6 |
| | - sale of fixed assets | 35 | 6 |
| | - due to evaluation of financial assets | | |
| **3** | **Capital from revaluation - closing balance** | **10 953** | **- 40 086** |
| 4 | **General banking risk fund - opening balance** | 173 779 | 173 779 |
| **4** | **General banking risk fund - closing balance** | **173 779** | **173 779** |
| 5 | **Other items of the remaining reserve capitals (funds) - opening balance** | - | 62 000 |
| **5** | **Other items of the remaining reserve capitals - closing balance** | **-** | **62 000** |
| 6 | Profit/loss related to previous years - opening balance according to Polish Accounting Standars | - 403 747 | - 1 620 911 |
| | Adjustments - first time using IFRS | - 381 445 | 7 584 |
| 6 | Profit/loss related to previous years - opening balance according to IFRS | - 785 192 | - 1 613 327 |
| 6.1 | Profit related to previous years - opening balance according to Polish Accounting Standars | 185 176 | - |
| | Adjustments - first time using IFRS | - 26 015 | - |
| 6.2 | Profit related to previous years - closing balance according to IFRS | 159 161 | - |
| 6.3 | Loss related to previous years - opening balance according to Polish Accounting Standars | - 588 923 | - 1 620 911 |
| | Adjustments - first time using IFRS | - 355 430 | 7 584 |
| 6.4 | Loss related to previous years - closing balance according to IFRS | - 944 353 | - 1 613 327 |
| **6.5** | **Profit (loss) related to previous years - closing balance** | **- 785 192** | **- 1 613 327** |
| **7** | **Net profit** | **74 828** | **19 056** |
| **II.** | **Equity - closing balance** | **1 183 602** | **677 861** |

| | CASH FLOW STATEMENT | IQ 2005<br>period from 01.01.2005 to 31.03.2005 | IQ 2004<br>period from 01.01.2004 to 31.03.2004 |
|---|---|---|---|
| **A** | **NET CASH FLOWS FROM OPERATING ACTIVITY - indirect method** | **922 824** | **491 054** |
| **I** | **Net profit/loss** | **74 828** | **19 056** |
| **II** | **Total adjustments:** | **847 996** | **471 998** |
| 1 | Depreciation | 33 041 | 37 922 |
| 2 | Foreign exchange gains/losses | - 1 580 | 15 570 |
| 3 | Interest and dividend | - 42 284 | - 12 481 |
| 4 | Profit/loss from investment activity | 6 515 | - 1 391 |
| 5 | Change in other provisions | - 18 525 | 11 284 |
| 6 | Change in debt securities | 876 318 | 84 259 |
| 7 | Charge in receivables due from banks | - 693 951 | - 122 918 |
| 8 | Charge in receivables due from customers | 128 391 | 759 776 |
| 9 | Change in shares and other securities and other financial assets | - 14 317 | 122 759 |
| 10 | Charge in liabilities due from banks | 915 380 | - 135 208 |
| 11 | Charge in liabilities due from customers | - 620 725 | - 281 298 |
| 12 | Change in liabilities related to sold securities with repurchase promise | 45 332 | |
| 13 | Change in other liabilities | 218 631 | - 16 110 |
| 14 | Change in accruals and prepayments | - 5 043 | - 26 050 |
| 15 | Other adjustments | 20 813 | 35 884 |
| **B** | **NET CAHS FLOWS FROM INVESTMENT ACTIVITY (I - II)** | **- 1 446 207** | **60 457** |
| **I** | **Inflows** | **11 230 782** | **456 960** |
| 1 | Sale of shares in other entities, other securities and other financial assets | 11 226 115 | 456 614 |
| 2 | Sale of intangible fixed assets and tangible fixed assets | 3 298 | 346 |
| 3 | Other investment inflows | 1 369 | |
| **II** | **Outflows** | **12 676 989** | **396 503** |
| 1 | Purchase of shares in other entities, other securities and other financial assets | 12 643 755 | 366 906 |
| 2 | Purchase of intangible fixed assets and tangible fixed assets | 33 234 | 27 412 |
| 3 | Other investment outflows | | 2 185 |
| **C** | **NET CASH FLOWS FROM FINANCIAL ACTIVITY (I - II)** | **- 231 426** | **- 13 141** |
| **I** | **Inflows** | **-** | **-** |
| **II** | **Outflows** | **231 426** | **13 141** |
| 1 | Long-term credits repaid to banks | 194 700 | - |
| 2 | Financial leasing liabilities paid | 6 216 | - |
| 3 | Other financial outflows | 30 510 | 13 141 |
| **D** | **TOTAL NET CASH FLOWS (A+/-B+/-C)** | **- 754 809** | **538 370** |
| **E** | **CHANGE IN CASH SHOWN IN BALANCE SHEET** | **- 754 809** | **538 370** |
| **F.** | **F. CASH-OPENING BALANCE** | **3 922 059** | **2 006 895** |
| **G.** | **G. CASH - CLOSING BALANCE (F+/- D), including:** | **3 167 250** | **2 545 265** |
| | **-of the limited availability** | 534 422 | 625 008 |

Signatures of persons representing the company

| Date | Name and surname | Position/Function |
|---|---|---|
| 2005-05-16 | Ronnie Richardson | Deputy President |
| 2005-05-16 | Małgorzata Kroker - Jachiewicz | Deputy President |
| 2005-05-16 | Guy Libot | Deputy President |
| 2005-05-16 | Krzysztof Kokot | Deputy President |
| 2005-05-16 | Bohdan Mierzwiński | Deputy President |