Extended Consolidated Semi-annual Report of Kredyt Bank S.A. Capital Group Prepared for the First Half of 2005

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

THE SECURITIES AND EXCHANGE COMMISSION

Consolidated half year report PSr 2005

(In accordance with & 93, item 2 and & 94, item 4 of the Regulation of the Council of Ministers – Journal of Laws No. 49, item 463)

(for banks)

For a half year of financial year 2005 comprising the period from 2005-01-01 to 2005-06-30
containing consolidated financial statement prepared in accordance with the International Standards of Financial Reporting
currency: PLN
as well as the abbreviated financial statement prepared in accordance with the International Standards of Financial Reporting
currency: PLN

date of submission: 2005-09-16

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

KREDYTB
(issuer's abbreviated name)

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

01-211
(postal code)

Warszawa
(city)

Kasprzaka 2/8
(street) (number)

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(telephone)

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(www)

Data from consolidated financial statement

	In PLN thousand		In EURO thousand	
SELECTED FINANCIAL DATA	**30.06.2005**	**30.06.2004**	**30.06.2005**	**30.06.2004**
I. Net interest	364 463	344 315	89 318	72 777
II. Net commissions and fees	139 938	234 633	34 294	49 594
III. Result on operating activity	196 572	20 961	48 174	4 430
IV. Gross profit (loss)	196 973	20 962	48 272	4 431
V. Net profit (loss)	233 161	11 713	57 140	2 476
VI. Total net cash flows	-660 016	1 993 815	-161 749	421 427
VII. Total assets	20 931 540	23 472 932	5 180 946	5 167 745
VIII. Liabilities due to banks	2 552 600	4 612 980	631 816	1 015 583
IX. Liabilities due to customers	14 237 118	15 547 254	3 523 952	3 422 847
X. Eqity	1 515 642	1 349 424	375 150	297 086
XI. Share capital	1 358 294	1 358 294	336 203	299 039
XII. Number of shares	271 658 880	271 658 880		
XIII. Book value per 1 share (in PLN / EURO)	5,58	4,97	1,37	1,05
XIV. Capital adequacy ratio	14,52	13,52		
XV. Profit (loss) per 1 ordinary share (in PLN / EURO)	0,86	0,05	0,21	0,01

Data from abbreviated financial statement

SELECTED FINANCIAL DATA	In PLN thousand 30.06.2005	30.06.2004	In EURO thousand 30.06.2005	30.06.2004
I. Net interest	325 069	299 061	79 664	63 212
II. Net commissions and fees	105 883	152 853	25 949	32 308
III. Result on operating activity	183 237	20 391	44 906	4 310
IV. Gross profit (loss)	183 237	20 391	44 906	4 310
V. Net profit (loss)	225 919	20 391	55 366	4 310
VI. Total net cash flows	-620 459	2 006 830	-152 055	424 178
VII. Total assets	20 994 713	22 908 947	5 196 583	5 043 580
VIII. Liabilities due to banks	1 300 608	2 438 394	321 925	536 831
IX. Liabilities due to customers	15 529 581	17 024 519	3 843 861	3 748 078
X. Equity	1 491 789	1 344 287	369 246	295 955
XI. Share capital	1 358 294	1 358 294	336 203	299 039
XII. Number of shares	271 658 880	271 658 880		
XIII. Book value per 1 share (in PLN / EURO)	5,49	4,95	1,36	1,09
XIV. Capital adequacy ratio	14,43	13,70		
XV. Profit (loss) per 1 ordinary share (in PLN/EURO)	0,83	0,09	0,20	0,02

Independent Auditor's Review Report on the consolidated financial statements for the 6 months period ended 30 June 2005

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the attached half year consolidated financial statements of Kredyt Bank S.A. Capital Group ("Group"), where Kredyt Bank S.A. is the dominant entity (the "Bank") located at Warsaw, Kasprzaka 2/8 Street, including:
   - the consolidated profit and loss account for the period from 1 January 2005 to 30 June 2005 with a net profit amounting to 233,161 thousand zlotys,
   - the consolidated balance sheet as at 30 June 2005 with total assets amounting to 20,931,540 thousand zlotys,
   - the consolidated off-balance sheet items as at 30 June 2005 amounting to 87,553,487 thousand zlotys,
   - the consolidated statement of changes in shareholders' equity for the period from 1 January 2005 to 30 June 2005 with a net decrease in shareholders' equity amounting to 1,446 thousand zlotys,
   - the consolidated cash flow statement for the period from 1 January 2005 to 30 June 2005 with a net cash outflow amounting to 660,016 thousand zlotys, and
   - the additional notes and explanations.
2. The truth and fairness[1] of the attached financial statements and the correctness of the consolidation documentation are the responsibility of the Bank's Management Board. Our responsibility was to issue a review report based on our review.
3. We conducted our review in accordance with the provisions of the law binding in Poland and auditing standards issued by the National Council of Statutory Auditors. These standards require that we plan and perform our review in such a way as to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, review of documentation constituting the basis for accounts and information included in the consolidated financial statements and on using information received from the management of the Company as well as its employees. The scope of work[2] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on the truth and fairness[3] of the financial statements. Accordingly, we do not express such an opinion on the attached financial statements.
4. Based on our review, nothing came to our attention that causes us to believe that the attached consolidated financial statements do not present truly and fairly[4] in all material respects the financial position of the Kredyt Bank S.A. Capital Group as at 30 June 2005 and the financial result, for the 6 months ended 30 June 2005 in accordance with the accounting principles set out in International Financial Reporting Standards, specifically IAS 34 "Interim financial reporting", as well as all International Accounting Standards, International Financial Reporting Standards and related interpretations that were published as European Commission regulations.

On behalf of
Ernst & Young Audit Sp. z o.o.
ul. Emilii Plater 53
00-113 Warszawa
License no. 130

Dorota Snarska-Kuman
Certified Auditor No. 9667/7232

Iwona Kozera
Certified Auditor No. 9528/7104

Warsaw, 16 September 2005

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[1] Translation of the following expression in Polish: "*rzetelność, prawidłowość i jasność*"

[2] In Polish language two expressions are used ("*zakres i metoda*") that in English language translation are covered by one expression "the scope of work"

[3] As in p. 1 above

[4] Translation of the following expression in Polish language: "*prawidłowo, rzetelnie i jasno*"

Independent Auditor's Review Report on the abbreviated financial statements for the 6 months period ended 30 June 2005

To the Supervisory Board of Kredyt Bank S.A.

1. We have reviewed the attached half year abbreviated financial statements of Kredyt Bank S.A. (the "Bank") located at Warsaw, Kasprzaka 2/8 Street, including:
   - the abbreviated profit and loss account for the period from 1 January 2005 to 30 June 2005 with a net profit amounting to 225,919 thousand zlotys,
   - the abbreviated balance sheet as at 30 June 2005 with total assets amounting to 20,994,713 thousand zlotys,
   - the abbreviated off-balance sheet items as at 30 June 2005 amounting to 87,649,435 thousand zlotys,
   - the abbreviated statement of changes in shareholders' equity for the period from 1 January 2005 to 30 June 2005 with a net decrease in shareholders' equity amounting to 5,253 thousand zlotys,
   - the abbreviated cash flow statement for the period from 1 January 2005 to 30 June 2005 with a net cash outflow amounting to 620,459 thousand zlotys, and
   - the additional notes and explanations.
2. The truth and fairness[1] of the attached financial statements and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. Our responsibility was to issue a review report based on our review.
3. We conducted our review in accordance with the provisions of the law binding in Poland and auditing standards issued by the National Council of Statutory Auditors. These standards require that we plan and perform our review in such a way as to obtain moderate assurance as to whether the financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, review of documentation constituting the basis for accounts and information included in the financial statements and on using information received from the management of the Company as well as its employees. The scope of work[2] of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on the truth and fairness[3] of the financial statements. Accordingly, we do not express such an opinion on the attached financial statements.
4. Based on our review, nothing came to our attention that causes us to believe that the attached abbreviated financial statements do not present truly and fairly[4] in all material respects the financial position of the Kredyt Bank S.A. as at 30 June 2005 and the financial result, for the 6 months ended 30 June 2005 in accordance with the accounting principles set out in International Financial Reporting Standards, specifically IAS 34 "Interim financial reporting", as well as all International Accounting Standards, International Financial Reporting Standards and related interpretations that were published as European Commission regulations.

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Consolidated financial statements of Kredyt Bank S.A. Capital Group for the First Six Months of 2005 ended 30 June 2005

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1. Consolidated income statement

in PLN '000	Note	01.01.2005 - 30.06.2005 *unaudited*	01.01.2004 - 30.06.2004 *unaudited*
Interest income	9	728 283	669 958
Interest expense	10	-363 820	-325 643
Net interest income		**364 463**	**344 315**
Fee and commission income	11	148 926	251 260
Fee and commission expense	12	-8 988	-16 627
Net fee and commission income		**139 938**	**234 633**
Dividend income	13	750	156
Net trading income	14	73 628	41 167
Profit from investing activities	15	-5 087	20 230
Other operating income	16	32 355	39 051
Total operating income		**606 047**	**679 552**
The costs of the Bank's operation and overheads	17	-437 096	-539 319
Net impairment charges for financial assets and other assets and provisions	18	48 741	-78 682
Other operating expenses	19	-21 120	-40 590
Total operating expense		**-409 475**	**-658 591**
Net operating income		**196 572**	**20 961**
Income from associates		401	1
Profit before tax		**196 973**	**20 962**
Income tax expense	20	35 214	-9 249
Net profit from business activities		**232 187**	**11 713**
Net profit (loss) from discontinued operations		974	0
Net profit	21	233 161	11 713
Including:			
Per Bank's shareholders		**233 161**	**10 061**
Minority interests		0	1 652
Earnings per share per the Bank's shareholders (in PLN per share)			
- basic	22	0,86	0,05

The consolidated profit and loss account should be analyzed together with notes, which are an integral part of this financial statement

2. Consolidated balance sheet

in PLN '000	Note	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Assets				
Cash and balances with Central Bank	23	874 534	1 512 591	1 099 231
Receivables from Banks	24	2 937 532	2 702 718	3 258 519
Impairment charge for amounts due from banks	25	-2 894	-3 194	-3 194
Financial assets measured at fair value through the profit and loss account, including held-for-trading investments	26	703 653	557 760	621 236
Gross receivables from customers	27	13 643 961	14 105 952	16 162 734
Impairment charge for receivables from customers	28	-2 809 737	-2 740 428	-2 926 774
Investment securities:	30	4 548 876	3 912 871	3 939 139
- available for sale		2 594 645	2 450 200	2 128 008
- held to maturity		1 954 231	1 462 671	1 811 131
Capital investment classified as available for sale	31	35 668	35 267	34 666
Shares in associates measured with the equity method	31, 32	10 582	0	0
Property, plant and equipment (PPE)	33, 34	426 932	469 371	723 605
Intangible assets	35, 36	121 436	140 187	165 811
Goodwill of subordinated companies	37	36 052	36 052	47 294
Deferred tax asset	38	260 570	85 697	149 170
Other assets	39	144 375	209 368	201 495
Total assets		**20 931 540**	**21 024 212**	**23 472 932**
Liabilities				
Due to banks	40	2 552 600	3 007 090	4 612 980
Held-for-trading financial liabilities	26	273 343	233 932	418 348
Due to customers	41	14 237 118	14 061 105	15 547 254
Debt securities in issue	42	402 941	418 150	334 493
Securities sold under agreements to repurchase	43	777 150	718 772	0
Income tax		267	6 333	946
Other liabilities	46	276 550	347 695	334 101
Subordinated liabilities	47	613 270	599 286	687 950
Provisions	44	75 923	37 439	49 059
Deferred tax liability	45	206 736	77 322	138 377
Total liabilities		**19 415 898**	**19 507 124**	**22 123 508**

Balance sheet (cont.)

Shareholders' equity		**30.06.2005** *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
Share capital		1 358 294	1 358 294	1 358 294
Reserve capital	48	29	350 910	351 033
Revaluation reserve	48	32 539	-20 247	-76 728
Reserve capital	48	120 942	173 779	173 779
Currency translation differences from the translation of subordinated companies and foreign branches		-513	-285	4 239
Retained earnings/loss		-228 810	-502 203	-502 203
Current net profit (loss) per Bank's shareholder		233 161	156 840	10 061
Equity per Bank's shareholder		**1 515 642**	**1 517 088**	**1 318 475**
Minority interests		0	0	30 949
Total shareholders' equity		**1 515 642**	**1 517 088**	**1 349 424**
Total liabilities		**20 931 540**	**21 024 212**	**23 472 932**
Capital adequacy ratio	50	**14,52**	**14,72**	**13,52**

Off-balance sheet items		30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Contingent liabilities, granted and received		4 881 643	5 771 653	5 876 278
Liabilities granted, including:		4 143 495	5 256 655	5 332 357
- financial	49	1 725 254	2 085 879	1 984 067
- guarantees	49	2 418 241	3 170 776	3 348 290
Liabilities received, including:		738 148	514 998	543 921
- financial		250 052	51 707	26 598
- guarantees		488 096	463 291	517 323
Liabilities related to the sale/purchase transactions		79 285 047	31 099 032	62 738 521
Other:		3 386 797	3 649 245	4 652 738
- received collateral and guarantees		3 386 701	3 649 150	4 645 602
- other		96	95	7 136
Total off-balance sheet items		**87 553 487**	**40 519 930**	**73 267 537**

3. Statement of changes in shareholders' equity

Equity per Bank's majority shareholders

in PLN '000	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Shareholders' equity at the beginning of the period (opening balance) according to the Polish Accounting Standards (PAS)	1 459 954	644 481	644 481
Adjustments related to first adoption of IFRS, excluding IAS 39	57 134	85 470	85 470
Shareholders' equity at the beginning of the period according to IFRS, excluding IAS 39	1 517 088	729 951	729 951
Adjustments related to the application of IAS 39	-258 888	0	0
Shareholders' equity at the beginning of the period according to IFRS	1 258 200	729 951	729 951
Share capital at the beginning of the period	1 358 294	1 056 451	1 056 451
- issue of series W shares	0	301 843	301 843
Share capital at the end of the period	**1 358 294**	**1 358 294**	**1 358 294**
Reserve capital at the beginning of the period	350 910	1 020 023	1 020 023
Changes in reserve capital	-350 881	-669 113	-668 990
a) increase	35	301 864	301 853
- share issue above share nominal value	0	301 843	301 843
- other	35	21	10
b) decrease	350 916	970 977	970 843
- covering retained loss	350 910	969 988	969 988
- costs of the share issue	6	989	855
Reserve capital at the end of the period	**29**	**350 910**	**351 033**
Revaluation reserve at the beginning of the period according to PAS	-18 997	-41 423	-41 423
Adjustments related to first adoption of IFRS	27 056	-1 250	-1 250
Reclassification of currency translation differences from the translation of subordinated companies and foreign branches	0	-10 753	-10 753
Revaluation capital at the beginning of the period according to IFRS	8 059	-53 426	-53 426
Changes in revaluation reserve	24 480	33 179	-23 302
a) increase	24 521	33 318	0
- measurement of financial assets (DDS)	24 521	33 318	0
b) decrease	41	139	23 302
- measurement of financial assets (DDS)	0	0	23 292
- other	41	139	10
Revaluation reserve at the end of the period	**32 539**	**-20 247**	**-76 728**
Reserve capital at the beginning of the period	173 779	173 779	173 779
- covering the retained loss	-52 837	0	0
Reserve capital at the end of the period	**120 942**	**173 779**	**173 779**

The statement of changes in consolidated shareholders' equity sheet should be analyzed together with notes, which are an integral part of this financial statement

Statement of changes in consolidated shareholders' equity (cont.)

	30.06.2005 *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
Other reserve capitals at the beginning of the period	0	62 000	62 000
- covering the retained loss	0	-62 000	-62 000
Other reserve capitals at the end of the period	0	0	0
Currency translation differences from the translation of subordinated companies and foreign branches at the beginning of the period	**-285**	**-5 438**	**-5 438**
Adjustments related to first adoption of IAS	0	10 757	10 757
Currency translation differences from the translation of subordinated companies and foreign branches at the beginning of the period according to IFRS	-285	5 319	5 319
b) decrease	228	5 604	1 080
- currency translation differences	228	5 604	1 080
Currency translation differences from the translation of subordinated companies and foreign branches at the end of the period	**-513**	**-285**	**4 239**
Retained profit (loss) at the beginning of the period according to PAS	-403 747	-1 620 911	-1 620 911
Adjustments related to first adoption of IFRS	-228 810	86 720	86 720
Retained profit (loss) at the beginning of the period according to IFRS	-632 557	-1 534 191	-1 534 191
Retained profit at the beginning of the period according to PAS	185 176	0	0
Adjustments related to the first adoption of IFRS	-28 336	0	0
Retained profit at the beginning of the period according to IAS	156 840	0	0
- covering retained loss	-185 176	0	0
Retained profit at the end of the period according to IFRS	-28 336	0	0
Retained loss at the beginning of the period according to PAS	-588 923	-1 620 911	-1 620 911
Adjustments related to first adoption of IFRS	-200 474	86 720	86 720
Retained loss at the beginning of the period according to IAS	-789 397	-1 534 191	-1 534 191
- covering retained loss	588 923	1 031 988	1 031 988
Retained loss at the end of the period according to IFRS	-200 474	-502 203	-502 203
Retained profit (loss) at the end of the period	**-228 810**	**-502 203**	**-502 203**
Net profit/loss	**233 161**	**156 840**	**10 061**
Shareholders' equity at the end of the period (closing balance)	**1 515 642**	**1 517 088**	**1 318 475**

Equity per Bank's minority shareholder			
Minority interests at the beginning of the period	0	29 249	29 249
Change in minority interest	0	-29 249	1 700
a) increase	0	1 902	1 700
- share in the profit for the period	0	1 902	1 700
b) decrease	0	31 151	0
- sale of KBU	0	31 151	0
Minority interests at the end of the period	**0**	**0**	**30 949**
Equity at the end of the period (closing balance)	**1 515 642**	**1 517 088**	**1 349 424**

4. Consolidated cash flow statement

in PLN '000	Note	01.01.-30.06.2005 *unaudited*	01.01.-30.06.2004 *unaudited*
A. NET CASH FLOW FROM OPERATING ACTIVITIES (I+/-II) – indirect method		**1 673 669**	**1 918 900**
I. Net profit (loss)		233 161	10 061
II. Total adjustments:		**1 440 508**	**1 908 839**
1. Profit (loss) of minority shareholders		0	1 652
2. Share in profit (loss) of subordinated companies measured with the equity method		-401	-1
3. Depreciation		71 270	88 256
4. Profit/loss from currency translation differences		5 487	-40 590
5. Interest payments		-18 025	-38 100
6. Share in net profit (dividends)		-750	-156
7. Profit (loss) from investments		4 682	-5 090
8. Net increase/decrease in provisions		38 484	-4 526
9. Net increase/decrease in inventory		-516	465
10. Net increase/decrease in debt securities		716 940	303 815
11. Net increase/decrease in amounts due from banks	52 b	-217 528	-205 770
12. Net increase/decrease in receivables from customers	52 c	305 834	1 331 849
13. Net increase/decrease in receivables related to the acquired securities with promised redemption		0	0
14. Net increase/decrease in shares, other securities and other financial assets		5 775	-1 390
15. Net increase/decrease in amounts due to banks	52 d	360 918	54 096
16. Net increase/decrease in amounts due to customers	52 e	143 409	222 113
17. Net increase/decrease in liabilities related to the disposed securities with the promise of repurchase		59 835	0
18. Net increase/decrease in liabilities related to securities		0	0
19. Net increase/decrease in other liabilities		-4 980	9 978
20. Net increase/decrease in prepaid expenses and accruals		3 530	9 250
21. Net increase/decrease in deferred income and suspended income		0	0
22. Paid income tax		3 902	-5 500
23. Other adjustments		-37 358	188 488
III. Net cash flow from operating activities (I+/-II) – indirect method		**1 673 669**	**1 918 900**

Consolidated cash flow statement (cont.)

in PLN '000	Note	01.01.-30.06.2005	01.01.-30.06.2004
B. NET CASH FLOW FROM INVESTING ACTIVITIES (I-II)		**-1 466 682**	**272 235**
I. Inflows		**20 937 003**	**2 219 606**
1. Disposal of shares in subsidiaries		0	0
2. Disposal of shares in jointly controlled entities		0	0
3. Disposal of shares in associates		0	0
4. Disposal of shares in other businesses, of other securities and other financial assets		20 911 260	2 205 089
– including Treasury debt securities		20 906 518	2 076 618
5. Disposal of intangible assets and property, plant and equipment		23 786	13 568
6. Disposal of investments in real estate and intangible assets		0	0
7. Dividends received		750	156
8. Other inflows from investments		1 207	793
II. Outflows		**22 403 685**	**1 947 371**
1. Acquisition of shares in subsidiaries		0	0
2. Acquisition of shares in jointly controlled entities		0	0
3. Acquisition of shares in associates		10 317	0
4. Acquisition of shares in other businesses, other securities and other financial assets		22 353 747	1 915 457
– including Treasury debt securities		22 353 230	1 911 879
5. Acquisition of intangible assets and property, plant and equipment		39 531	26 817
6. Investments in real estate and intangible assets		0	0
7. Other investment outflows		90	5 097
III. Net cash flow from investing activities (I-II)		**-1 466 682**	**272 235**
C. NET CASH FLOW FROM FINANCING ACTIVITIES (I-II)		**-867 003**	**-197 320**
I. Inflows		**0**	**612 080**
1. Long-term loans from other banks		0	395
2. Long-term cash loans from entities other than banks in the financial sector		0	3 067
3. Issue of debt securities		0	3 875
4. Increase in subordinated liabilities		0	0
5. Net cash inflows from the issue of shares and additional contribution to the share capital		0	602 831
6. Other financial inflows		0	1 912

Consolidated cash flow statement (cont.)

in PLN '000		01.01.-30.06.2005	01.01.-30.06.2004
II. Outflows		**867 003**	**809 400**
1. Repayments of long-term loans to other banks		811 577	854
2. Repayment of long-term cash loans for entities other than banks in the financial sector		0	657
3. Redemption of debt securities		0	707 700
4. Other financial liabilities		0	0
5. Finance lease rentals		586	27
6. Payment of subordinated liabilities		0	60 000
7. Dividends and other payments to shareholders		0	0
8. Dividends and other share in profits paid to minority shareholders		0	0
9. Outflows related to the distribution of profit other than payments to owners		0	0
10. Acquisition of treasury shares		0	0
11. Other financial outflows		54 840	40 162
III. Net cash flow from financing activity (I-II)		**-867 003**	**-197 320**
D. TOTAL NET CASH FLOW (A.III+/-B.III+/-C.III)		**-660 016**	**1 993 815**
E. BALANCE SHEET CHANGE IN CASH		**-660 016**	**1 993 815**
- change in cash due to currency translation differences		**0**	**0**
F. CASH AT THE BEGINNING OF THE PERIOD		**4 015 028**	**2 133 940**
G. CASH AT THE END OF THE PERIOD (F+/-D)	**52a**	**3 355 012**	**4 127 755**
- blocked cash		541 562	607 021

The consolidated cash flow statement should be analyzed together with notes, which are an integral part of this financial statement

This consolidated financial statements of the Kredyt Bank S.A. Capital Group was approved by the Management Board of Kredyt Bank S.A. on 16 September 2005.

This financial statements was audited by an independent licensed certified auditor, Ernst and Young Audit Sp. z o.o. The audit was performed in line with the certified auditors' professional standards issued by the National Council of Auditors in Poland.

5. Basic information about the Issuer

Kredyt Bank Spółka Akcyjna [a joint stock company] ("Kredyt Bank S.A.", "Bank") with its registered office in Warsaw at ul. Kasprzaka 2/8 was established in 1990 and entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw under No. 0000019597. The financial statements of the Kredyt Bank S.A. Capital Group as at 30 June 2005 includes the financial statements of Kredyt Bank and its subsidiaries ("Capital Group" or "Group") and interests in associates.

Kredyt Bank S.A. is a listed universal bank, ranked among the top 10 Polish banks in terms of balance sheet total. It provides banking services adapted to the needs of all customer groups. The Bank addresses the wide range of its services to business entities, individual customers and local authorities. The Bank offers a convenient and open access to its services via an extended network of outlets and ATMs. In cooperation with TUiR Warta, the Bank was the first to offer bancassurance services.

Below, we present subsidiaries forming, along with the parent company, Kredyt Bank S.A., Kredyt Bank S.A. Capital Group („Group") as at 30.06.2005.

	Parent company	**Registered office**		
	Kredyt Bank S.A.	**Warsaw**		
No.	**Subsidiary**	**Registered office**	**Share in the total vote at the GM in % as at 30.06.2005**	**Share in the total vote at the GM in % as at 30.06.2004**
1.	BFI Serwis Sp. z o.o.	Warsaw	100.00	100.00
2.	Inwestia Sp. z o.o.	Warsaw	100.00	100.00
3.	KB Zarządznie Aktywami S.A.	Warsaw	100.00	100.00
4.	Kredyt Bank Ukraina S.A.	Lviv	company was disposed of	66.65
5.	Kredyt International Finance B.V. *	Amsterdam	100.00	100.00
6.	Kredyt Lease S.A. *	Warsaw	100.00	100.00

No.	Subsidiary	Registered office	Share in the total vote at the GM in % as at 30.06.2005	Share in the total vote at the GM in % as at 30.06.2004
7.	Kredyt Trade Sp. z o.o.*	Warsaw	100.00	100.00
8.	Lizar Sp. z o.o.	Warsaw	100.00	100.00
9.	Net Banking Sp.z o.o.	Warsaw	100.00	100.00
10.	PTE Kredyt BankS.A.* (liquidated)	Warsaw	100.00	100.00
11.	Towarzystwo Funduszy Inwestycyjnych Kredyt BankS.A. **	Warsaw	At present, KBC Towarzystwo Funduszy Inwestycyjnych S.A. – as at 30.06.05, the share of KB Group amounted to 39.6% (associate)	100.00
12.	Victoria Development Sp. z o.o. *	Warsaw	100.00	100.00
13.	Żagiel S.A. *	Lublin	100.00	100.00

(*) companies under full consolidation

(**) companies valued with the equity method

As a result of the adoption of IFRS, the Group applies the methodology of the determination of materiality criteria in line with the methodology adopted by the Bank's Major Shareholder. The Group performs the consolidation test on a quarterly basis and decides on the consolidation of the companies meeting the materiality criteria.

KBC Banking and Insurance Capital Group

Kredyt Bank S.A. is a part of the KBC Banking and Insurance Capital Group ("KBC Group") that was established in 1998 as a result of the merger of ABB Insurance Group, Almanij-Kreditbank Group and CERA Bank Group. In the present structure, KBC Group has been operating since 2005, i.e. the merger of KBC Bank and Insurance Holding Company with Almanij. The KBC Group is listed on Euronext Stock Exchange in Brussels.

The KBC Group focuses on bancassurance–type operations for individual customers, is involved in assets management, provides services for businesses, and is involved in other types of market activities. It is one of the three largest banking and insurance companies on its home market in Belgium. Moreover, it is one of the biggest financial groups active in Europe (geographically, its operations are concentrated in Central Europe which is regarded as the second home market) and provides services to 11 million customers with market capitalization of EUR 25 bn. Furthermore, the KBC Group is also present in many other countries worldwide.

6. The description of major accounting principles applied for the purpose of preparing these financial statements

Declaration of compliance with IFRS

Pursuant to Article 55 clause 6a of the Accounting Act of 29 September 1994 /consolidated text: Journal of Laws of 2002, No. 76, item 694 as amended/ ("the Act"), as from 1 January 2005, the consolidated financial statements of the Group have been prepared in compliance with IAS/IFRS.

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

The consolidated financial statements for the first half of 2005 as at 30 June 2005 has been prepared in line with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), particularly in compliance with IAS 34. At present, having regard for the IFRS implementation process taking place in the EU and the Group's activities, there are no differences between IFRS and IFRS adopted by the EU as regards the accounting principles applied by the Group. Matters not governed by IFRS comply with the Accounting Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694 as amended), and the provisions of the Ordinance by the Council of Ministers of 21 March 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 49, item 463).

IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

This report is the first full interim consolidated financial report of the Group prepared in compliance with IAS/IFRS. The published consolidated quarterly reports of the Group for the first and the second quarters of 2005 were interim standalone financial statements prepared in compliance with IAS/IFRS.

The explanation of the impact of the transition from Polish Accounting Standards (PAS) applied earlier to IFRS, upon the financial standing and profit/loss of the Group presented earlier has been detailed in Note 59.

6.1. The basis for preparing these financial statements

The figures in these financial statements have been presented in PLN thousands (thousand PLN), unless stated otherwise.

This financial statements were prepared according to the historical cost concept, except for financial assets and financial liabilities which are measured at fair value through the profit and loss account, and held-for-sale securities which are carried at fair value in revaluation reserve.

The preparation of financial statements for the first time, and the following ones, in line with IFRS requires the judgment of an entity's Management Board on the adopted accounting principles and accounting estimates applied with respect to balance sheet items and income statement items. Estimates are made basing on historical data and a number of assumptions based on the facts available at the time, resulting from internal and external conditions. The actual results of business operations may differ from the current accounting estimates.

Accounting estimates are verified on a regular basis. Changes in estimates are recognized in the financial statements in the period they were made. If such changes are also related to future periods, the assumptions being the basis for the estimates for future periods are also adjusted. The essential accounting estimates which affect this financial statements have been presented in Note 7.

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

The adopted accounting principles for preparing financial statements are applied on a continuous basis in all presented periods, starting from the opening balance, except for the exemptions from specified IAS/IFRS, which are permitted under IFRS 1, described in Note 58. Clarification of the transition to IFRS and the related adjustments in opening balance have been presented in Note 59.

The Bank intends to prepare its first full annual financial statements according to IRFS as at 31 December 2005.

6.2. Consolidation of financial statements

6.3.1. Subsidiaries

Subsidiaries are all entities, over which the Bank may, directly or indirectly, exert control and direct their financial and operating policy in order to gain benefits from their business. Financial statements of subsidiaries, which are material for the consolidated financial statements are subject to consolidation with the full consolidation method from the date of taking over the control by the Bank. The consolidation will be concluded on the day such control ceases.

The acquisition of subsidiaries by the Group is settled with the acquisition method. The acquisition cost is the aggregate of the fair value of acquired assets, issued equity instruments and liabilities contracted or acquired as at the exchange date, increased with the expenses related directly to the merger. Identifiable assets and liabilities, including contingent liabilities, acquired under the business combination, are initially measured at fair value as at the acquisition date, irrespective of the volume of any possible minority interests. The surplus of the acquisition cost over the fair value of the Group's interest in identifiable net assets is recognized as goodwill. If the acquisition cost is higher than fair value of net assets of the acquired subsidiary, the difference is recognized directly in the income statement following re-analysis.

Intercompany receivables and liabilities, unrealized gains and losses and income and expense from/on account of intercompany transactions are excluded from these financial statements.

Subsidiaries that are not fully consolidated in the consolidated financial statements due to the immateriality of their financial statements are recognized in the portfolio of available-for-sale financial assets at cost including impairment (if circumstances indicate such impairment) due to the fact that their fair value cannot be determined reliably.

6.3.2. Associates

Associates are entities not controlled by the Group in terms of their financial or operational policies, but the Group exerts significant influence upon them, which is often accompanied by 20%-50% stake in the total votes in their decision making bodies. Investments in shares in associates are initially recognized in the balance sheet at cost, which includes goodwill, and further on, they are measured with the equity method. From the acquisition date, the Group's share in the financial result of associates is recognized in the income statement, and its share in changes in shareholders' equity of associates is recognized in respective items of consolidated shareholders' equity.

Unrealized gains from transactions between the Group and associates are excluded in proportion to the Group's share. Unrealized losses are eliminated in a similar manner, if the circumstances indicating the impairment of assets not occurred.

The accounting principles applied by subsidiaries and associates were changed if such changes were necessary in order to ensure compliance with the accounting principles applied by the Bank.

6.4. Transactions in foreign currencies

Items included in the financial statements of particular Group members are recognized in the currency in which a given entity pursues its business.

Transactions in foreign currencies are translated into PLN against the exchange rate as at the transaction date. Monetary assets and liabilities expressed in foreign currencies, recognized at historical cost, are translated at the average exchange rate of the National Bank of Poland as of the balance sheet date. Gains/losses from the translation of the resulting currency translation differences are reported in the income statement.

Non-monetary assets and liabilities expressed in foreign currencies, recognized at historical cost, are translated at an exchange rate as at the transaction date, and those measured at fair value are translated at the average exchange rate of the National Bank of Poland as of the measurement date.

Currency translation differences on non-monetary items measured at fair value through the profit and loss account are recognized in gains and losses on the change in fair value. Currency translation differences on non-monetary items such as available-for-sale financial assets are presented in revaluation reserve.

Currency translation differences resulting from the translation of the Group's interest in net assets of foreign companies into PLN are recognized in shareholders' equity. They are recognized in the income statement at the time of the disposal of a foreign entity.

As at 30.06.2005, KIF BV, the Bank's subsidiary, is the only foreign entity of the Bank. EUR is the operating currency for this business. The company's balance sheet figures are translated at the NBP average exchange rate and the figures related to the income statement and the cash flow statement are translated at the arithmetic mean of NBP average rates of exchange.

Below, we present NBP average rates of exchange applied by the Bank in translations of balance sheet items:

	30.06.2005	31.12.2004	30.06.2004
EUR	4.0401	4.0790	4.5422
USD	3.3461	2.9904	3.7470
CHF	2.6072	2.6421	2.9726

6.5. Hedge accounting

As at the date of these financial statements, the Group did not apply hedge accounting.

6.6. Recognition of financial assets and liabilities in the balance sheet

The Group recognizes financial assets and liabilities in the balance sheet only when it is a party to a transaction.

Sale/purchase transactions related to financial assets measured at fair value through the profit and loss account, held-to-maturity investments and available-for-sale financial assets are recognized in the balance sheet always on the date of transaction. Loans and receivables are recognized at the time of the payment of cash to the borrower.

Financial assets are excluded from the balance sheet when contractual rights to cash flows from a financial asset expire, or at the time when the Group assigns contractual rights to receive cash flows.

6.7. Classification and measurement of financial assets and liabilities

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

This category includes:

(1) held-for-trading assets or liabilities, i.e. those acquired or contracted with the intention of selling or repurchasing them in the nearest future. This category also comprises portions of the financial assets and liabilities portfolios managed jointly in order to generate gains in a short time horizon. This category also includes derivatives;

(2) financial assets and liabilities which, at the time of their initial recognition, were designated by the Group as measured at fair value through the profit and loss account.

Assets and liabilities are recognized at fair value from the date of the transaction. Fair value is determined on the basis of quotations on active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment.

In the case of securities, interest and acquired discount or premium are settled over time in interest income based on the effective interest rate method. Securities are measured at fair value, and its changes are recognized in the result on financial operations.

Gains/losses from assets disposal are calculated with the FIFO method.

Financial derivatives, from the transaction date, are recognized at fair value, without deductions of transaction expenses that can be incurred at the disposal. The transaction price is the best indicator of fair value at the initial recognition of a derivative. Following the transaction, for the purpose of the balance sheet measurement, fair value is determined on the basis of quotations on active markets, including prices of the latest transactions and generally adopted measurement models based on variables that can be observed in the market environment.

Derivatives with positive valuation as at the date of measurement are recognized in the balance sheet assets, and derivatives with negative valuation from measurement – in liabilities.

Certain embedded derivatives are treated as separate derivatives if the risks related to them and their features are not closely associated with the economic features and the risk characteristics of the host contract, and the host contract is not measured at fair value through the profit and loss account. Such types of derivatives are measured at fair value, and changes in fair value are recognized in the income statement.

6.7.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed amounts due or fixed maturity (or which may be fixed), which the Group's companies intend and are able to hold to maturity.

Held-to-maturity investments are measured at amortized cost based on the effective interest rate method, taking account of impairment charge. Accrued interest and settled discount or premium are recognized in net interest income.

6.7.3. Loans and receivables

Loans and receivables is a category of financial assets not listed on the active market, with defined, or possible to be defined, cash flows, which are not included in derivatives. Loans and receivables result from the Group's loans to customers for purposes other than generating short-term trade gains. This category includes amounts due from banks and customers, including purchased debt and investments in debt financial instruments, if they are not listed on the active market.

Loans are measured in the balance sheet at amortized cost based on the effective interest rate method, having regard for impairment charges.

Accrued interest with net commission settled over time based on the effective interest method are recognized in interest income; the commission settled on a straight-line basis is recognized in fee and commission income. Impairment charges are recognized in the income statement as provision write-offs and revaluation allowances.

6.7.4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, which were designated as available for sale and were not classified as financial assets measured at fair value through the profit and loss account, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured in the balance sheet at fair value. Changes in fair value are charged to revaluation reserve by the time of excluding an asset from the balance sheet; then accumulated gains/losses included in shareholders' equity are recognized in the income statement. In the case of debt securities, interest income and discount or premium are settled over time in net interest income based on the effective interest rate method.

If fair value cannot be determined, assets are recognized at cost including impairment charge. Impairment charge is recognized in the income statement.

Dividends from available-for-sale equity instruments are recognized in the income statement at the time when the right to obtain them arises.

Gains/losses from assets disposal are calculated with the FIFO method.

6.7.5. Capital investments

Investments in shares in the Bank's subsidiaries consolidated with the full method, are recognized in the individual financial statement at cost having regard for impairment. If the impairment charge is higher than the purchase price, the difference is recognized as a provision for the Bank's exposure other than capital exposure, e.g. credit exposure. The impairment charge for capital investments is reversed through the income statement.

6.7.6. Financial liabilities not held for trading

This category includes amounts due to banks and customers, loans borrowed by the Group, issued own debt securities and subordinated liabilities, following the deduction of transaction expenses.

Financial liabilities not held for trading are recognized in the balance sheet in amounts to be paid valued at amortized cost with the application of the effective interest rate method.

6.8. Impairment of financial assets

6.8.1. Assets measured at amortized cost

Loan receivables are the most critical part of financial assets, and the most exposed to impairment, recognized in the Group's balance sheet at amortized cost. As at each balance sheet date (at least once a quarter), the Group carries out an analysis to determine whether or not an impairment of the individual assets and/or an impairment of a portfolio of the financial assets occurred. A financial asset or a group of financial assets were impaired and the impairment charge was incurred when and only when objective circumstances indicate such impairment and they resulted from a single event or a few events which took place following the initial recognition of an asset and these events affect future cash flows generated by a financial asset or a group of financial assets, assuming that a reliable estimation is possible. Expected future losses are not recognized in the estimates of the current impairment. The list of objective circumstances indicating impairment has been presented in Note 7.

If the Group identifies the premises that indicate impairment, then the impairment charge is calculated, and is equal to a difference between the book value of a loan receivable and its economic value measured as the current value of the expected, future cash flows discounted with the effective interest rate of contacts. IFRS provides for the possibility, as a practical solution, of applying the analysis of the fair value of assets and accepted loan collateral in the analysis of the impairment of assets recognized at amortized cost.

Impairment charge is recognized in the income statement.

All loan receivables, in the case of which some individual signals indicating the impairment were identified, are subject to the measurement.

In the event when no objective circumstances occurred indicating the loss in a loan value assessed on individual basis, regardless of whether it constitutes a significant reporting item, such exposure is included in the credit portfolio of similar features and the portfolio analysis of the impairment is conducted. Homogenous loans portfolios are created basing upon the similar characteristics of credit risks specific for the defined groups of customers and products. The measurement of the portfolio impairment is performed basing on historical parameters of losses generated by the similar assets portfolios. Historical trends for losses are cleared of single events and are updated against a current risk profile of homogenous groups of assets. Thus, the continuous risk of portfolios is identified, and a defined probability exists that this risk will be transformed into individual losses. The Group verifies the methodology on a regular basis.

When the premises that indicate impairment cease to exist, the impairment charge is reversed via the income statement.

As the Group, taking advantage of exemptions stipulated in IFRS 1, decided not to restate the comparable data as provided in IAS 39, the carrying amount of loan receivables as of 1 January 2004 and 31 December 2004 was disclosed in accordance with the Polish accounting principles which were in force at the Bank and at the Group these reporting dates. The Polish principles required the application of a classification of credit exposures where 5 risk groups were identified (normal, under observation, substandard, irregular and loss receivables), applying a criterion of timely debt servicing and a criterion of the borrower's economic and financial standing. Specific provisions for the risk connected with credit exposures were established at least in the amounts required for the particular risk groups (from 1.5% to 100% of the base of establishment of the specific provisions). The Group, while estimating the amount of specific provisions for the purpose of the Polish principles, estimated the value of collateral in line with the regulations in force as well as the internal principles in force in the Group.

Pursuant to Article 130 of the Act of 29 August 1997 – Banking Law (Journal of Laws of 2002, No. 72, item 665, as amended), the Bank established a provision for general risk in the comparable data as at 1 January, 30 June and 31 December 2005 amounting to PLN 129,951 thousand, PLN 92,536 thousand and PLN 97,317 thousand respectively. Under § 7 of the Ordinance by the Minister of Finance of 10 December 2003 on the rules of establishing provisions for the risk of banking transactions (Journal of Laws of 19 December 2003), the Bank decreased the required level of specific provisions for the risk related to credit exposures resulting from retail loans and credits with the portion of the provision for general risk. As a result, this portion of the provision for general risk was recognized in the financial statements as the decrease in loan receivables.

The remaining portion of the provision for general risk as at 1 January, 30 June and 31 December 2004 does not meet the criteria of its recognition as a provision under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Under IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, the Bank recognized these amounts in undistributed retained profit/loss for the above dates respectively.

6.8.2. Charging receivables to provisions

The Bank writes off loan receivables to impairment charges when such receivables are loss receivables, particularly when:

- the costs of further debt collection will exceed the expected proceeds from debt collection;
- the ineffectiveness of the Bank's debt collection process is confirmed with a respective document issued by a respective enforcement body;
- the determination of the debtor's assets that can be subjected to enforcement, and the debtor's whereabouts cannot be established;
- the estate of a deceased debtor does not contain assets that can be subjected to enforcement;
- they are prescribed;
- they are written off due to the sale of claims;
- they are cancelled or written off due to debt restructuring;
- they are cancelled for material reasons, other than listed above.

6.8.3. Available-for-sale financial assets

If the Group identifies objective evidence of the occurrence of the impairment of an asset classified as available for sale, the accumulated negative measurement of this asset, previously accounted for in the revaluation reserve, is written off and recognized directly in the income statement, despite the fact that this asset is not excluded from the balance sheet.

In the case of an equity instrument classified as available for sale, the impairment charge is not reversed through the income statement up to the amount previously accounted for in shareholders' equity, and the surplus is recognized in the income statement. In the case of a debt instrument, at the time when the circumstances indicating impairment are no longer identified, the amount of the reversed impairment charge is recognized in the income statement.

6.9. Finance lease receivables

Contracts of lease under which the Group generally transfers all the risks and profits related to the possession of assets are recognized by the Group as contracts of finance lease. Receivables due under finance lease are presented by the Group in the balance sheet in the amount equal to net leasing investment in receivables from customers.

Interest income on finance lease is settled with the effective interest rate method in order to reflect the constant, in a given period, rate of return on net leasing investment.

6.10. Compensating of financial instruments

Financial assets and financial liabilities are set off and recognized in the balance sheet in net terms if the Group holds a valid title to set off the recognized amounts and intends to make the settlement in net amount or simultaneously realize a given asset and pay the liability.

6.11. Sale and repurchase contracts

Securities sold, with simultaneous inclusion of a related repurchase contract ("repo" transactions) are not excluded from the balance sheet; they are only reclassified to pledged assets (available-for-sale assets), if the receiving party has a contractual or customary right to sell or re-pledge the security. Due to counterparties are recognized in financial liabilities. Acquired securities with the promise of repurchase ("reverse repo" transactions) are recognized as loans and credits granted to other banks or customers, depending on their nature. The difference between the selling price and the repurchase price is treated as interest and calculated with the effective interest rate method in the term of the contract. Securities lent to counterparties are also recognized in the financial statements.

6.12. Property, plant and equipment (PPE)

6.12.1. Internal fixed assets

Property, plant and equipment, complete, prepared for direct use, with a foreseeable useful life of over one year, held by the Group and used by it, are recognized in the balance sheet at cost less depreciation and total impairment charges. Property, plant and equipment with low individual value are completely depreciated in the month of putting them into use.

The Group, basing on IFRS 1 for the preparation of the opening balance sheet according to IFRS, applied fair value as the deemed cost of property, plant and equipment.

Property, plant and equipment also include construction in progress and fixed assets put into use under the contracts of operating lease. Property, plant and equipment not used by the Group, but held for sale, are recognized in the balance sheet at the value lower of the two: carrying amount as at the day of classification to this category, and fair value less selling costs.

6.12.2. Capital expenditure incurred in later periods

The Group recognizes expenses of the increase in value or of the replacement of their part at the time of their incurrence, in the carrying amount of fixed assets, under the condition that the generation of increased future economic benefits related with this asset is possible and that the cost of improvement or replacement may be measured reliably. All other expenses are accounted for in the income statement at the time they were incurred.

6.12.3. Depreciation

Fixed assets are depreciated with the straight-line method in line with the depreciation schedule. The period of useful life is taken into consideration while determining the depreciation period and the annual depreciation rate. Land is not depreciated. Fixed assets that are used together, but which have various useful lives, are depreciated separately.

Estimated period of expected useful life of fixed assets:

• Buildings	40 years
• Investments in fixed assets owned by third parties.	10 years
• Vehicles	6 years
• Plant and machinery	3-7 years
• Other fixed assets	10 years

The verification of residual value and useful lives is performed once a year. Also once a year, the Group performs an analysis of circumstances and the test of impairment for particular groups of fixed assets to ensure whether the present carrying amount is not higher than market value or discounted value of future economic benefits.

Depreciation rates resulting from the tax regulations in force are applied for the purpose of tax settlements.

6.13. Intangible assets

Intangible assets are assets which comply with the following criteria:

- they can be separated from a business unit and sold, transferred, licensed or given for gratuitous use to third parties, both individually and jointly with related agreements, assets or liabilities, or

- they arise from contracts or other titles, irrespective of the fact whether they can be transferred or separated from a business unit.

Intangible assets acquired in a separate transaction are recognized in the balance sheet at cost. Intangible assets acquired in transactions of the acquisition of business units are recognized in the balance sheet at fair value as at the date of the acquisition.

Following the initial recognition, intangible assets are subject to historical cost.

6.13.1. Computer software

Acquired software licenses are recognized as intangible assets at cost and at cost of preparation of specific software for use. The Group writes off activated expenses in the estimated useful life of 5 years.

The expenses of the Group on the development, internally and for internal use, of identifiable and proprietary software which is to be used in a period longer than one year and which will possibly generate economic benefits exceeding the expenditure on that purpose are recognized in the balance sheet as intangible assets. Direct costs of software development activated in this way are amortized in the estimated useful life not longer than 5 years.

The expenditure of the Group related to the maintenance and service of the software are recognized as expense at the time they are incurred.

6.13.2. Other intangible assets

Other intangible assets are recognized in the balance sheet at cost less accumulated amortization and any possible impairment charges.

The Group recognizes expenses of the increase in value or replacement of their part in the carrying amount of intangible assets at the time of their incurrence, under the condition that obtaining increased future economic benefits related with this asset is possible and that the cost of improvement or replacement may be measured reliably. All other expenses are accounted for in the income statement at the time they were incurred.

6.13.3. Amortization

Intangible assets are amortized with the straight-line method according to the amortization schedule. The period of useful life, if it can be established, is taken into consideration while determining the amortization period and the annual amortization rate. Estimated periods of the expected useful life for intangible assets are equal to 5 years for licences for software and copyrights.

Amortization rates resulting from the tax regulations in force are applied for the purpose of tax settlements.

6.14. Goodwill

Goodwill is the surplus of the acquisition cost over the fair value of the Group's interest in identifiable assets, liabilities and contingent liabilities of the acquired business/associate as at the acquisition date. Goodwill from the acquisition of subsidiaries is recognized in the balance sheet in goodwill of subordinated companies, and the goodwill from the acquisition of associates is accounted for in investments in associates. Goodwill is not amortized, it is only analyzed in terms of the risk of impairment basing on the methodology of the cash-generating unit, i.e. the group of financial assets and liabilities generating inflows of cash.

For the purpose of the presentation in comparable data, as of 1 January 2004, the Group ceased to amortize goodwill. As at this date, the goodwill of the companies consolidated by the Bank is equal to the net value recognized in the 2003 closing balance sheet. At least once a year, the Group performs a goodwill impairment test based on the models developed in cooperation with the Bank's major shareholder.

6.15. The methods of measuring impairment of assets other than financial assets

The carrying amount of particular assets is periodically verified in terms of impairment. If the Group identifies the circumstances indicating impairment, it is determined whether the present book value of a given asset is higher than the value that can be obtained by further using it or selling it, i.e. the recoverable amount of a given asset is established. If the recoverable amount is lower than the present carrying amount of a given asset, impairment is recognized and impairment charge is accounted for in the income statement.

6.15.1. Measurement of recoverable amount

Recoverable amount of an asset is determined as the higher of the following: the price than can be obtained from the sale less costs of sale, or the value in use of a given asset. Value in use is determined as an estimated future cash flows generated by a given asset discounted with the market rate and increased with the margin for the risk specific for a given class of assets.

In the case of goodwill, cash-generating units (CGU) are separated for the purpose of the analysis of impairment, i.e. groups of financial assets and liabilities which may be directly assigned to the goodwill and which generate cash inflows independent of other groups. If negative trends in the generated flows are identified, the impairment of the whole group of assets and liabilities is measured and recognized in assigned goodwill.

As at 1 January 2004, all classes of assets including goodwill were analyzed in terms of any possible impairment, although the Group failed to identify circumstances indicating impairment. From the adoption of IFRS by the Group, the analysis of circumstances and impairment tests for intangible and property, plant and equipment are performed at least once a year.

6.15.2. Reversal of impairment charge

Impairment charge for goodwill is not reversed.

In case of other assets, impairment charge may be reversed if the circumstances indicating impairment cease to exist or the parameters included in the estimates of recoverable amount are changed.

Impairment charge may be reversed only up to the carrying amount of an asset, which, having regard for accumulated depreciation, would have been determined if the impairment charge had not been made.

6.16. Trade and other receivables

Trade and other receivables are reported in the amount due less impairment charges.

6.16.1. Assets taken over for debts

Assets taken over for debts are measured according to their fair value, including the cost of sale. If the fair value of assets seized is higher than the nominal value of receivables, impairment charge is created. If the selling price of the assets seized is higher than debt, the difference constitutes an obligation towards the borrower.

6.17. Deferred tax asset

For the purpose of financial reporting, the income tax provision is created according to the balance sheet liability method with regard to all the temporary differences as of the balance sheet date between the tax value of assets and liabilities and their carrying amount recognized in the financial statements.

Deferred tax liability is recognized for all positive temporary differences:

- except for situations, when the deferred tax is created as a result of the initial recognition of goodwill or initial recognition of an asset or a liability for a transaction which is not business combination and, at its execution, not affecting either the gross financial result or taxable income or tax loss;
- in the case of positive temporary differences resulting from investments in subsidiaries or associates and shares in joint ventures - except for situations when the dates of reversing temporary differences are controlled by an investor and when it is probable that, in the foreseeable future, the temporary differences will not be reversed.

A deferred tax asset is recognized with regard to all negative temporary differences as well as non-consumed tax assets and unused tax losses carried forward, in the amount in which it is probable to generate taxable income which will allow for using the said differences, assets and losses:

except for situations, when the deferred tax asset related to negative temporary differences are created as a result of the initial recognition of an asset or a liability for a transaction which is not business combination and, at its execution, not affecting either the gross financial result or taxable income or tax loss; and

in the case of negative temporary differences related to investments in subsidiaries or associates and shares in joint ventures, a deferred tax asset is recognized in the balance sheet only in such an amount for which it is probable that in the foreseeable future the said temporary differences will be reversed and taxable income is generated, which will allow for deducting negative temporary differences.

The carrying amount of a deferred tax asset is verified as of each balance sheet date and is subject to a respective decrease by the amount which corresponds to the lesser degree of the probability of generating taxable income or partial or total realization of a deferred tax asset.

Deferred tax asset and deferred tax liability are measured at tax rates which are expected to be in force in the period when an asset will be realized or a liability will be reversed, adopting, as a base, tax rates (and tax regulations) effective as of the balance sheet date or such rates which are certain to be in force as of the balance sheet date.

Income tax related to items recognized directly in shareholders' equity is accounted for in shareholders' equity and not in the income statement.

6.18. Cash and cash equivalents

For the purpose of the income statement, cash and cash equivalents include short-term items for the purpose of paying short-term monetary liabilities, mature in the period of less than 3 months from their acquisition, including cash and balances with central bank and other qualifying short-term receivables, including term deposits on the interbank market.

6.19. Provisions

The Group recognizes provisions in the balance sheet when:

a) a present obligation (legal or constructive) has arisen as a result of a past event;

b) it is probable that, in order to meet this obligation, the outflow of cash will be effected;

c) an amount of a future obligation can be estimated reliably.

The provision is recognized at the amount of the estimated outflow of cash. If the amount is material, the amount of the provision is determined as the value of the discounted future cash flow.

6.19.1. Restructuring provision

The Group recognizes restructuring provision in the balance sheet for evidenced expenditure on restructuring. The provision is created on the basis of a detailed, official and published restructuring plan. The provision does not include future operating expense.

6.19.2. Employee benefits

The Group fails to implement a specific retirement benefits programme for its employees, thus has no amounts due to its employees in this respect. The Group's entities, as employers, fulfilling the obligations stipulated in the law, are obligated to withhold and pay social security and health insurance contributions for their employees and contributions to the Labour Fund and the Guaranteed Employee Benefits Fund. These payments are a part of short-term employee benefits, including remuneration, paid leaves. Short-term benefits are recognized in operating expense under general principles.

The only component of long-term employee benefits is the provision for retirement severance payments which is estimated once a year by an independent actuary.

6.19.3. Deferred tax liability

Deferred tax liability is recognized in its full amount, with the balance sheet method, on account of temporary differences between the tax value of assets and liabilities and their carrying amount. The liability is determined with the application of tax regulations and tax rates, in force, legally or actually, at the balance sheet date, which, as expected, will be in force in the period, when temporary differences are realized for the purpose of tax settlements. Deferred tax liability is not discounted.

6.20. Shareholders' equity

The share capital is recognized at nominal value in the amount compliant with the Bank's Memorandum and Articles of Association and the entry in the Court Register. Other shareholders' equity is recognized in the balance sheet by types as required by law and the Bank's and particular subsidiaries' Memoranda and Articles of Association. Shareholders' equity also comprises net profit/loss for the period and undistributed profit or uncovered retained loss. Particular items of shareholders' equity are presented in notes.

6.21. Granted off-balance sheet liabilities

While pursuing its business, the Group enters into transactions which, at the time of their execution, are not recognized in the balance sheet as assets or liabilities, but result in contingent liabilities. A contingent liability is:

a) a potential obligation resulting from past events, whose existence will be confirmed at the time of the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Group companies;

b) a present obligation resulting from past events, but not recognized in the balance sheet as it is not probable that the expenditure of cash or other assets in order to fulfill the obligation is necessary, or the obligation amount cannot be determined reliably.

The most important items of granted off-balance sheet liabilities are granted credit lines and guarantees.

The liabilities granted on account of the credit lines granted by the Bank, in the amount not used by customers, are recognized in off-balance sheet liabilities in the amount resulting from contracts.

The liabilities granted on account of the guarantees granted by the Bank to customers, are recognized in off-balance sheet liabilities in the amount resulting from contracts.

Credit risk arising from off-balance sheet liabilities is estimated on the basis of discounted, expected, future cash flows. The provisions for estimated risk are created in liabilities in the Group's balance sheet.

6.22. Company Social Benefit Fund (CSBF)

CSBF is created on the basis of write-downs made by the Bank and the Group companies charged to operating expenses as required by the CSBF Act. The objective of the Fund is to finance social benefits for employees. The Fund's liabilities are accumulated write-downs made by the Bank and the Group companies for CSBF less non-returnable expenditure from CSBF. No social assets are present in the Group; all CSBF liabilities are in cash deposited on a separate banking account.

6.23. Interest income/expense

Interest income and expense generated by financial assets and liabilities are disclosed in the income statement at amortized cost and taking into account the effective interest rate.

The following financial assets and liabilities are measured at amortized cost:

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

In addition, as indicated in *Financial assets and liabilities,* in the case of debt securities measured at fair value, the coupon rates and acquired discounts or premiums are charged to the income statement also on the basis of the amortized cost method.

The purpose of the measurement at amortized cost taking into account the effective interest rate is to ensure that income and expenses, in particular reporting periods, related to the measured financial assets and liabilities over the entire period when they are held in the portfolio are commensurable, and, at the same time, the achievement of the constant rate of return on the assets portfolio financed with the defined deposits portfolio is possible.

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

The manner of the settlement of coupon rates, commissions/fees and some external expenses connected with financial instruments (with the method of the effective interest rate or on a straight-line basis) depends on the type of a given instrument. In the event of financial instruments with fixed cash flows schedules, the method of the effective interest rate is applied. For instruments with undefined cash flows schedules, it is impossible to calculate the effective interest rate and commissions/fees are settled on a straight-line basis over time.

However, the manner of recognizing particular types of commissions/fees settled over time in the income statement as interest or commission income and the general necessity of their settlement over time, and not the possibility of their single disclosure in the income statement, depends on the economic nature of the commission/fee.

The items included in the commissions/fees settled over time include, for instance, fees for a positive appraisal of a loan application, commissions for granting a credit, commissions for making cash available, fees for establishing additional collateral, etc. The collection of the above commissions and fees constitutes an integral part of the return generated by the specified financial instrument. This category also includes fees and expenses connected with the changes of contractual terms, what modifies the value of originally calculated effective interest rate. Any significant amendment to the terms of a given financial instrument in economic terms is connected with the expiry of the financial instrument of the previous type and creation of a new instrument of different characteristics. The fees that are collected in this category include, among others, fees for preparing an annex changing the future cash flows schedule, fees for restructuring of loan agreements, for postponement of payment dates, etc. The above-mentioned types of fees are deferred and settled over time in the income statement by applying the method of the effective interest rate or a straight-line basis, depending on the type of product.

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

All fees/commissions and external expenses connected with granting consumer loans through Żagiel S.A. are settled in the income statement at amortized cost method and taking into account the effective interest rate.

In the case of assets for which circumstances indicating the impairment were defined, interest income is charged to the income statement on the basis of net investments defined as the difference between the gross exposure and impairment charge basing on effective interest rate applied to calculate impairment charge.

6.24. Net fee and commission income /expense

As stated above, fees and commissions recognized in the income statement with the effective interest rate are accounted for by the Group in the net interest income/expense.

Whereas fees and commissions not settled with the effective interest rate, but dealt with the straight-line method or recognized one-off, are reported in *net fee and commission income/expense*. Such income includes commissions on revolving loans, overdraft facilities, credit cards, off-balance sheet liabilities, and fees for managing current assets. All fees for the activities, where the Group acts as an agent or provides services related to the distribution of shares of investment funds, transfers, and payments, ect. are recognized once.

6.25. Net trading income

Income from trade comprises gains or losses arising from the disposal or change of the fair value of financial assets measured at fair value through profit or loss. This item also includes exchange income item.

6.26. Dividend income

In the case of capital investments recognized in the balance sheet at historical cost, dividend income is accounted for in the income statement at the time when the right to dividend is established. In the case of capital investments recognized in the balance sheet with equity method, dividend income is already included in the measurement with the accrual concept, initially recognized in the measurement with the equity method.

6.27. Other operating income and expenses

Other operating income and expenses include income and expenses not related directly to the Group's core business. These are in particular income and expenses arising from sales and liquidation of fixed assets, obtained and paid indemnities, income and expenses from other services provided or acquired by the Group to a minimum extent.

6.28. Income tax

Tax on gross result is composed of the current tax and deferred tax. The Group is not a group for tax purposes under the Act on Corporate Income Tax, therefore, all Group's companies settle current income tax individually. The financial year of particular Group companies is the same as their tax year.

Current tax for the period is calculated by each company of the Group on the basis of the book gross result adjusted with income as in books, which under the tax law in force, are not taxable income, and on the basis of book expenses which are not tax-deductible expenditure. In addition, the gross result as in books is adjusted with book retained income and expenses from previous years which were realized for tax purposes in the period.

Deferred income tax recognized as an element of the charge on the book gross profit/loss with income tax, is calculated as the net effect of the change in deferred tax asset and liabilities.

6.29. Held-for-sale fixed assets and discontinued operations

Before the classification as "held-for-sale", assets (and all assets and liabilities in the held-for-sale group) are revalued according to IFRS 5. Further, fixed assets and held-for-sale assets are measured at the lower of: present carrying amount or fair value less selling costs.

The Group recognizes the impairment charge at the initial recognition or later revaluation in the income statement, even if the asset is earlier revalued.

Discontinued operations is an element of the Group's operations, which constitutes a separate, material area of the Group's operations or its geographical segment or if it is a subsidiary acquired only with the intention to repurchase it. The Group recognizes such operations as discontinued at the time of sale or classification as "held-for-sale".

6.30. Comparable data

Where necessary, comparable data were restated so as to take account for changes in accounting and presenting principles introduced on 1 January 2005. The description of adjustments of comparable data is presented in Note 56.

7. Accounting estimates

Preparation of financial statements in line with IFRS requires the judgment of an entity's Management Board on the adopted accounting principles and accounting estimates applied with respect to balance sheet items and income statement items. Estimates are related to uncertain future events and are made basing on historical data and a number of assumptions based on the facts available at the time, resulting from internal and external conditions. The actual results of business operations may differ from the current accounting estimates. Accounting estimates are verified on a regular basis. Changes in estimates are recognized in the financial statements in the period they were made.

The most important accounting estimates for the purpose of these financial statements refer to:

- measurements of financial assets and liabilities at fair value, including derivatives for which no active market exists;
- identification and measurement of impairment charges for financial assets measured at amortised cost and historical cost;
- the value of deferred tax asset;
- provisions.

7.1. Measurement of financial assets and liabilities at fair value

In the case of financial assets and liabilities recognized in the balance sheet at fair value, for which no active market is identified, the measurement is performed on the basis of generally accepted measurement models based on variables that can be observed in the market environment. Certain variables, e.g. the future interest rates, volatility parameters, correlations, must be assessed professionally. The models and variables are verified on a regular basis. The change in adopted models or variables in these models might affect accounting estimates related to measurement.

7.2. Impairment of assets measured at amortized cost and historical cost

Loan receivables constitute the most important part of financial assets recognized in the Group's balance sheet at amortized cost or historical cost.

In accordance with IAS 39, all receivables are analyzed for impairment, not only the receivables that bear the increased credit risk.

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

7.2.1. Circumstances indicating impairment

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

The specification of objective circumstances takes into account quantitative and qualitative data in static and dynamic terms, 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, what is reflected in the possibility of generating financial resources necessary to service the indebtedness.

The list of circumstances includes gradation of their materiality: the impairment may be evidenced by one circumstance or a combination of circumstances.

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

7.2.2. Measurement of the individual impairment

All loan receivables are subject to measurement of the individual impairment in the case of which, some individual signals, indicating the impairment, were identified.

The process of estimating future, expected cash flows is carried out by a 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 recoverable amount of such collateral. In the case of those receivables, where the debt collection value of collateral is the only expected future cash flow, its value is determined on the basis of a group estimation of a possibility of recovering the collateral. The Bank acquires knowledge about the quality of collateral portfolio in a form of statistical data updated on a regular basis, relating to the historical effectiveness of debt collection as well as the present market value of particular types of collateral, adjusted with the costs of their collection.

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

7.2.3. Measurement of portfolio's impairment

In the event where no objective circumstances indicating the loss in a loan value assessed on individual basis occured, regardless of whether it constitutes a significant reporting item, such exposure is included in the credit portfolio of similar features and the portfolio analysis of the impairment is conducted.

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

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

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

a) fluctuations in the receivables portfolio, for which the individual losses in values are not identified;

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

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

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

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

7.3. The value of deferred tax asset

As mentioned in the Group's consolidated financial statements as of 31 December 2004, the accounting principle related to the measurement of deferred tax asset applied in 2003 and 2004 provided, that at the Bank, bearing in mind balance sheet and tax losses incurred in 2002 and 2003 and the uncertainty of the settlement of the surplus of deferred tax asset over deferred tax liability, deferred tax asset were recognized only up to the amount of the deferred tax liability.

The positive trend in the operating income generated by the Bank indicates the increasing probability of settling tax losses accumulated in previous years. Therefore, the Bank, as of 30 June 2005, recognized the portion of the surplus of a deferred tax asset over the deferred tax liability. The Bank will gradually recognize the unrecognized portion of the tax asset in future periods according to updated forecasts of tax income. The Bank, as of 30 June 2005, due to the Bank's improving financial result, decided to recognize a surplus of the deferred tax asset over deferred tax liability in the value that is probable to be generated in the future with the application of prudence. The accounting policy adopted by the Bank, stipulates in this respect that at the end of each quarter, the Bank will assess the probability of realizing net deferred tax asset and recognize the amount in the value of the probable future realization amount on that account. The probability of realizing net deferred tax asset will be determined on the basis of financial plans and tax forecasts prepared by the Bank's Management Board, updated on an ongoing basis as at the end of each quarter.

8. Segment reporting

The Group applies the fundamental division into industrial segments subject to the reporting obligation. The Group does not pursue activities diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of Polish natural and legal persons and foreign customers operating on the Polish market.

The Group's operation 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 units at the central and local levels. Beside the traditional deposit, credit and settlement services, the specific services are offered, tailored to the customers' individual needs, for instance: organizing syndicates supporting investment undertakings, financing real estate transactions, financing foreign trade and bulk payments. The Bank's offer in this segment is enriched with products of Kredyt Lease, which offers complete services to companies with respect to leasing of fixed assets and real estates, and also real estate trading.

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

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

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

The segment's income and expenses had been determined before inter-segmental exclusions were made. The selling prices among segments are calculated on the basis of the transfer prices methodology. A transfer rate is benchmark rate taking into consideration the specific nature of transactions and the structural management of assets and liabilities. Monetary market rates, prices from the swaps market and bonds prices are the basis for establishing transfer rates for products with defined repricing dates. For current, savings and "free capital" accounts, so called "benchmarks" are applied; they are calculated as an average interest rate of the portfolio of certain assets, features of which are similar to the nature of a given product. "Free capital" means the surplus of bank's fundamental funds (having regard for planned tax payments and planned dividend payments) over the property, plant and equipment and the value of stakes in companies in which the bank holds controlling stock. Transfer rates are determined separately for each balance sheet currency.

Also, according to this methodology, the Bank's own funds are not allocated for particular segments, but presented in a separate "Unallocated capitals" category.

The income and expenses that may not be rationally assigned to any of the segments are disclosed in "unallocated expenses" and "unallocated income" items. The Bank's expenses are not allocated internally to individual segments. For the purpose of these financial statements, the expenses were allocated using the allocation keys, such as the structure of employment, usable area or the scope of segment's activities measured with the value of assets and liabilities.

Financial profit (loss) of segments presented in the segment note for the first half of 2005 included in the Group's consolidated financial statements as at 30 June 2004 differ from the results comprised in these financial statements due to:

- recognition of adjustments related to settlements over time of commission on promotional installment loans;

- new rules of calculating inter-company receivables and liabilities between segments.

In 2004, a process of profound restructuring was carried out in the Bank, which introduced considerable changes in the organization structure of the segments. Also, since the beginning of 2005, the Bank has expanded the system of the valuation of internal funds transfers by inclusion of the measurement of specific provisions. It means that in 2005, costs of financing loan and credit activities are calculated on the basis of net value, while last year, they were calculated on the basis of gross value.

Consolidated income statement for the period 01.01-30.06.2005

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	314 447	442 983	261 844	56 687	34 079	-95 318	**1 014 722**
2. Segment income (internal)	101 867	266 910	294 275	0	8	-663 060	**0**
3. Total segment income	**416 314**	**709 893**	**556 119**	**56 687**	**34 087**	**-758 378**	**1 014 722**
4. Segment expenses (external)	-88 231	-238 431	-171 831	-45 932	-21 146	95 318	**-470 253**
4a. Allocated expenses	-68 080	-295 937	-14 848	-13 582	-3 217	0	**-395 664**
5. Segment expenses (internal)	-168 012	-119 368	-368 784	-6 896	0	663 060	**0**
6. Total segment expenses	**-324 323**	**-653 736**	**-555 463**	**-66 410**	**-24 363**	**758 378**	**-865 917**
7. Segment result	**91 991**	**56 157**	**656**	**-9 723**	**9 724**	**0**	**148 805**
8. Profit from provisions and revaluation	**57 569**	**-9 317**	**0**	**414**	**75**	**0**	**48 741**
9. The share of the segment in the net income of subordinated companies measured with equity method.	**0**	**0**	**0**	**401**	**0**	**0**	**401**
10. Segment result	**149 560**	**46 840**	**656**	**-8 908**	**9 799**	**0**	**197 947**
11. Income tax	0	0	0	0	0	0	**35 214**
12. Net profit/loss	**149 446**	**46 840**	**656**	**-8 908**	**9 799**	**0**	**233 161**

Consolidated balance sheet as at 30 June 2005

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions and consolidation adjustments	Total
1. Segment assets	6 674 187	4 815 528	8 982 314	1 919 213	474 887	- 1 945 466	**20 920 958**
2. Segment investments in subordinated companies measured with equity method	0	0	0	10 582	0	0	**10 582**
4. Total assets	**6 674 187**	**4 815 823**	**8 982 314**	**1 929 795**	**474 887**	**-1 945 466**	**20 931 540**
5. Segment liabilities	3 973 438	10 546 259	4 754 790	1 476 816	610 061	-1 945 466	**19 415 898**
6. Unallocated capitals	0	0	0	0	0	0	**1 515 642**
7. Total liabilities	**3 973 438**	**10 546 259**	**4 754 790**	**1 476 816**	**610 061**	**-1 945 466**	**20 931 540**
1.Capital investments (costs of assets acquisition)	6 364	29 237	1 843	1 807	278	0	**39 529**
2. Depreciation	12 974	46 959	4 309	6 494	534	0	**71 270**

Consolidated income statement for the period 01.01-30.06.2004

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	370 804	545 165	139 032	118 346	16 910	-182 516	**1 007 741**
2. Segment income (internal)	99 673	272 187	348 794	0	3 264	-723 918	**0**
3. Total segment income	**470 477**	**817 352**	**487 826**	**118 346**	**20 174**	**-906 434**	**1 007 741**
4. Segment expenses (external)	-142 020	-315 080	-102 174	-72 665	-24 752	182 516	**-474 175**
4a. Allocated expenses	-82 904	-316 587	-15 997	-14 951	-3 484	0	**-433 923**
5. Segment expenses (internal)	-179 909	-155 898	-375 124	-12 474	-513	723 918	**0**
6. Total segment expenses	**-404 833**	**-787 565**	**-493 295**	**-100 090**	**-28 749**	**906 434**	**-908 098**
7. Segment result	**65 644**	**29 787**	**-5 469**	**18 256**	**-8 575**	**0**	**99 643**
8. Profit from provisions and revaluation	**44 632**	**-146 521**	**0**	**1 947**	**21 260**	**0**	**-78 682**
9. The share of the segment in the net income of subordinated companies measured with equity method.	**0**	**0**	**0**	**1**	**0**	**0**	**1**
10. Segment result	**110 276**	**-116 734**	**-5 469**	**20 204**	**12 685**	**0**	**20 962**
11. Income tax	0	0	0	0	0	0	**-9 249**
12. Profit of minority shareholders	0	0	0	0	0	0	**-1 652**
13. Net profit/loss	**110 276**	**-116 734**	**-5 469**	**20 204**	**12 685**	**0**	**10 061**

Consolidated balance sheet as at 30 June 2005

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions and consolidation adjustments	Total
1. Segment assets	8 022 782	5 388 231	10 191 835	2 723 127	431 802	-3 284 845	**23 472 932**
2. Segment investments in subordinated companies measured with equity method	0	0	0	0	0	0	**0**
3. Other assets (unallocated)	0	0	0	0	0	0	**0**
4. Total assets	**8 022 782**	**5 388 231**	**10 191 835**	**2 723 127**	**431 802**	**-3 284 845**	**23 472 932**
5. Segment liabilities	4 775 263	10 505 559	7 376 524	2 421 605	329 402	-3 284 845	**22 123 508**
6. Unallocated capitals	0	0	0	0	0	0	**1 349 424**
7. Total liabilities	**4 775 263**	**10 505 559**	**7 376 524**	**2 421 605**	**329 402**	**-3 284 845**	**23 472 932**
1. Capital investments (costs of assets acquisition)	25 679	44 806	1 101	1 890	218	0	**73 694**
2. Depreciation	20 327	55 442	4 970	6 847	670	0	**88 256**

9. Interest income

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
amounts due from banks	64 579	34 896
receivables from customers	503 815	495 004
- from financial sector	5 421	9 834
- from non-financial sector	454 148	454 278
- from the budgetary sector	44 246	30 892
fixed yield securities	159 889	140 058
- held for trading	7 522	10 300
- available for sale	104 732	117 556
- held to maturity	47 635	12 202
receivables related to the acquired securities with promised repurchase	0	0
other	0	0
Total	**728 283**	**669 958**

The interest income for the first half of 2005 include PLN 19,143 thousand of interest accrued calculated under an accrual basis of accounting, that the Group, as at the balance sheet date, did not receive in cash, on irregular receivables. Interest was calculated with the effective interest rate applied in discounting expected cash flows for the purpose of estimating the impairment of loan receivables. In comparable data for the first half of 2004, as the Group, taking advantage of exemptions stipulated in IFRS 1, decided not to restate the comparable data as provided in IAS 39, interest income on irregular receivables in the income statement were recognized on the cash basis.

10. Interest expense

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
on account of:		
Payables towards banks	47 297	36 918
Payables towards customers	256 633	253 773
- from financial sector	16 855	33 074
- from non-financial sector	202 838	184 907
- from the budgetary sector	36 940	35 792
Disposed securities with the promise of repurchase	23 488	0
issue of securities, including:	18 298	14 577
- subordinated securities	18 298	14 577
Other subordinated liabilities	12 005	13 595
Other	6 099	6 780
Total	**363 820**	**325 643**

Net interest income/expense	**364 463**	**344 315**

11. Fee and commission income

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Fee and commission on loans	50 969	129 475
Fee and commission on deposit-related transactions with customers	61 432	63 427
Fee and commission due for the servicing of payment cards and ATMs	22 760	22 610
Brokerage commissions	0	3 209
on foreign clearing operations	6 040	6 524
on guarantees	1 822	2 369
Other fee and commission	5 903	23 646
Total	**148 926**	**251 260**

12. Fee and commission expense

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Participation of agents in arrangment fee*	0	4 331
Fee and commission on loans borrowed	569	1 106
Fee and commission due for the servicing of payment cards and ATMs	6 267	3 199
Costs of guarantee commitments	510	5 011
Other fee and commission	1 642	2 980
Total	**8 988**	**16 627**

Net fee and commission income /expense	**139 938**	**234 633**

* a material decrease in this item is a result of recognizing such commissions in the interest income/expense with amortized costs method with the effective interest rate

13. Dividend income

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Held-for-trading securities	0	0
Available-for-sale securities	750	156
Total	**750**	**156**

14. Net trading income

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Net trading income, including:		
- on debt securities	6 130	-1 805
- on commercial equity instruments	0	-4 284
- on derivatives	87 210	40 145
- profit/loss from exchange item	-22 732	-3 144
- other	3 020	10 255
Total	**73 628**	**41 167**

15. Net investment income

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
from available-for-sale assets and held-to-maturity assets:	-5 087	20 230
- from equity instruments	3 216	7 148
- from debt instruments	-8 303	13 082
Total	**-5 087**	**20 230**

16. Other operating income

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Disposal of or liquidation of fixed assets and disposable assets	2 100	321
Recovered bad debts and debt collection costs	11 574	10 754
Indemnities, penalties and fines received	6 771	1 153
Side income	3 763	3 440
IDM operations	0	3 208
Participation in the distribution of certificates of Investment Fund Societies	1 451	0
Other operating income	6 696	20 175
Total	**32 355**	**39 051**

17. Operating expense

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Staff expenses, including:	**204 907**	**223 931**
Remuneration	166 471	185 109
Remuneration mark-up	31 614	35 026
Employee benefits	3 680	0
Training expenses	3 142	3 796
Operating expense, including:	**160 919**	**227 132**
Costs of buildings maintenance and lease	48 691	58 229
Postal and telecommunication expenses	23 233	29 740
Costs of machinery repairs and warranty services	15 929	19 130
Property protection expenses	8 698	15 388
Consulting and advisory expenses	5 393	8 066
Taxes and fees	8 971	12 454
Expenses incurred on account of the Bank Guarantee Fund	1 865	3 247
Other	48 139	80 878
Depreciation, including:	**71 270**	**88 256**
Fixed assets	49 311	65 761
Intangible assets	21 959	22 495
Total	**437 096**	**539 319**

Fees under operating lease

Contracts of leasing under which the lessor retains the whole risk and all profits arising from the possession of the leased property, are accounted for in contracts of operating lease. Fees under operating lease are recognized as expenses in the income statement on a straight-line basis for the term of the leasing.

Contracts of operating lease under which the Group acts as the lessee are mainly related to the lease of real estate and real estate used by the Group in the normal course of business. All contracts are executed at arm's length, without any exceptional or non-standard terms or conditions.

Under contracts of operating lease, the Group uses two Headquarters buildings, which, at the end of 2004, were sold to companies from outside the Group and are now leased from them. The sale transactions were executed at arm's length; contracts of lease were also executed at arm's length. The contracts are executed for 10 years and their terms provide for the possibility of their extension, without the terms set out on the day of their executions. Under the contracts, the Bank has no guaranteed repurchase right to the buildings after the 10-year term of lease.

Gross leasing fees paid by the Group and recognized in particular reporting periods as operating expense were as follows:

1.01 - 30.06.05 *unaudited*	1.01 - 30.06.04 *unaudited*
50 648	64 193

A major part of fees were fees for the leasing of real estates.

The total amount of future minimum gross leasing fees that the Group is obliged to pay under irrevocable contracts of leasing, determined as at the balance sheet date, has been presented below:

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 year	83 248	92 149	102 444
- up to 5 years	282 254	312 432	347 338
- over 5 years	100 236	110 953	123 349
Total	**465 738**	**515 534**	**573 131**

18. Change in impairment charges and provisions

- ***Creation of impairment charges and provisions***

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Credits and loans	249 659	906 368
Available-for-sale financial assets	0	2 067
Other assets	1 819	3 031
Total impairment charges	**251 478**	**911 466**
Provisions for other future liabilities	40	640
Provisions for off-balance sheet liabilities	139 262	92 655
Total provisions	**139 302**	**93 295**
Total	**390 780**	**1 004 761**

- ***Reversal of impairment charges and provisions***

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Credits and loans	339 820	832 052
Available for sale financial assets	0	1 153
Capital investments	396	616
Property, plant and equipment	10	30
Intangible assets	211	543
Other assets	2 351	1 251
Total impairment charges	**342 788**	**835 645**
Off-balance sheet liabilities	96 733	90 434
Total provisions	**96 733**	**90 434**
Total	**439 521**	**926 079**

Net impairment charges for financial assets and other assets and provisions	**48 741**	**-78 682**

19. Other operating expenses

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Management of third party assets	318	1 466
Disposal of or liquidation of fixed assets, intangible assets and disposable assets	1 149	4 481
Written off receivables and debt collection expenses	7 738	5 715
Indemnities, penalties and fines paid	216	277
Banks' incidental expense	125	1 476
Donations	109	870
Sponsoring expense	776	1 037
Other expense	10 689	25 268
Total	**21 120**	**40 590**

20. Income tax expense in the income statement

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Current income tax	-2 980	-8 790
Deferred income tax	38 194	-459
Tax on profit/loss	**35 214**	**-9 249**

- ***Current income tax presented in the income statement***

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
1. Gross profit (loss)*	197 546	20 961
- consolidation adjustments	-1 442	-7 388
2. Discrepancies between gross profit (loss) and income tax base (by types):	-180 778	-91 063
- permanent differences	108 419	-23 409
- temporary differences	-200 560	-40 242
- provisions and impairment charges	-119 820	558 682
- measurement of derivatives	-35 139	5 295
- interest	-26 438	-30 239
- other	-19 163	-73 980
- other differences	1 286	5 072
- retained loss	-89 560	-2 481
- reliefs and donations	-363	-3
3. Tax base for income tax calculation	15 680	35 310
4. Income tax (19%)	2 980	6 709
5. Current income tax recognized in the tax declaration for the period, including:	2 980	6 709
- presented in the income statement of subsidiaries	2 980	6 709
6. Current income tax of the Group companies, including:	0	2 081
- current income tax of KBU presented in the income statement	0	1 315
- income tax of KBU presented in the income statement	0	646
- current income tax of BFI	0	120
Total current income tax presented in the income statement	**2 980**	**8 790**

* with gross profit of discontinued operations (IDM), without shares in profit of associates
** figures as at 30.06.2004 were made comparable (including the tax of KBU, KIF and BFI)

- ***Deferred income tax presented in the income statement***

	30.06.2005 *unaudited*	30.06.2004 *unaudited*
- decrease (increase) due to establishment and reversal of temporary discrepancies	-286 180	-94 106
- decrease (increase) due to tax loss not presented previously, tax relief, or positive discrepancy from the previous period	41 708	0
- decrease (increase) due to write-off of income tax assets or no possibility to use income tax provision	285 993	91 505
- other elements of deferred income tax (by types)	-3 327	2 142
- consolidation adjustments	-3 327	2 399
- other	0	-257
Total deferred income tax	**38 194**	**-459**

As mentioned in the Group's consolidated financial statements as of 31 December 2004, the accounting principle applied in 2003 and 2004 provided, that at the Bank, bearing in mind the balance sheet and tax losses incurred in 2002 and 2003 and uncertainty of the settlement of the surplus of deferred tax asset over deferred tax liability provision for the deferred tax, deferred tax asset were recognized only up to the amount of the deferred tax liability.

Due to the issues described above, the reconciliation presented below was presented only for the parent company.

The Bank, as of 30 June 2005, due to the Bank's improving financial result, decided to recognize a surplus of the deferred tax asset over deferred tax liability in the value that is probable to be generated in the future with the application of prudence. The accounting policy adopted by the Bank, stipulates in this respect that at the end of each quarter, the Bank will assess the probability of realizing net deferred tax asset and recognize the amount in the value of the probable future realization amount on that account. The probability of realizing net deferred tax asset will be determined on the basis of financial plans and tax forecasts prepared by the Bank's Management Board, updated on an ongoing basis as at the end of each quarter.

Reconciliation of effective tax rate

	30.06.2005 *unaudited*	30.06.2004 *unaudited*
Profit before tax	197 546	20 961
Income tax at 19% rate	-37 534	-3 983
Total impact of permanent differences and unrecognized portion of the tax asset	72 748	-5 266
Income tax in the income statement	35 214	-9 249
Effective tax rate	-18%	44%

As the Bank failed to recognize the surplus of the deferred tax asset over the deferred tax liability due to historical tax losses and the uncertainty prevailing in previous periods as regards future tax profits, and also due to the portion of retained tax loss settled in 2004, the Bank's effective tax rate in 2004 was 0%.

21. Net profit per Bank's shareholders

	1.01-30.06.05 *unaudited*	1.01-30.06.04 *unaudited*
Net profit (loss) of the parent company	225 919	20 391
Net profit (loss) of subsidiaries	9 633	26 143
Consolidation adjustments	-2 391	-36 473
Net profit (loss) per Bank's shareholders	**233 161**	**10 061**

22. Earnings per share (EPS)

- ***Earnings per share (EPS) in the period 01.01-30.06-2005***

Net profit as at 30.06.2005	233 161
Number of shares as at 01.01.2005	271 658 880
Number of shares as at 30.06.2005	271 658 880
Weighed average number of shares	**271 658 880**
Earnings per shares per Bank's shareholders	**0.86**

- ***Earnings per share (EPS) in the period 01.01-30.06.2004***

Net profit as at 30.06.2004	10 061
Number of shares as at 01.01.2004	211 290 240
Issue of series W shares on 18.06.2004	60 368 640
Weighed average number of shares	**215 602 286**
Earnings per shares per Bank's shareholders	**0.05**

EPS calculates as the quotient of earnings per Bank's shareholders and weighted average number of shares. Kredyt Bank S.A. Capital Group does not calculate diluted earnings per share due to the absence of capital categories resulting in dilution.

23. Cash and balances with Central Bank

- ***By types***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Cash in hand	421 603	487 119	358 235
Current account in the central bank	452 931	1 025 472	740 996
Total	**874 534**	**1 512 591**	**1 099 231**

- ***By currencies***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- in PLN	816 128	1 441 984	1 007 203
- in foreign currencies (by currency and translated into PLN)	58 406	70 607	92 028
- in EUR	28 591	40 170	34 684
- in USD	23 908	22 763	27 975
- in GBP	4 200	5 481	4 546
- in CHF	1 224	1 567	1 272
other currencies	483	626	23 551
Total	**874 534**	**1 512 591**	**1 099 231**

As at 30.06.2005, cash on the Bank’s current account in the NBP maintained for the purpose of the central bank statutory reserve amounted to PLN 541,562 thousand. As at 31.12.2004, cash was equal to PLN 571,363 thousand; and as at 30.06.2004, cash was equal to PL 607,021 thousand.

24. Gross amounts due from banks

- ***By types***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Current accounts	40 306	12 819	90 763
Deposits in other banks	2 867 818	2 641 488	3 074 317
Loans and credits granted to banks	0	36 191	85 204
Other	6 502	2 866	5 128
Interest	22 906	9 354	3 107
Total	**2 937 532**	**2 702 718**	**3 258 519**

- ***By currencies***

	30.06-2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
in PLN	1 595 391	1 016 411	696 924
in foreign currencies (by currency and translated into PLN)	1 342 141	1 686 307	2 561 595
- in EUR	416 553	867 361	1 159 376
- in USD	763 337	746 783	1 100 839
- in GBP	5 122	64 410	13 669
- in CHF	152 901	368	222 040
- other currencies	4 228	7 385	65 671
Total	**2 937 532**	**2 702 718**	**3 258 519**

- ***By maturity dates***

	30.06-2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	1 638 090	2 057 599	2 644 536
- 1-3 months	795 535	360 527	549 394
- 3-6 months	250 192	26 969	15 965
- 6 months to 1 year	227 915	225 909	15 435
- 1 - 3 years	0	18 586	26 770
- 3 - 5 years	0	0	118
- 5 - 10 years	0	0	0
- 10 - 20 years	0	0	0
- over 20 years	0	0	0
- outstanding	2 894	3 774	3 194
- interest	22 906	9 354	3 107
Total	**2 937 532**	**2 702 718**	**3 258 519**

- ***Gross receivables***

	30.06-2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Regular receivables	2 911 732	2 690 170	3 252 218
Irregular receivables	2 894	3 194	3 194
Interest	22 906	9 354	3 107
Total	**2 937 532**	**2 702 718**	**3 258 519**

As at 30.06.2005, the average effective interest rates of term deposits in other banks were as follows (by main currencies):

in CHF – 0.7%
in EUR – 2.2%
in GBP – 4.7%
in PLN – 5.6%
in USD – 3.3%

All deposits were fixed interest rate deposits.

25. Impairment charge for amounts due from banks

	1.01.-30.06.05 *unaudited*	01.01 -31.12.04	01.01 -30.06.04 *unaudited*
1. Impairment charge for amounts due from banks at the beginning of the period	3 194	3 194	3 194
a) increase	0	0	0
b) use	-300	0	0
- receivables written off in the period as bad debts	-300	0	0
c) reversal	0	0	0
At the end of the period	**2 894**	**3 194**	**3 194**

26. Financial assets measured at fair value through profit and loss account

	30.06.2005	31.12.2004	30.06.2004
Debt securities	**408 467**	**338 292**	**206 915**
Debt securities of the State Treasury	407 829	337 634	118 418
-bonds	158 082	163 670	67 659
-bills	249 747	173 964	50 759
Debt securities of the central bank	0	0	86 065
-bonds	0	0	0
-bills	0	0	86 065
Other securities	638	658	2 432
-bonds	638	658	2 432
-bills	0	0	0
Equity securities	**0**	**19**	**24**
Derivatives	**295 186**	**219 449**	**414 297**
Total	**703 653**	**557 760**	**621 236**

	30.06.2005	31.12.2004	30.06.2004
listed	**703 653**	**557 760**	**621 236**
-shares	0	19	24
-bonds	158 720	164 328	70 091
-money market bills	249 747	173 964	136 824
-derivatives	295 186	219 449	414 297
Total	**703 653**	**557 760**	**621 236**

- ***Derivatives (by types)***

	30.06.2005		31.12.2004		30.06.2004	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate transactions	**205 763**	**220 450**	**165 226**	**149 978**	**262 954**	**267 868**
IRS	151 855	166 895	146 791	129 152	190 031	191 718
FRA	53 908	53 555	18 435	20 826	72 923	76 150
foreign exchange transactions	**89 347**	**45 128**	**54 147**	**76 322**	**151 343**	**138 514**
foreign exchange swap	62 151	33 648	38 668	66 450	24 644	23 936
CIRS	12 169	0	0	0	0	0
Forward	4 635	5 110	7 779	5 612	116 585	108 393
Acquired options	9 005	0	7 648	0	8 628	0
Sold options	0	5 084	0	4 186	0	4 656
Other	1 387	1 286	52	74	1 486	1 529
Embedded derivatives	**76**	**7 765**	**76**	**7 632**	**0**	**11 966**
Total	**295 186**	**273 343**	**219 449**	**233 932**	**414 297**	**418 348**

- ***Derivatives (by maturity dates)***

	30.06.2005		31.12.2004		30.06.2004	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate transactions (fair value)	**205 763**	**220 450**	**165 226**	**149 978**	**262 954**	**267 868**
Interest rate transactions (nominal value)	**34 996 000**	**32 389 663**	**13 950 000**	**12 746 000**	**29 493 000**	**27 139 000**
- up to 1 month	645 000	750 000	1 400 000	1 250 000	300 000	275 000
- 1-3 months	3 450 000	3 379 010	2 625 000	875 000	1 900 000	250 000
- 3-6 months	11 477 000	9 424 652	1 925 000	2 200 000	9 801 000	10 076 000
- 6 months to 1 year	16 465 000	15 820 001	4 946 000	5 575 000	11 016 000	10 191 000
- 1 - 3 years	2 288 000	2 431 000	1 718 000	1 527 000	4 928 000	4 686 000
- 3 - 5 years	486 000	415 000	1 111 000	1 094 000	1 323 000	1 436 000
- 5 - 10 years	185 000	170 000	225 000	225 000	225 000	225 000
foreign exchange transactions (fair value)	**89 347**	**45 128**	**54 147**	**76 321**	**151 343**	**138 514**
foreign exchange transactions (nominal value)	**5 336 826**	**5 296 751**	**1 986 909**	**2 013 441**	**2 786 647**	**2 772 204**
- up to 1 month	2 758 282	2 754 555	1 177 758	1 188 445	1 898 864	1 889 706
- 1-3 months	980 390	954 495	261 751	251 787	284 031	285 471
- 3-6 months	1 175 391	1 167 696	163 876	176 239	460 983	462 849
- 6 months to 1 year	368 063	365 305	285 367	296 963	92 818	93 378
- 1 - 3 years	54 700	54 700	98 157	100 007	49 951	40 800
Total fair value*	**295 110**	**265 578**	**219 373**	**226 299**	**414 297**	**406 382**
Total nominal value	**40 332 826**	**37 686 414**	**15 936 909**	**14 759 441**	**32 279 647**	**29 911 204**

* except for embedded derivatives

- ***Debt securities***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	140	80	92 122
- 1-3 months	647	7 584	13 314
- 3-6 months	41 433	58 033	18 479
- 6 months to 1 year	229 400	128 954	42 521
- 1 - 3 years	66 471	85 288	11 871
- 3 - 5 years	42 419	46 840	5 029
- 5 - 10 years	23 232	8 400	18 355
- 10 - 20 years	4 725	3 113	0
- over 20 years	0	0	5 224
Total	**408 467**	**338 292**	**206 915**

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

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
in PLN	678 891	542 994	590 924
in foreign currencies (by currency and translated into PLN)	24 762	14 766	30 312
- in EUR.	13 668	4 477	11 308
- in USD	10 145	9 765	18 859
- in GBP	949	524	145
Total	**703 653**	**557 760**	**621 236**

27. Gross receivables from customers

- ***By types***

	30.06.2005 unaudited	31.12.2004	30.06.2004 *unaudited*
Loans and credits	12 881 084	13 338 424	15 336 600
Purchased debt	392 185	460 017	476 527
Realized guarantees and sureties	62 258	44 517	37 453
Other receivables	253 391	223 514	266 502
including leasing fees	170 297	183 184	220 539
Interest	55 043	39 480	45 652
Total	**13 643 961**	**14 105 952**	**16 162 734**

- ***By currencies***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
in PLN	10 109 558	10 301 653	10 511 418
in foreign currencies (by currency and translated into PLN)	3 534 403	3 804 299	5 651 316
- in EUR.	1 875 276	2 202 244	2 412 113
- in USD	676 962	705 995	1 236 467
- in GBP	0	1 293	71
- in CHF	981 776	893 821	1 032 529
- other currencies	389	946	970 136
Total	**13 643 961**	**14 105 952**	**16 162 734**

- ***By maturity dates***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	2 308 587	1 314 543	1 574 080
- 1-3 months	516 486	427 357	807 689
- 3-6 months	816 040	522 609	741 487
- 6 months to 1 year	845 917	1 931 232	1 319 008
- 1 - 3 years	1 628 160	1 732 905	2 437 113
- 3 - 5 years	1 122 955	1 199 684	1 482 578
- 5 - 10 years	1 662 827	1 259 624	2 056 815
- 10 - 20 years	872 840	1 262 614	1 672 589
- over 20 years	199 580	347 516	330 709
- outstanding	3 615 526	4 068 388	3 695 014
- interest	55 043	39 480	45 652
Total	**13 643 961**	**14 105 952**	**16 162 734**

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Natural persons*	**5 397 423**	**5 411 244**	**5 734 931**
- overdraft facilities	540 027	508 949	503 523
- purchased debt	319 946	356 344	381 552
- term loans	2 976 539	2 519 587	3 079 569
- mortgage loans	1 478 010	2 023 005	1 666 921
- realized guarantees	2 160	2 160	2 160
- other receivables	80 741	1 199	101 206
Corporate customers	**6 985 574**	**7 384 165**	**9 506 550**
- overdraft facilities	1 013 898	920 983	956 568
- term loans	5 666 711	6 094 900	8 254 628
- purchased debt	72 217	103 610	94 765
- realized guarantees	60 098	42 357	35 293
- other receivables	172 650	222 315	165 296
Budget	**1 205 921**	**1 271 063**	**875 601**
- overdraft facilities	23 260	12 933	29 685
- term loans	1 182 639	1 258 067	845 706
- purchased debt	22	63	210
Interest	**55 043**	**39 480**	**45 652**
Total	**13 643 961**	**14 105 952**	**16 162 734**

* the item contains: receivables from private persons, individual entrepreneurs, noncommercial institutions providing services for households

- ***By classifications***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Regular receivables	9 644 224	9 819 191	11 168 391
Irregular receivables	3 944 694	4 247 281	4 948 691
Interest	55 043	39 480	45 652
Total	**13 643 961**	**14 105 952**	**16 162 734**

As at 30.06.2005, the unamortized loan commissions settled with the effective interest method, which, according to the concept of the measurement of financial assets at amortized cost decreases gross receivable, amounted to PLN 114,237 thousand. This amount is already recognized in the total receivables presented in the note above.

In addition, as at 30.06.2005, PLN 86,631 thousand of the impairment charge for loan receivables portfolios is included in the impairment charge for loan receivables. In the first half of 2005, the provision of PLN 27,994 thousand was released.

As presented in Note 58, in the comparable data as at 31.12.2004 and 30.06.2004, the Group, taking advantage of exemptions stipulated in IFRS 1, decided not to restate the comparable data as provided in IAS 39, that is, among others, with regard to measurement of financial assets with the effective interest rate method and measurement of the impairment of loan receivables portfolio. In the comparable data, the carrying amount of assets measured at amortized cost is recognized under accounting principles set out in Polish regulations being in force as at these dates.

In the case of receivables for which impairment was identified, the total value of collateral accepted by the Group as at 30.06.2005 amounted to PLN 1,372,255 thousand. As at 31.12.2004, the collateral was equal to PLN 1,499,036 thousand; and as at 30.06.2004, it amounted to PL 2,266,452,000.

As at 30.06.2005, the average effective interest rates of loan receivables were as follows (by main currencies):

in CHF – 4.8%
in EUR – 4.7%
in PLN – 12.0%
in USD – 6.6%

Also, as at 30.06.2005, 82% of the receivables portfolios consisted of products based on a variable interest rate.

28. Impairment charge for receivables from customers

	01.01 - 30.06.05 *unaudited*	**01.01 - 31.12.04**	**01.01- 30.06.04** *unaudited*
1. Impairment charge for receivables from customers at the beginning of the period	2 740 428	2 855 544	2 855 544
- IFRS adjustments related to IFRS adoption	179 336	42 084	42 084
1a. As at the beginning of the period after the adjustments of the opening balance and application of IFRS	2 919 764	2 897 628	2 897 628
a) increase	282 523	1 629 475	902 569
- impairment charge for receivables from loans and credits	277 263	1 629 475	902 527
- currency translation differences	2 229	0	42
- inter-account movements	3 031	0	0
b) use	31 376	142 960	18 751
- loan receivables written off in the period as bad debts	31 376	142 960	18 751
c) reversal	361 174	1 643 715	854 672
- decrease on account of the exclusion of a business from consolidation	0	43 995	0
- reversal of impairment charge for receivables from loans and credits	359 541	1 524 401	838 841
- currency translation differences	0	60 575	11 394
- other changes (inter-account movements)	1 633	14 744	4 437
At the end of the period	**2 809 737**	**2 740 428**	**2 926 774**

29. Receivables due under finance lease and change in write-downs of leasing receivables

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Gross investments in finance lease	203 357	220 905	265 217
Unrealized financial income	-33 060	-37 721	-44 678
Net investments in finance lease	**170 297**	**183 184**	**220 539**
Gross investments in finance lease for each period	**203 357**	**220 905**	**265 217**
Under 1 year	70 308	80 778	79 282
Between 1 and 5 years	133 049	140 127	185 935
Net investments in finance lease for each period	**170 297**	**183 184**	**220 539**
Under 1 year	58 638	67 604	64 421
Between 1 and 5 years	111 659	115 580	156 118

Impairment charge for leasing receivables

	01.01-30.0605 *unaudited*	**01.01 - 31.12.04**	**01.01–30.06.04** *unaudited*
1. As at the beginning of the period after the adjustment of the opening balance and application of IFRS	39 403	30 913	30 913
a) increase	22 991	16 200	7 718
- impairment charge for leasing receivables	22 991	16 200	7 718
c) reversal	24 422	7 710	4 412
- reversal of impairment charge for leasing receivables	24 421	7 531	4 234
- other changes (inter-account movements)	1	179	178
2. The end of the period	37 972	39 403	34 219

30. Investment securities

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Available-for-sale securities	**2 594 645**	**2 450 200**	**2 128 008**
Debt securities of the State Treasury	1 427 598	1 795 655	1 576 756
-bonds	1 179 880	1 271 701	1 153 411
- Treasury bills	247 718	523 954	423 345
Debt securities of the central bank	834 069	561 520	451 440
-bonds	326 887	335 950	326 502
-money market bills	507 182	225 570	124 938
Other securities	307 062	13 603	13 133
-bonds	297 786	4 624	4 436
- shares in investment funds	9 276	8 979	8 540
- investment and commercial promisory notes (WIK)	0	0	157
Equity securities	25 916	79 422	86 679
Held-to-maturity securities	**1 954 231**	**1 462 671**	**1 811 131**
Debt securities of the State Treasury	1 796 988	1 251 345	1 558 867
-bonds	1 796 988	1 251 345	1 558 867
Other securities	157 243	211 326	252 264
-bonds	157 243	211 326	252 264
Total	**4 548 876**	**3 912 871**	**3 939 139**

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Available-for-sale securities	**2 594 645**	**2 450 200**	**2 128 008**
listed	2 412 845	2 376 636	2 052 633
-shares	2 226	5 862	11 465
-bonds	1 646 443	1 612 271	1 484 345
-bills	754 900	749 524	548 283
- shares in investment funds	9 276	8 979	8 540
non-listed	181 800	73 564	75 375
- shares	23 690	73 560	75 214
-bonds	158 110	4	4
- investment and commercial promissory notes (WIK)	0	0	157

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Held-to-maturity securities	**1 954 231**	**1 462 671**	**1 811 131**
listed	1 954 231	1 288 490	1 582 617
-bonds	1 954 231	1 288 490	1 582 617
non-listed	0	174 181	228 514
-bonds	0	174 181	228 514
Total	**4 548 876**	**3 912 871**	**3 939 139**

- ***Change in available-for-sale investment securities***

	01.01.2005 - 30.06.2005 *unaudited*	01.01.2004 31.12.2004	01.01.2004 - 30.06.2004 *unaudited*
Opening balance	**2 450 200**	**2 340 680**	**2 340 680**
- adjustments related to first adoption of IFRS	-669 413	0	0
At the beginning of the period	**1 780 989**	**2 340 680**	**2 340 680**
Increase	21 155 618	10 060 868	1 279 145
- acquisitions	21 065 563	9 939 141	1 239 347
- other increase	90 055	121 727	39 798
Decrease	20 341 962	9 951 348	1 491 817
- sale	20 319 347	9 947 253	1 466 490
- other decrease	22 615	4 095	25 327
Closing balance	**2 594 645**	**2 450 200**	**2 128 008**

All investment securities classified in the portfolio of available-for-sale financial assets are measured at fair value except for NBP bonds issued to manage the statutory reserve of banks, commercial bonds of the Industry Development Agency and non-listed capital investments. NBP bonds and commercial bonds are measured at amortized cost, and capital investments are recognized at cost, as their fair value cannot be determined reliably.

- ***Change in held-to-maturity investment securities***

	01.01 - 30.06.05 *unaudited*	01.01- 31.12. 04	01.01- 30.06.04 *unaudited*
Opening balance	**1 462 671**	**1 765 272**	**1 765 272**
- adjustments related to first adoption of IFRS	-193 509	0	0
At the beginning of the period	**1 269 162**	**1 765 272**	**1 765 272**
Increase	1 328 300	112 554	785 421
- acquisitions	1 285 334	88 110	703 490
- other increase	42 966	24 444	81 931
Decrease	643 231	415 155	739 562
- sale	639 348	372 171	733 156
- other decrease	3 883	42 984	6 406
Closing balance	**1 954 231**	**1 462 671**	**1 811 131**

- ***Available-for-sale investment securities***

	30.06.2005 unaudited	31.12.2004	30.06.2004 unaudited
- up to 1 month	627 563	260 833	144 340
- 1-3 months	119 102	207 801	198 213
- 3-6 months	60 476	369 605	121 546
- 6 months to 1 year	198 538	194 196	310 397
- 1 - 3 years	702 270	310 476	307 077
- 3 - 5 years	257 206	406 471	300 456
- 5 - 10 years	559 222	662 765	700 253
- 10 - 20 years	35 076	0	0
- with undefined maturities	35 192	38 053	45 726
Total	**2 594 645**	**2 450 200**	**2 128 008**

- ***Held-to-maturity investment securities***

	30.06.2005 unaudited	31.12.2004	30.06.2004 unaudited
- up to 1 month	0	0	18 074
- 1-3 months	0	0	346 456
- 3-6 months	21 362	15 555	0
- 6 months to 1 year	190 104	0	35 587
- 1 - 3 years	1 231 375	841 263	867 707
- 3 - 5 years	132 747	163 892	71 577
- 5 - 10 years	329 225	441 961	471 730
- 10 - 20 years	49 418	0	0
- over 20 years	0	0	0
Total	**1 954 231**	**1 462 671**	**1 811 131**

- ***Available-for-sale investment securities***

	30.06.2005 unaudited	31.12.2004	30.06.2004 unaudited
in PLN	2 372 861	2 450 129	2 038 880
in foreign currencies (by currency and translated into PLN)	221 784	71	89 128
- in EUR.	138 149	71	79
- in USD	83 635		19 402
- in GBP			68 830
- in CHF			
- other currencies			817
Total	**2 594 645**	**2 450 200**	**2 128 008**

- ***Held-to-maturity investment securities***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
in PLN	1 796 988	1 322 792	1 592 473
in foreign currencies (by currency and translated into PLN)	157 243	139 879	218 658
- in EUR	73 374	87 733	98 096
- in USD	83 869	52 146	65 386
- in GBP			
- in CHF			
- other currencies			55 176
Total	**1 954 231**	**1 462 671**	**1 811 131**

After 01.01.2005, the Group failed to reclassify securities from the portfolio of held-to-maturity securities to other portfolios.

31. Capital investments and shares in subsidiaries and associates

Capital investments and shares in subsidiaries and associates as at 30 June 2005

Capital investments** and shares in subsidiaries and associates as at 30.06.2005

	a	b	c	d	e							f			g			h	i	j
					equity, including:							liabilities, including:			receivables, including:					
									other equities, including:											
	entity	activity	book value of shares	total assets		shareholder equity	subscribed but not paid shares (negative amount)	reserve capital		retained earnings/loss	net profit		short-term liabilities	long-term liabilities		short-term assets	long-term assets	revenues	percentage of shareholding	voting rights at shareholders meeting
subsidiaries																				
1.	KB Zarządzanie Aktywami S.A.*	assets management and brokerage services	15 012	16 226	16 198	15 012	0	246	940	380	560	28	28	0	16 225	16 225	0	11 387	100,00	100,00
2.	BFI Serwis Sp. z o.o.*	providing financial intermediation and consulting services	19 232	19 254	19 228	19 250	0	4 081	-4 103	0	-4 103	14	14	0	16 778	16 778	0	476	100,00	100,00
3.	Net Banking Sp. z o.o.*	data processing and IT services	1 424	1 608	1 589	1 425	0	0	164	0	24	20	20	0	1 608	1 608	0	37	100,00	100,00
	TOTAL		**35 668**	**37 088**	**37 015**	**35 687**	**0**	**4 327**	**-2 999**	**380**	**-3 519**	**62**	**62**	**0**	**34 611**	**34 611**	**0**	**11 900**		
associates																				
4.	KBC Towarzystwo Funduszy Inwestycyjnych S.A.	investment funds management	10 582	70 586	27 354	25 258	0	451	1 645	0	1 645	42 475	42 475	0	69 185	69 185	0	8 588	39,60	39,60
	TOTAL		**10 582**	**70 586**	**27 354**	**25 258**	**0**	**451**	**1 645**	**0**	**1 645**	**42 475**	**42 475**	**0**	**69 185**	**69 185**	**0**	**8 588**		

* unaudited

** avaliable for sale

Capital investments** and shares in subsidiaries and associates as at 31.12.2004

	a	b	c	d	e							f			g			h	i	j
					equity, including:							liabilities, including:			receivables, including:					
									other equities, including:											
	entity	activity	book value of shares	total assets		shareholder equity	subscribed but not paid shares (negative amount)	reserve capital		retained earnings/loss	net profit		short-term liabilities	long-term liabilities		short-term assets	long-term assets	revenues	percentage of shareholding	voting rights at shareholders meeting
1.	KB Zarządzanie Aktywami S.A.*	assets management and brokerage services	15 012	15 063	14 978	15 012	0	183	-217	63	-280	66	66	0	5 684	5 684	0	1 349	100,00	100,00
2.	BFI Serwis Sp. z o.o.*	providing financial intermediation and consulting services	18 831	23 345	23 331	19 250	0	3 434	647	0	647	14	14	0	16 465	16 465	0	793	100,00	100,00
3.	Net Banking Sp. z o.o.*	data processing and IT services	1 424	1 585	1 564	1 425	0	0	139	0	25	20	20	0	1 584	1 584	0	68	100,00	100,00
TOTAL			**35 267**	**39 993**	**39 873**	**35 687**	**0**	**3 617**	**569**	**63**	**392**	**100**	**100**	**0**	**23 733**	**23 733**	**0**	**2 210**		

* unaudited

** avaliable for sale

Capital investments** and shares in subsidiaries and associates as at 30.06.2004																				
	a	b	c	d	e							f			g			h	i	j
					equity, including:							liabilities, including:			receivables, including:					
							subscribed but not paid shares (negative amount)		other equities, including:											
	entity	activity	book value of shares	total assets		shareholder equity		reserve capital		retained earnings/loss	net profit		short-term liabilities	long-term liabilities		short-term assets	long-term assets	revenues	percentage of shareholding	voting rights at shareholders meeting
1.	KB Zarządzanie Aktywami S.A.*	assets management and brokerage services	14 817	15 174	15 153	15 000	0	183	-30	63	-93	21	21	0	9	9	0	115	100,00	100,00
2.	BFI Serwis Sp. z o.o.*	providing financial intermediation and consulting services	18 425	23 033	22 959	19 250	0	3 434	275	0	275	74	74	0	5 860	5 860	0	312	100,00	100,00
3.	Net Banking Sp. z o.o.*	data processing and IT services	1 424	1 560	1 540	1 425	0	0	115	114	1	8	8	0	1 458	1 458	0	29	100,00	100,00
TOTAL			**34 666**	**39 767**	**39 652**	**35 675**	**0**	**3 617**	**360**	**177**	**183**	**103**	**103**	**0**	**7 327**	**7 327**	**0**	**456**		

* unaudited

** avaliable for sale

32. Investments in associates measured with the equity method

	30.06.2005
in banks	0
in other entities of the financial sector	10 582
in entities of the non-financial sector	0
Total shares in associates measured with the equity method	**10 582**

As at 30.06.2005, the composition of Kredyt Bank S.A. Capital Group was extended with KBC TFI S.A. Selected financial figures of this company have been presented in Note 31.

33. Property, plant and equipment (PPE)

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
a) fixed assets, including:	415 520	456 670	711 131
- land	19 513	14 363	31 678
- buildings and premises	221 930	229 947	388 551
- plant and machinery	92 295	131 093	186 766
- motor vehicles	8 404	3 237	6 591
- other fixed assets	73 378	78 030	97 545
b) construction in progress	11 412	12 701	12 474
Total	**426 932**	**469 371**	**723 605**

As at 31.12.2004 and during 2004, the Group identified impairment of a few real estates. The impairment was measured by independent appraisers basing on the generally accepted valuation methods based on comparable market transactions and models of discounted cash flows generated by these specific real estates treated as cash generating units under IAS 36. In the first half of 2005, no circumstances occurred indicating the possibility of the reversal of the impairment charge in this respect.

34. Change in fixed assets

- ***for the period of 6 months ended 30 June 2005***

	Land (including the right to perpetual usufruct of land)	Buildings, premises and civil- and hydro-engineering structures	Plant and machinery	Vehicles	Other fixed assets	Construction in progress	**Total fixed assets**
a) gross property, plant and equipment at the beginning of the period – as at 01.01.05	15 371	253 897	501 075	11 595	129 526	18 323	**929 787**
b) increase	10 782	53 433	11 050	5 726	3 267	2 061	**86 319**
- acquisition	1 355	20 243	8 435	3 044	1 835	1 425	**36 337**
- other increase	9 427	33 190	2 615	2 682	1 432	636	**49 982**
c) decrease	643	30 207	38 700	1 480	983	3 193	**75 206**
- sale	487	21 536	29 871	655	532	10	**53 091**
- liquidation	0	920	3 127	53	330	0	**4 430**
- other decreases	156	7 751	5 702	772	121	3 183	**17 685**
d) gross fixed assets at the end of the period	25 510	277 123	473 425	15 841	131 810	17 191	**940 900**
a) accumulated depreciation of fixed assets at the beginning of the period - as at 01.01.05	1 008	22 783	368 390	7 744	50 101	0	**450 026**
f) net fixed assets at the beginning of the period 01.01.05	14 363	229 947	131 093	3 237	78 030	12 701	**469 371**
g) changes in depreciation	137	29 830	11 401	-128	6 936	0	**48 176**
- depreciation	163	3 680	37 989	1 057	6 422	0	**49 311**
- sale	-26	-1 620	-22 122	-604	-1 870	0	**-26 242**
- liquidation	0	-401	-3 020	-34	-151	0	**-3 606**
- other changes	0	28 171	-1 446	-547	2 535	0	**28 713**

For the period of 6 months ended 30 June 2005 (cont.)

	land (including perpetual usufruct of land)	buildings, premises and civil- and hydro-engineering structures	plant and machinery	Vehicles	other fixed assets	construction in progress	**Total fixed assets**
h) accumulated depreciation at the end of the period	1 145	52 613	379 791	7 616	57 037	0	**498 202**
i) impairment charges at the beginning of the period – as at 01.01.05	0	1 167	1 592	614	1 395	5 622	**10 390**
- increase	4 852	5 371	0	0	0	161	**10 384**
- decrease	0	3 958	253	793	0	4	**5 008**
j) impairment charges at the end of the period	4 852	2 580	1 339	-179	1 395	5 779	**15 766**
k) Net fixed assets as at 30 June 2005	**19 513**	**221 930**	**92 295**	**8 404**	**73 378**	**11 412**	**426 932**

- ***For 2004***

	- land (including perpetual usufruct of land)	- buildings, premises and civil- and hydro-engineering structures	- plant and machinery	- vehicles	- other fixed assets	- construction in progress	**Total fixed assets**
a) gross fixed assets at the beginning of the period - as at 01.01.04	35 196	452 863	527 395	23 871	144 364	27 160	1 210 849
b) increase	371	74 963	24 168	1 050	13 702	479	114 733
- acquisition	49	36 218	12 351	907	13 665	479	63 669
- other increase	322	38 745	11 817	143	37	0	51 064
c) decrease	20 196	273 929	50 488	13 326	28 540	9 316	395 795
adjustments related to the consolidation of a smaller number of companies	1 928	47 402	6 502	8 781	24 708	844	90 165
- sale	9 213	137 176	29 980	2 753	1 551	116	180 789
- liquidation	0	10	5 197	11	2 010	2	7 230
- other decreases	9 055	89 341	8 809	1 781	271	8 354	117 611
d) gross fixed assets after reclassification adjustments at the end of the period	15 371	253 897	501 075	11 595	129 526	18 323	929 787
a) accumulated depreciation of fixed assets at the beginning of the period after adjustments - as at 01.01.04	1 788	44 643	301 726	13 871	50 443	0	412 471
f) net fixed assets at the beginning of the period - 01.01.04	33 408	405 432	225 657	10 000	93 921	22 585	791 003
g) changes in depreciation	-780	-21 860	66 664	-6 127	-342	0	37 555
adjustments related to the consolidation of a larger or smaller number of companies	-82	-2 910	-2 667	-5 386	-11 290	0	-22 335

For 2004 (cont.)

	- land (including perpetual usufruct of land)	- buildings, premises and civil- and hydro-engineering structures	- plant and machinery	- vehicles	- other fixed assets	- construction in progress	**Total fixed assets**
- depreciation	512	12 889	89 488	2 743	12 950	0	118 582
- sale	-1 210	-12 720	-14 144	-1 624	-381	0	-30 079
- liquidation	0	-583	-5 105	-347	-1 399	0	-7 434
- other changes	0	-18 536	-908	-1 513	-222	0	-21 179
h) accumulated depreciation at the end of the period	1 008	22 783	368 390	7 744	50 101	0	450 026
i) impairment charges at the beginning of the period - as at 01.01.04	0	2 788	12	0	0	4 575	7 375
- increase	0	1 337	1 592	614	1 395	1 047	5 985
- decrease	0	2 958	12	0	0	0	2 970
j) impairment charges at the end of the period	0	1 167	1 592	614	1 395	5 622	10 390
k) net fixed assets as at 31 December 2004	**14 363**	**229 947**	**131 093**	**3 237**	**78 030**	**12 701**	**469 371**

- ***For the period of 6 months ended 30 June 2005***

	- land (including perpetual usufruct of land)	- buildings, premises and civil- and hydro-engineering structures	- plant and machinery	- vehicles	- other fixed assets	- construction in progress	**Total fixed assets**
a) gross property, plant and equipment at the beginning of the period - as at 01.01.04	35 196	452 863	527 395	23 871	144 364	27 160	1 210 849
b) increase	3	24 635	13 282	1 140	18 008	13 097	70 165
- acquisition	1	24 085	9 563	1 015	17 489	12 634	64 787
- consolidation exclusions	0	18	0	0	0	0	18
- other increase	2	532	3 719	125	519	463	5 360
c) decrease	1 558	35 351	9 285	8 348	5 749	22 547	82 838
adjustments related to the consolidation of a smaller number of companies	1 533	284	1 708	5 930	120	0	9 575
- sale	0	72	1 671	978	78	11 912	14 711
- liquidation	0	10	719	3	1 742	0	2 474
- other decreases	25	34 985	5 187	1 437	3 809	10 635	56 078
d) gross reclassification fixed assets at the end of the period	33 641	442 147	531 392	16 663	156 623	17 710	1 198 176
a) accumulated depreciation of fixed assets at the beginning of the period - as at 01.01.04	1 788	44 643	301 726	13 871	50 443	0	412 471
f) net fixed assets at the beginning of the period 01.01.04	33 408	405 432	225 657	10 000	93 921	22 585	791 003
g) changes in depreciation	175	5 920	42 891	-3 799	8 635	0	53 822
adjustments related to the consolidation of a larger ot smaller number or companies	-82	-26	-1 604	-3 846	-109	0	-5 667
- depreciation	262	6 444	47 454	1 784	9 817	0	65 761

For the period of 6 months ended 30 June 2004 (cont.)

	- land (including perpetual usufruct of land)	- buildings, premises and civil- and hydro-engineering structures	- plant and machinery	- vehicles	- other fixed assets	- construction in progress	**Total fixed assets**
- sale	0	-4	-1 367	-725	-67	0	-2 163
- liquidation	0	-3	-670	-2	-1 062	0	-1 737
- other changes	-5	-491	-922	-1 010	56	0	-2 372
h) accumulated depreciation at the end of the period	1 963	50 563	344 617	10 072	59 078	0	466 293
i) impairment charges at the beginning of the period - as at 01.01.04	0	2 788	12	0	0	4 575	7 375
- increase	0	250	0	0	0	661	911
- decrease	0	5	3	0	0	0	8
j) impairment charges at the end of the period	0	3 033	9	0	0	5 236	8 278
k) net fixed assets as at 30 June 2004	**31 678**	**388 551**	**186 766**	**6 591**	**97 545**	**12 474**	**723 605**

35. Intangible assets

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
a) acquired patents, licenses and similar rights, including:	114 161	120 159	133 856
- software	114 161	120 159	130 665
b) other intangible assets	7 275	20 028	31 955
Total intangible assets	**121 436**	**140 187**	**165 811**

36. Change in intangible assets

- ***For the period of 6 months ended 30 June 2005***

	acquired patents, licenses and similar rights, including:	software	other intangible assets*	Total intangible assets
a) gross intangible assets at the beginning of the period as at 01.01.05	246 610	243 469	60 844	307 454
b) increase	15 434	15 433	2 124	17 558
- acquisition	1 069	1 069	2 123	3 192
- other increase	14 365	14 364	1	14 366
c) decrease	4 892	4 254	14 410	19 302
- sale	2 882	2 882	0	2 882
- other decreases	2 010	1 372	14 410	16 420
d) gross intangible assets at the end of the period	257 152	254 648	48 558	305 710
e) accumulated amortization at the beginning of the period – as at 01.01.05	126 274	123 133	40 816	167 090
f) net intangible assets at the beginning of the period as at 01.01.05	120 159	120 159	20 028	140 187
g) amortization for the period	16 717	17 354	292	17 009
- amortization	21 241	21 241	718	21 959
- sale	-2 733	-2 733	0	-2 733
- liquidation	-1 832	-1 194	0	-1 832
- other changes	41	40	-426	-385
g) accumulated amortization at the end of the period	142 991	140 487	41 108	184 099
g) impairment charges at the beginning of the period - as at 01.01.05	177	177	0	177
- increase	0	0	175	175
- decrease	177	177	0	177
h) impairment charges at the end of the period	0	0	175	175
i) net intangible assets as at 30 June 2005	**114 161**	**114 161**	**7 275**	**121 436**

*including goodwill written off to zero

- ***For 2004***

	Acquired patents, licenses and similar rights, including:	Software	0ther intangible assets*	Total intangible assets
a) gross intangible assets at the beginning of the period as at 01.01.04	229 448	222 080	78 895	308 343
- adjustments of opening balance	0	0	0	0
Gross intangible assets at the beginning of the period after adjustments as at 01.01.04	229 448	222 080	78 895	308 343
b) increase	23 648	25 971	16	23 664
adjustments related to the consolidation of a larger number of companies	0	0	0	0
- acquisition	13 005	12 964	16	13 021
- consolidation exclusions	0	0	0	0
- other increase	10 643	13 007	0	10 643
c) decrease	6 486	4 582	18 067	24 553
adjustments related to the consolidation of a smaller number of companies	3 097	1 201	285	3 382
- sale	938	937	1 949	2 887
- other decreases	2 451	2 444	15 833	18 284
d) gross intangible assets at the end of the period	246 610	243 469	60 844	307 454
e) accumulated amortization at the beginning of the period - as at 01.01.04	88 474	85 233	39 219	127 693
- adjustments of opening balance	0	0	**0**	**0**
e) accumulated amortization at the beginning of the period after adjustment of opening balance - as at 01.01.04	88 474	85 233	39 219	127 693
Net intangible assets at the beginning of the period as at 01.01.04	140 974	136 847	39 230	180 204
f) amortization for the period	37 800	37 900	1 597	39 397
adjustments related to the consolidation of a larger number of companies	-673	-501	0	-673
- amortization	41 343	41 268	6 687	48 030
- sale	-720	-720	-381	-1 101
- liquidation	-2 015	-2 012	-493	-2 508
- other changes	-135	-135	-4 216	-4 351
g) accumulated amortization at the end of the period	126 274	123 133	40 816	167 090
h) impairment charges at the beginning of the period - as at 01.01.04	0	0	446	446
- increase	177	177	0	177
- decrease	0	0	446	446
i) impairment charges at the end of the period	177	177	0	177
j) net intangible assets as at 31 December 2004	**120 159**	**120 159**	**20 028**	**140 187**

*including goodwill written off to zero

- ***For the period of 6 months ended 30 June 2004***

	acquired patents, licenses and similar rights, including:	software	other intangible assets*	Total intangible assets
a) gross intangible assets at the beginning of the period as at 01.01.04	229 448	222 080	78 895	308 343
- adjustments of opening balance	0	0	0	0
Gross intangible assets at the beginning of the period after adjustments as at 01.01.04	229 448	222 080	78 895	308 343
b) increase	13 618	13 415	5 641	19 259
- adjustments related to the consolidation of a larger number of companies			0	0
- acquisition	3 820	3 622	5 087	8 907
- consolidation exclusions	0	0	0	0
- other increase	9 798	9 793	554	10 352
c) decrease	112	110	11 152	11 264
- adjustments related to the consolidation of a smaller number of companies	63	63	0	63
- sale	1	0	0	1
- other decreases	48	47	11 152	11 200
d) gross intangible assets at the end of the period	242 954	235 385	73 384	316 338
e) accumulated amortization at the beginning of the period - as at 01.01.04	88 474	85 233	39 219	127 693
- adjustments of opening balance	0	0	**0**	0
e) accumulated amortization at the beginning of the period after adjustment of opening balance - as at 01.01.04	88 474	85 233	39 219	127 693
Net intangible assets at the beginning of the period as at 01.01.04	140 974	136 847	39 230	180 204
f) amortization for the period	20 624	19 487	1 764	22 388
adjustments related to the consolidation of a larger number of companies	-54	-54	0	-54
- amortization	20 715	19 574	1 780	22 495
- sale	-1	0	0	-1
- liquidation	-32	-32	0	-32
- other changes	-4	-1	-16	-20
g) accumulated amortization at the end of the period	109 098	104 720	40 983	150 081
h) impairment charges at the beginning of the period - as at 01.01.04	0	0	446	446
- increase	0	0	0	0
- decrease	0	0	0	0
i) impairment charges at the end of the period	0	0	446	446
i) net intangible assets as at 30 June 2004	**133 856**	**130 665**	**31 955**	**165 811**

*including goodwill written off to zero

37. Goodwill of subsidiaries

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
a) goodwill - subsidiaries	36 052	36 052	47 294
Total goodwill of subordinated companies	**36 052**	**36 052**	**47 294**

- ***Change in goodwill of subordinated companies***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
a) gross goodwill at the beginning of the period	66 285	179 161	179 161
- adjustments of opening balance	0	-83 444	-83 444
a1) gross goodwill at the beginning of the period after the adjustment of opening balance	66 285	95 717	95 717
b) increase	0	100	100
- acquisition of shares	0	100	100
c) decrease	0	29 532	0
- disposal of KBU shares	0	29 532	0
d) gross goodwill at the end of the period	66 285	66 285	95 817
e) write-off of goodwill as at the beginning of the period	30 233	122 466	122 466
- adjustments of opening balance	0	-73 943	-73 943
e1) write-off of goodwill at the beginning of the period after the adjustment of opening balance	30 233	48 523	48 523
f) write-off of goodwill for the period	0	-18 290	0
g) write-off of goodwill at the end of the period	30 233	30 233	48 523
h) net goodwill at the end of the period	**36 052**	**36 052**	**47 294**

As presented in Note 6.15.1, the impairment test was carried out as at 1.01.2004, 31.12.2004 and 01.01.2005.

As described in the section on the Group's adopted accounting principles, goodwill is not amortized, it is only analyzed in terms of the risk of impairment. For the purpose of the impairment test, the cash-generating unit is identified, i.e. the group of financial assets and liabilities to which goodwill may be assigned.

As at the balance sheet date, goodwill recognized in the Group's balance sheet is a result of the acquisition of the shares of Żagiel S.A.. The cash-generating unit is identified as the whole portfolio of retail loans granted by the Bank via the company. The recoverable amount of the CGU is estimated on the basis of its value in use.

The value in use of the loans portfolio is measured on the basis of the discounted future net cash flows model. Detailed forecast covers four calendar years with a given financial year; for further period, a constant growth rate is assumed. The value of loan portfolio cleared of positive interim cyclic trends observed in the sale of retail products is assumed prudentially as a base. Interest income is estimated on the basis of an average effective interest rate generated by the portfolio. An average cost of financing the portfolio is estimated on the basis of internal transfer prices in the Bank, average cost of the risk is estimated on the basis of the percentage history of cash loss generated by the portfolio. In addition, the costs of functioning incurred directly by Żagiel S.A. or by the Bank related to broadly understood portfolio management are allocated to the costs of the portfolio servicing. The estimated portfolio growth is associated with the generally accessible forecasts of GDP growth; the estimated growth in overheads is associated with the inflation forecast.

38. Deferred tax asset

Estimated deferred tax asset on all temporary differences	**30.06.2005** *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
- interest due	16 483	21 565	31 209
- expense due on transactions in financial instruments	133 261	16 364	17 809
- provisions being temporary differences	227 632	93 108	105 794
- unrecognized tax losses retained from previous years*	35 901	52 917	60 337
- other	91 579	79 829	85 863
Total	**504 856**	**263 783**	**301 012**
Unrecognized deferred tax asset	**30.06.2005** *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
on negative temporary differences	208 385	125 169	91 505
on tax losses	35 901	52 917	60 337
Total	**244 286**	**178 086**	**151 842**
Recognized deferred tax asset	**260 570**	**85 697**	**149 170**

*By the end of 2004, unsettled retained loss were not recognized in negative temporary differences. These notes present unsettled losses as at 31.12.2004 and 30.06.2004 to ensure comparable data.

As at 30.06.2005, the unsettled tax loss amounted to PLN 188,953 thousand. The year 2008 is the last year in which the loss may be used.

- ***Change in deferred income tax***

	01.01 - 30.06.05 *unaudited*	**01.01- 31.12. 04**	**01.01- 30.06.04** *unaudited*
Assets at the beginning of the period	85 697	149 477	149 477
- adjustment of opening balance due to the transition to IFRS	7 265	183	183
Assets at the beginning of the period after the adjustment of opening balance	92 962	149 660	149 660
1. Assets at the beginning of the period, including:	92 962	149 660	149 660
a) charged to the financial result	92 962	149 660	149 660
2. Increase	417 601	77 092	94 852
a) charged to financial result of the period due to negative temporary differences (due to the creation and reversal of temporary differences)	417 601	77 092	94 852
3. Decrease	249 993	141 055	95 342
decrease on account of the inclusion of a business from consolidation	0	8 034	211
a) charged to financial result of the period due to negative temporary differences	249 993	7 819	93 477
b) charged to financial result of the period due to potential impairment of tax asset	0	125 169	0
c) other	0	33	1 654
4. Total deferred tax asset at the end of the period, including:	**260 570**	**85 697**	**149 170**
a) charged to the financial result	260 570	85 697	149 170

39. Other assets

	30.06.2005 *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
1. Assets taken over for debts	6 853	8 154	8 678
2. Inventories	1 199	683	1 062
3. Other, including:	136 323	200 531	191 755
- various debtors	121 504	186 352	167 788
- prepaid expenses and accruals	13 971	13 498	21 932
- other assets	848	681	2 035
Total other assets	**144 375**	**209 368**	**201 495**

40. Amounts due to banks

- ***Amounts due to banks (by types)***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Current accounts	780 300	24 535	204 723
Term deposits	441 267	204 094	1 027 081
Borrowings (loans and credits)	1 327 063	2 767 422	3 369 039
Other liabilities	0	500	660
Interest	3 970	10 539	11 477
Total	**2 552 600**	**3 007 090**	**4 612 980**

- ***Amounts due to banks (by currencies)***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
in PLN	1 121 739	420 378	721 531
in foreign currencies (by currency and translated into PLN)	1 430 861	2 586 712	3 891 449
- in EUR	903 639	1 787 106	2 626 501
- in USD	1 642	1 560	39 168
- in GBP	2	2	28
- in CHF	521 441	796 711	1 190 248
- other currencies	4 137	1 333	35 504
Total	**2 552 600**	**3 007 090**	**4 612 980**

- ***Amounts due to banks (by maturity dates)***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	1 708 170	184 088	1 156 984
- 1-3 months	762 039	233 974	20 476
- 3-6 months	78 252	279 227	37 000
- 6 months to 1 year	3	203 950	836 469
- 1 - 3 years	0	1 874 952	2 327 055
- 3 - 5 years	0	0	0
- 5 - 10 years	166	220 360	223 519
- 10 - 20 years	0	0	0
- over 20 years	0	0	0
- outstanding	0	0	0
- interest	3 970	10 539	11 477
Total	**2 552 600**	**3 007 090**	**4 612 980**

As at 30.06.2005, the average effective interest rates of term deposits accepted from other banks were as follows (by main currencies):
in EUR – 2.2%
in JPY – 0.2%
in PLN – 5.1%
All deposits were fixed interest rate deposits.

41. Amounts due to customers

- ***Amounts due to customers (by types)***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- in current account	6 060 230	5 125 440	5 885 353
- term deposits	8 008 876	8 764 523	9 475 118
- credits and loans	107 350	110 052	118 413
- other	0	0	0
- interest	60 662	61 090	68 370
Total	**14 237 118**	**14 061 105**	**15 547 254**

- ***Amounts due to customers (by currencies)***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
in PLN	11 766 119	11 765 089	12 280 679
in foreign currencies (by currency and translated into PLN)	**2 470 999**	**2 296 016**	**3 266 575**
- in EUR	1 002 108	975 534	777 295
- in USD	1 384 620	1 232 094	1 692 794
in GBP	70 414	68 528	87 340
- in CHF	10 734	14 758	19 510
- other currencies	3 123	5 102	689 636
Total	**14 237 118**	**14 061 105**	**15 547 254**

- ***Amounts due to customers (by maturity dates)***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	9 196 220	9 090 093	10 206 287
- 1-3 months	1 202 769	2 468 467	2 415 485
- 3-6 months	1 328 515	1 156 233	1 279 670
- 6 months to 1 year	546 590	685 962	808 877
- 1 - 3 years	1 606 603	384 938	484 584
- 3 - 5 years	163 917	78 334	143 157
- 5 - 10 years	130 214	131 944	136 291
- 10 - 20 years	1 627	3 984	4 269
- over 20 years	1	60	264
- outstanding	0	0	0
- interest	60 662	61 090	68 370
Total	**14 237 118**	**14 061 105**	**15 547 254**

- ***Amounts due to customers***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Natural persons*	**9 239 085**	**9 177 815**	**9 050 765**
- in current account	3 212 887	2 530 744	2 377 020
- term deposits	6 026 198	6 647 071	6 673 745
Corporate customers	**3 122 725**	**3 113 027**	**4 091 102**
- in current account	1 500 854	1 240 084	1 974 397
- term deposits	1 514 521	1 762 891	1 998 292
- credits and loans	107 350	110 052	118 413
Budget	**1 814 646**	**1 709 173**	**2 337 017**
- in current account	1 346 489	1 354 612	1 533 936
- term deposits	468 157	354 561	803 081
Interest	**60 662**	**61 090**	**68 370**
Total	**14 237 118**	**14 061 105**	**15 547 254**

* the item contains: amounts due to private persons, individual entrepreneurs, individual farmers, noncommercial institutions providing services for households

As at 30.06.2005, the average effective interest rates of customer term deposits were as follows (by main currencies):
in EUR – 1.2%
in GBP – 1.4%
in PLN – 3.5%
in USD – 1.4%

In addition, as at 30.06.2005, 92% of customers' deposits were current accounts and other fixed interest rate products, whose maturity dates as at the balance sheet did not exceed 6 months.

42. Debt securities in issue

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Bonds	400 000	400 000	333 820
Certificates	0	0	0
Other	0	0	0
- promissory notes/bills of exchange	0	0	0
Interest	2 941	18 150	673
Total	**402 941**	**418 150**	**334 493**

43. Liabilities related to the disposed securities with the promise of repurchase

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Amounts due to banks	0	0	0
Amounts due to other entities	776 499	716 665	0
Interest	651	2 107	0
Total	**777 150**	**718 772**	**0**

44. Provisions

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- employee benefits provisions	1 730	3 713	3 308
- provision for off-balance sheet items	72 224	30 967	36 343
- provision for disputable legal cases	1 969	2 759	1 662
- other	0	0	7 746
Total	**75 923**	**37 439**	**49 059**

- ***Change in provisions***

	01.01 - 30.06.05 *unaudited*	01.01-31.12. 04	01.01-30.06.04 *unaudited*
Opening balance	**37 439**	**289 247**	**289 247**
- adjustment related to the adoption of IFRS *	0	-235 278	-235 278
Subordinated liabilities at the beginning of the period after the adjustment of opening balance	**37 439**	**53 969**	**53 969**
- employee benefits provisions	3 713	11 927	11 927
- provision for off-balance sheet items	30 967	31 743	31 743
- provision for cases in litigation	2 759	2 553	2 553
- other	0	7 746	7 746
a) established provisions	139 302	229 775	93 963
- employee benefits provisions	40	2 424	10
- provision for off-balance sheet items	139 262	224 330	92 655
- provision for disputable legal cases	0	3 021	1 298
b) use	-2 410	-10 300	-8 595
- employee benefits provisions	-2 000	-10 300	-8 556
- provision for disputable legal cases	-410	0	-39
c) reversal	-97 114	-236 286	-92 064
- employee benefits provisions	-1	-338	-73
- provision for off-balance sheet items	-96 733	-225 982	-90 436
- provision for disputable legal cases	-380	-2 220	-1 555
- other	0	-7 746	0
d) other changes	-1 294	281	1 786
- employee benefits provisions	-22	0	0
- provision for off-balance sheet items	-1 272	876	2 381
- provision for disputable legal cases	0	-595	-595

	01.01 - 30.06.05 *unaudited*	01.01-31.12. 04	01.01-30.06.04 *unaudited*
Provisions at the end of the period (by items)	**75 923**	**37 439**	**49 059**
- employee benefits provisions	1 730	3 713	3 308
- provision for off-balance sheet items	72 224	30 967	36 343
- provision for disputable legal cases	1 969	2 759	1 662
- other	0	0	7 746
Closing balance	**75 923**	**37 439**	**49 059**

* The total of the reversal of the provision for general risk and the withdrawal of the measurement on negative assets of subordinated companies

- Provisions for employee benefits are composed of provisions for severance pays and provisions for retirement benefits.

45. Deferred tax liability

- ***Deferred tax payables***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- interest to be received	33 357	32 036	40 756
- non-depreciated fixed assets subject to investment relief	1 181	1 193	1 223
- unrealized currency translation differences in the period and in previous years	0	0	31 351
- expense paid in advance	1 274	0	0
- income to be received from transactions on financial instruments	137 540	14 002	3 098
- other	33 384	30 091	61 949
Total	**206 736**	**77 322**	**138 377**

- ***Change in deferred tax liability***

	01.01 – 30.06.05 *unaudited*	01.01-31.12. 04	01.01-30.06.04 *unaudited*
1. Deferred tax liability at the beginning of the period, including:	**77 322**	**138 346**	**138 346**
a) charged to the financial result	77 322	138 346	138 346
2. Increase	**130 188**	**8 909**	**1 526**
a) charged to financial result of the period due to positive temporary differences	130 188	8 909	1 526
3. Decrease	**774**	**69 933**	**1 495**
a) charged to financial result of the period due to positive temporary differences	774	69 933	1 495
4. Total deferred tax liability at the end of the period	**206 736**	**77 322**	**138 377**
a) charged to the financial result	206 736	77 322	138 377

46. Other liabilities

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Social Benefits Fund and employee benefits	8 014	3 310	6 055
Payables towards the State budget	19 870	44 205	22 483
various creditors	59 711	73 208	73 194
expenses payable	44 716	48 466	40 754
leasing payables	5 168	8 826	11 389
Other (incl. inter-bank clearings)	139 071	169 680	180 226
Total	**276 550**	**347 695**	**334 101**

47. Subordinated liabilities

Name of entity	Loan value by currency	Loan value in PLN '000	Interest rate terms	Maturity data	Subordinated liabilities	Interest
KBC Bank N.V. Dublin Banco Espirito Santo S.A. Madrid	USD	50 000	3M LIBOR + 1.25 pp	17.01.2006	167 305	1 513
KBC Bank N.V. Dublin	EUR	110 000	3M EURIBOR +1.2 pp	25.05.2008	444 411	41
Total					**611 716**	**1 554**

- ***Subordinated liabilities***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- liabilities	611 716	598 210	686 992
- interest	1 554	1 076	958
Total	**613 270**	**599 286**	**687 950**

- ***Change in subordinated liabilities***

	01.02 – 30.06.05 *unaudited*	**01.01-31.12. 04**	**01.01-30.06.04** *unaudited*
Opening balance	599 286	766 913	766 913
Subordinated liabilities at the beginning of the period after the adjustment of opening balance	599 286	766 913	766 913
a) increase	24 435	23 934	12 370
- subordinated loans borrowed	0	0	0
- accrued interest	10 880	23 934	12 370
- currency translation differences from translation of subordinated loan in foreign currency	13 555	0	0
b) decrease	10 451	191 561	91 333
- paid interest	10 451	22 858	12 430
- repayment of subordinated loan	0	0	60 000
- currency translation differences from translation of subordinated loan in foreign currency	0	168 703	18 903
Subordinated liabilities at the end of the period (closing balance)	**613 270**	**599 286**	**687 950**

48. Equities

Share capital

As at 30 June 2005, the parent company's share capital totaled PLN 1,358,294 thousand and was divided into 271,658,880 shares of the nominal value of PLN 5.00 per share. The shares of the parent company are registered shares and bearer shares, but not preference shares. Each share entitles its holder to one vote at the parent company's General Meeting of Shareholders. All the parent company's shares are admitted to public trading.

An analysis of the registered shares and the bearer shares presented below was prepared as at 30 June 2005 including the change in registered shares of the parent company on the bearer shares made by 30 June 2005 by the National Depository for Securities.

The share capital did not change in the period.

Registered shares

Shareholders of the parent company hold 76,775 registered shares which account for 0.03% of the share capital. Registered shares are shares of the following series:

- » A (2,942 shares),
- » C (1,425 shares),
- » F (8,578 shares),
- » P (37,168 shares),
- » S1 (26,663 shares)

Series A, C and F shares were admitted to stock exchange trading under the condition that they are swapped for bearer shares, and series P and S1 shares may be admitted to stock exchange trading if respective authorizations are obtained.

Bearer shares

Shareholders of the parent company hold 271,582,105 bearer shares which account for 99.97% of the share capital, Originally, bearer shares were shares of the following series:

- » B (2,500,000 shares),
- » D (100,000 shares),
- » E (1,580,425 shares),
- » G (480,000 shares),
- » H (3,777,350 shares),
- » I (5,600,000 shares),
- » J (4,400,000 shares),
- » K (2,278,814 shares),
- » L (2,000,000 shares),
- » M (10,000,000 shares),
- » N (847,000 shares),

- O (25,000,000 shares),
- R (32,583,993 shares),
- T (49,301,056 shares),
- U (63,387,072 shares),
- W (60,368,640 shares),

In addition, as a result of the swap of registered shares, bearer shares are the shares of the following series:

- P (2,497,058 shares),
- C (98,575 shares),
- F (306,137 shares),
- A (3,652,515 shares),
- S1 (823,470 shares),

As from 30 June 2005, 271,582,105 bearer shares have been traded on the main market of the Warsaw Stock Exchange. And, as at 30 June 2004, the number of shares traded on the stock exchange amounted to 211,208,201.

The table below presents Shareholders holding over 5% of the total vote at the General Meeting of Shareholders as at 30 June 2005:

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

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

Reserve capital

	30.06.2005 *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
a) shares sold above share nominal value	0	298 159	301 028
b) statutory	0	50 000	50 000
c) other (by types)	29	2 751	5
- other	35	2 751	5
- costs of the share issue	-6	0	0
Total reserve capital	**29**	**350 910**	**351 033**

- ***Revaluation reserve***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
a) measurement of financial fixed assets	32 539	-20 247	-76 857
b) other	0	0	129
Total revaluation reserve	**32 539**	**-20 247**	**-76 728**

- ***Other reserve capitals (by appropriation), including:***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- General banking risk fund created from profit	120 942	173 779	173 779
Total other reserve capitals	**120 942**	**173 779**	**173 779**

- ***Capital from the translation of subordinated companies***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- Capitals from the translation of foreign branches	0	0	9 740
- Capitals from the translation of subordinated companies	-513	-285	-5 501
Total other capitals from the translation of subordinated companies	**-513**	**-285**	**4 239**

A dividend, if it is paid, is calculated on the basis of statutory results (in companies) established as required by the Accounting Act and, in the case of the Bank, on the basis of the individual result determined in compliance with IFRS. In the period when the Bank implements restructuring and improvement programme, the Bank’s profit is allocated first to the covering of losses and later to the increase in own funds.

49. Contingent liabilities granted

- ***Guarantees***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	143 156	93 503	59 857
- 1-3 months	91 449	55 339	135 061
- 3-6 months	77 188	73 940	135 638
- 6 months to 1 year	206 209	1 593 532	181 563
- 1 - 3 years	1 406 622	308 549	1 788 123
- 3 - 5 years	217 980	146 875	63 774
- over 5 years	275 637	899 038	984 274
Total	**2 418 241**	**3 170 776**	**3 348 290**

- ***for financing***

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
- up to 1 month	292 076	550 480	484 860
- 1-3 months	77 006	172 408	138 843
- 3-6 months	383 215	121 613	325 941
- 6 months to 1 year	427 903	616 094	329 868
- 1 - 3 years	197 590	186 071	373 446
- 3 - 5 years	124 865	43 104	57 713
- over 5 years	222 599	396 109	273 396
Total	**1 725 254**	**2 085 879**	**1 984 067**

50. Capital adequacy ratio

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Capital requirement, including:	**998 965**	**1 072 391**	**1 177 920**
- credit risk	979 343	1 059 285	1 150 742
- market risk	13 096	8 615	21 233
- other risk	6 526	4 491	5 945
Shareholders' equity, short-term capital and minority capital	**1 812 781**	**1 973 468**	**1 991 386**
- share capital	1 358 294	1 358 294	1 358 294
- reserve capital	29	350 910	351 033
- revaluation reserve including in own funds	33 748	964	5 618
- other reserve capitals	120 942	173 779	173 779
- subordinated liabilities	310 881	447 420	488 182
- shares in financial entities	-82 116	-45 142	-66 637
- intangible assets	-118 600	-136 939	-132 806
- retained profit / loss	-230 019	-588 923	-574 204
- the issue of treasury securities	400 000	400 000	330 000
- short-term capital	19 622	13 105	27 178
- minority capital	0	0	30 949
Capital adequacy ratio	**14.52**	**14.72**	**13.52**

Capital adequacy ratio was calculated as required by the regulations of the National Bank of Poland in force as at 31.12.2004 and 30.06.2004.

51. Discontinued operations

On 31.03.2005, the conditional contract of the sale of an organized portion of the enterprise in the form of Inwestycyjny Dom Maklerski S.A. between Kredyt Bank S.A. and KBC Securities N.V. was performed.

Below, we present financial figures for IDM Kredyt Bank S.A. as at 31.03.2005.

- ***Income statement***

in PLN '000	31.03.2005
Income:	
- interest	963
- fee and commission	2 612
- financial income	12
- other operating income	423
- reversal of impairment charges	38
Total income	**4 048**

in PLN '000	31.03.2005
Expenses:	
- fee and commission	-2
- costs of financial activity	-8
- functioning expenses, including:	-1 945
employee expenses	*-1 169*
material expenses	*-725*
taxes and fees	*-4*
depreciation and amortization	*-47*
- establishment of impairment charges	-61
- other operating expenses	-1 058
Total expense	**-3 074**
Profit before tax	**974**
Tax expense	0
Net profit on discontinued operations	**974**
Earnings per share	**0.0036**

- ***Balance sheet***

in PLN '000	31.03.2005
Intangible assets	264
Property, plant and equipment (PPE)	128
Cash	33 343
Office cash in the Guarantee Fund of the Warsaw Stock Exchange	14 581
Receivables	50 681
Securities	128
Held-for-sale assets	**99 125**
Liabilities	-69 403
Securities accounts	-28 748
Liabilities directly associated with held-for-sale assets	**-98 151**
Net liabilities related to discontinued operations	974

52. Related party transactions

Related parties with which the Group performs transactions, are the Group's subsidiaries, the companies of KBC Group, persons managing the Group and the Group's employees.

The major part of the transactions with related parties are standard banking operations, provided at arm's length: granting loans, issuing bank guarantees, issuing own securities, accepting deposits, borrowing loans, currency transactions, transactions on derivatives. The Group does not make impairment charges for loans granted to related parties. The volumes of transactions and related income and expenses have been presented below.

From the first half of 2005, no material transactions between the Group's businesses not consolidated with the full consolidation method, and other businesses, including the parent company have been performed.

in PLN '000

Assets	Associates	Parent company (KBC Group)	Total as at 30 June 2005 *unaudited*
Amounts due from banks	0	661 616	**661 616**
Receivables from customers	0	28 966	**28 966**
Other assets	1	71 463	**71 464**
Total assets	**1**	**762 045**	**762 046**

in PLN '000

Liabilities	Associates	Parent company (KBC Group)	Total as at 30 June 2005 *unaudited*
Amounts due to banks	219	1 264 543	**1 264 762**
Amounts due to customers	0	119 397	**119 397**
Investment securities	0	400 000	**400000**
Subordinated liabilities	0	611 716	**611 716**
Other liabilities	314	80 154	**80 468**
Total liabilities	**533**	**2 475 810**	**2 476 343**

in PLN '000

Off-balance sheet items	Parent company (KBC Group)
Guarantees granted	1 483 647
Guarantees received	114 536
Derivatives	8 403 963
Liabilities related to the sale/purchase transactions	172 267
Total off-balance sheet items	**10 174 413**

in PLN '000

Income	Parent company (KBC Group)
Interest income	8 282
Fee and commission income	520
Net trading income	0
Other operating income	252
Total income	**9 054**

in PLN '000

Expenses	Associates	Parent company (KBC Group)	Total as at 30 June 2005 *unaudited*
Interest expense	0	46 736	**46 736**
Commission expenses	0	0	**0**
Other operating expenses	52	2 247	**2 299**
The expenses of the Bank's functioning and overheads	1 129	0	**1129**
Total expense	**1 181**	**48 983**	**50 164**

in PLN '000

Assets	Parent company (KBC Group)
Amounts due from banks	218 415
Receivables from customers	69
Other assets	46 663
Total assets	**265 147**

in PLN '000

Liabilities	Parent company (KBC Group)
Amounts due to banks	2 165 551
Amounts due to customers	6 511
Investment securities	400 000
Subordinated liabilities	598 210
Other liabilities	38 765
Total liabilities	**3 209 037**

in PLN '000

Off-balance sheet items	Parent company (KBC Group)
Guarantees granted	1 877 014
Guarantees received	0
Derivatives	5 621 384
Liabilities related to the sale/purchase transactions	77 909
Total off-balance sheet items	**7 576 307**

in PLN '000

Assets	Parent company (KBC Group)
Amounts due from banks	778 340
Receivables from customers	0
Other assets	17 359
Total assets	**795 699**

in PLN '000

Liabilities	Parent company (KBC Group)
Amounts due to banks	708 908
Amounts due to customers	0
Investment securities	343 892
Subordinated liabilities	686 992
Other liabilities	42 185
Total liabilities	**1 781 977**

in PLN '000

Off-balance sheet items	Parent company (KBC Group)
Guarantees granted	2 361 545
Guarantees received	2 390 888
Derivatives	7 598 568
Liabilities related to the sale/purchase transactions	161 417
Total off-balance sheet items	**12 512 418**

in PLN '000

Income	Parent company (KBC Group)
Interest income	4 835
Fee and commission income	0
Net trading income	0
Other operating income	0
Total income	**4 835**

in PLN '000

Expenses	Parent company (KBC Group)
Interest expense	33 434
Commission expenses	0
Other operating expenses	0
The expenses of the Bank's functioning and overheads	0
Total expense	**33 434**

Remunerations of members of the Supervisory Board and the Management Board of Kredyt Bank S.A.

In the first half of 2005, the total value of the remuneration received by members of the Bank's Management Board amounted to PLN 4,717 thousand. The remuneration included: short-term employee benefits, benefits paid following the termination of employment and benefits related to the termination of employment.

In the first half of 2005, the total value of the remuneration received by members of the Bank's Supervisory Board amounted to PLN 901 thousand.

In the first half of 2005, the total value of the remuneration received by members of the Bank's Management Board and the Supervisory Board amounted to PLN 5,618 thousand. In the first half of 2005, the total value of the remuneration received by members of the Bank's Management Board and the Supervisory Board amounted to PLN 3,275 thousand.

In the first half of 2005, the total value of the remuneration in the Group's companies paid to members of the Management Boards and the Supervisory Boards amounted to PLN 713 thousand; and in the first half of 2004, to PLN 4,575 thousand. A significant difference in value is a result of the consolidation of a smaller number of companies.

The value of loans and credits granted to employees, members of the Management Board and supervisory bodies of the Bank and in its subsidiaries and associates.

Transactions made with the Group's management staff and employees are executed within the standard product offer.

As at 30.06.2005, the total indebtness related to the loans and credits, and cash loan granted by the Bank amounted to:

- for members of the Management Board – PLN 0;
- for members of the Supervisory Board – PLN 20 thousand;
- for the Bank's employees – PLN 70,120 thousand.

As at 30.12.2004, the total indebtness related to the loans and credits, and cash loan granted by the Bank amounted to:

- for members of the Management Board - PLN 61 thousand;
- for members of the Supervisory Board - PLN 1,096 thousand;
- for the Bank's employees – PLN 69,508 thousand.

As at 30.06.2004, the total indebtness related to the loans and credits, and cash loan granted by the Bank amounted to:

- for members of the Management Board - PLN 0;
- for members of the Supervisory Board – PLN 1,137 thousand;
- for the Bank's employees – PLN 61,235 thousand.

As at 30.06.2005, the total indebtness is normal, due indebtness is not present.

As at 30.06.2005, the indebtness of the members of the Bank's Management Board and supervisory bodies of the parent company in its subsidiaries was not present.

As at 30.06.2005, the total indebtness in the Group's companies related to the loans and credits, and cash loan granted by the parent company amounted to:

- for members of the Management Boards of the companies - PLN 0;
- for members of the Supervisory Boards of the companies – PLN 0;
- for the companies' employees – PLN 103 thousand.

As at 31.12.2004, the total indebtness in the Group's companies related to the loans and credits, and cash loan granted by the parent company amounted to:

- for members of the Management Boards of the companies – PLN 1,564 thousand;
- for members of the Supervisory Boards of the companies – PLN 0;
- for the companies' employees – PLN 42 thousand.

As at 30.06.2004, the total indebtness in the Group's companies related to the loans and credits, and cash loan granted by the parent company amounted to:

- for members of the Management Boards of the companies - PLN 0;
- for members of the Supervisory Boards of the companies – PLN 0;
- for the companies' employees – PLN 3,068 thousand.

53. Consolidated cash flow statement – additional information

a) *Cash and cash equivalents*

	30.06.2005 *unaudited*	**30.06.2004** *unaudited*
Cash and balances with Central Bank	874 534	1 099 231
Amounts due from other banks	2 480 478	3 028 524
Cash and cash equivalents	**3 355 012**	**4 127 755**

With respect to the presentation of cash for cash flow statement, a change in comparable data has been introduced in relation to the data originating from the approved financial statements for periods ended 31.12.2004 and 30.06.2004. Cash as at 01.01.2004 and 30.06.2004 was adjusted with the amount of 3–month term deposits in the amount of PLN 1,182,461 thousand and PLN 2,894,580 thousand respectively, as described in Section 6.18 of the consolidated financial statements of the Capital Group of Kredyt Bank S.A.

b) Amounts due from banks

	01.01- 30.06.05 *unaudited*	01.01- 30.06.04 *unaudited*
Change	-234 814	-1 953 432
Nostro accounts - cash at the end of the period	27 487	4 100
Term deposits up to 3 months - cash at the end of the period	-10 201	1 743 562
Total	**-217 528**	**-205 770**

c) Receivables from customers

	01.01- 30.06.05 *unaudited*	01.01- 30.06.04 *unaudited*
Change	531 300	1 683 678
Adjustments related to the adoption of IFRS - effective interest rate	-72 855	-4 911
Adjustments related to the adoption of IFRS – loan impairment	-140 717	-46 542
Consolidation adjustments	-11 894	-300 376
Total	**305 834**	**1 331 849**

d) Amounts due to banks

	01.01- 30.06.05 *unaudited*	01.01- 30.06.04 *unaudited*
Change	-454 490	-29 140
Adjustments related to adoption of IFRS	-18	0
Repayment of a working loan - recognition in financial activities	468 787	0
Repayment of an investment loan - recognition in financial activities	346 639	0
Change in syndicated loan - presentation in operations	0	15 429
Change in syndicated loan - presentation in financial activities	0	13 219
Consolidation adjustments	0	54 588
Total	**360 918**	**54 096**

e) Amounts due to customers

Amounts due to customers	01.01- 30.06.05 *unaudited*	01.01- 30.06.04 *unaudited*
Change	176 013	390 584
Adjustments related to adoption of IFRS	2 152	
Consolidation adjustments	-34 756	-168 471
Total	**143 409**	**222 113**

f) Held-to-maturity assets

	01.01- 30.06.05 *unaudited*	**01.01- 30.06.04** *unaudited*
- adjustments related to first adoption of IFRS - in operations	193 509	
- acquisition in investment activities	-1 285 334	-700 105
- sale in investment activities	639 348	733 156
- changes in interest receivables in operations	-39 501	-78 910
- change in available-for-sale financial assets in operations	5 784	
- currency translation differences in operations	-5 366	
Total	**-491 560**	**-45 859**

g) Available-for-sale financial assets

	01.01- 30.06.05 *unaudited*	**01.01- 30.06.04** *unaudited*
- adjustments related to first adoption of IFRS - in operations	-2 721	
- acquisition in investment activities	-20 396 237	-1 239 347
- sale in investment activities	20 268 797	1 477 668
- changes in interest receivables in operations	-14 570	588
- change in available-for-sale financial assets in operations	286	-25 804
- currency translation differences in operations		-433
- consolidation adjustments		
Total	**-144 445**	**212 672**

With regard to held-to-maturity assets and available-for-sale assets, the above tables show the reconciliations of flows presented in various parts of the cash flow statement with the balance sheet change.

- ***Disposal of subordinated companies and capital investments***

On 26 August 2004, the Bank executed the final contract of sale of the whole stake in Kredyt Bank Ukraina S.A., i.e. 65% stake in capital and votes at the company's General Meeting of Shareholders, to PKO Bank Polski S.A. Below, we present the essential information on the disposed company as at 31 July 2004:

	in PLN '000
Cash and cash equivalents*	38 216
Balance sheet total*	901 629
**figures as at 30.06.2004*	
Income	88 308
Expenses	80 062
Operating profit/loss	8 246
Tax expense	2 542
Net profit/loss	5 704

	in PLN million
Share price	108,8
Shares price including currency translation differences	72,2
Net profit/loss on sales performed by Kredyt Bank S.A. Capital Group	**36,6**

In first half of 2005, the Bank disposed of its whole stake in Wolny Obszar Gospodarczy S.A. and in Solaris Bus and Coach Sp. z o.o. (information on these disposals was included in the Management Board's report on the operations of Kredyt Bank S.A. Capital Group in the first half of 2005).

54. Asset collateral

As at 30 June 2005, assets in the form of Treasury bills were collateral for own liabilities of the parent company.

» Treasury bills of the nominal value of PLN 100.500 thousand and of the carrying amount of PLN 102.310 thousand acted as collateral for loans borrowed by the parent company of PLN105,000 thousand and the security of the payment of interest on these loans. The loans were borrowed from the Banking Guarantee Fund for the restructuring of assets and liabilities acquired from Polski Kredyt Bank S.A. pursuant to the restructuring plan and with the rehabilitation of Wschodni Bank Cukrownictwa.

» Treasury bills of the nominal value of PLN 21,670 thousand and of the carrying amount of PLN 22,069 thousand were the security for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities.

» Treasury bills of the nominal value of PLN 70,620 thousand and of the carrying amount of PLN 70,416 thousand were pledged in relation to REPO transactions with customers

» Treasury bonds of the nominal value of PLN 661,964 thousand and of the carrying amount of PLN 646,566 thousand were pledged in relation to REPO transactions with customers

As at 31 December 2004, assets in the form of Treasury bills were collateral for own liabilities of the parent company:

» Treasury bills of the nominal value of PLN 110,000 thousand were collateral for loans borrowed by the parent company of PLN 105,000 thousand and the security of the payment of interest on these loans. The loans were borrowed by the business from the Banking Guarantee Fund for the restructuring of assets and liabilities acquired from Polski Kredyt Bank S.A. pursuant to the restructuring plan and with the rehabilitation of Wschodni Bank Cukrownictwa.
» Treasury bills of the nominal value of PLN 46,000 thousand were the security for the protection fund for guaranteed cash in the Banking Guarantee Fund and were deposited in the National Depository for Securities.
» Treasury bills of the nominal value of PLN 261,150 thousand were pledged in relation to REPO transactions with customers.
» Treasury bonds of the nominal value of PLN 455,054 thousand were pledged in relation to REPO transactions with customers.

55. Changes in the composition of the Management and Supervisory Boards of Kredyt Bank S.A in the first half of 2005

On 9 February 2005, the Supervisory Board of Kredyt Bank S.A. appointed, as of 1 March 2005, Mr. Ronald Richardson for the position of the Vice President of the Bank’s Management Board. On 8 June 2005, the Commission for Banking Supervision expressed its consent to the appointment of Mr. Ronald Richardson for the position of the President of the Management Board of Kredyt Bank S.A. Under the resolution of the Supervisory Board as at 31 March 2005, from the date of the approval, Mr. Ronald Richardson performs the function of the President of the Bank’s Management Board.

Ms. Małgorzata Kroker-Jachiewicz, the previous President of the Bank’s Management Board, remained in the Board as its Vice President.

Also, on 9 February 2005, the Supervisory Board of Kredyt Bank S.A. appointed, as of 1 March 2005, Mr. Krzysztof Kokot for the position of the Vice President of the Bank’s Management Board.

The Supervisory Board also accepted the resignation of Mr. Fedele Di Maggio from the position of the Vice President of the Bank’s Management Board. Mr. Fedele Di Maggio was entrusted with other duties in KBC Group.

As at 30.06.2005, the 5-member Management Board of Kredyt Bank S.A. was composed of:

Mr. Ronald Richardson	- President of the Management Board, CEO
Mr. Krzysztof Kokot	- Vice President of the Management Board, Vice CEO
Ms. Małgorzata Kroker-Jachiewicz	- Vice President of the Management Board, Vice CEO
Mr. Guy Libot	- Vice President of the Management Board, Vice CEO
Mr. Bohdan Mierzwiński	- Vice President of the Management Board, Vice CEO

On 9 February 2005, in relation to the resignation by Mr. Dirk Mampaey from his position in the Supervisory Board of Kredyt Bank S.A., Ms. Rita Docx was appointed a member of the Supervisory Board.

As at 30 June 2005, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	– Chairman
Mr. André Bergen	– Member
Mr. Marko Voljć	– Member
Mr. Francoise Florquin	– Member
Mr. Feliks Kulikowski	– Member
Ms. Rita Docx	– Member
Mr. Marek Michałowski	– Member
Mr. Adam Noga	– Member
Mr. Józef Toczek	– Member

56. The restructuring plan

As a result of the generation of the financial loss at the end of 2002, pursuant to Article 142 of the Banking Law, parent company prepared the restructuring plan with a view to eliminate the negative effects of the acquisition of Polski Kredyt Bank S.A ., a banking enterprise. The plan is envisaged for 5 years: 2002-2007. This programme was approved by the Commission for Banking Supervision. In December 2003, the plan was updated and communicated to the Commission for Banking Supervision. On 28 June 2004, the Commission for Banking Supervision approved the updated version of the new restructuring plan for Kredyt Bank S.A.

The Commission considered the following actions of parent company: an increase in the Bank’s shareholders’ equity, covering the retained loss, improvement of financial results in the first half of 2004 and the restructuring of Kredyt Bank Capital Group. The strategic targets included in the restructuring plan involve the improvement of the Bank’s profitability and the maintenance of its strong position as a universal bank, definitely improving its position on the retail banking market while retaining the high level of safety ratios.

The targets assumed in restructuring plan is to be achieved through the use and development of existing organization potential based on the identification and neutralization of credit risk, the restructuring of the Capital Group, costs reductions and the development of customer database.

In case of the improper implementation of the restructuring plan, the Bank is subject to sanctions under Articles 142-145 of the Banking Law.

The main objectives of the restructuring plan expressed in the planned net financial result, key performance ratios and capital adequacy were substantially exceeded in the first half of 2005.

In 2004 and first half of 2005, the Bank focused on positive effects related to the restructuring and debt collection, mitigating credit risk and the functioning costs reductions. Major achievements, in view of the income statement, were recorded mainly in the first of the above-mentioned areas.

As the strategic shareholder, KBC Bank fully supports the Bank's actions, issuing deposit guarantees and sureties which constitute additional collateral on loan receivables.

To date, the Bank focused mainly on the credit risk, debt collection, restructuring and the reduction and control of functioning costs. Related undertakings in these areas resulted in specific clear effects in the income statement. At present, the Bank's and the Group's activities, to a larger extent, focus on sale, including the development of bancassurance.

57. Significant subsequent events

On 7 July 2005, Kredyt International Finance BV, a subsidiary of Kredyt Bank S.A. repaid before maturity a loan amounting to CHF 200 million, and also repaid EUR 30 million – the remaining portion of a loan amounting to EUR 180 million. Both loans were granted by KBC Bank NV Dublin Branch on 7 October 2002.

As a result of the said transactions, the guarantees of Kredyt Bank S.A. securing the loans expired.

On 14 July 2005, Kredyt Bank S.A. concluded, with KBC Bank NV, two loan agreements at arm's length with the five-year repayment schedule. The loans value amounted to EUR 150 million and CHF 150 million. The amount of each loan exceeds 10% of the Bank's shareholders' equity.

On 6 September 2005, Kredyt Bank and Warta launched a new corporate visualization and similar logotypes, with colours and graphics referring to Belgian KBC Group, their common shareholder. The companies' names remained unchanged.

The new visualization and logo of Warta and Kredyt Bank emphasize the close co-operation and the membership of the Bank and the insurer in the international structure of KBC Group. KBC strategy assumes that the logotypes of its subsidiaries in Europe will be made uniform, thus the Group's entities will become more recognizable and this will also allow them to maximize the synergy effect.

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

After the sale of the shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A., Kredyt Trade Sp. z o.o. holds a 30-percent stake in capital and votes at the General Meeting of Shareholders of KBC Towarzystwo Funduszy Inwestycyjnych S.A

On 18 August 2005, Kredyt Bank S.A. sold, to Gdańska Stocznia Remontowa S.A, its all shares in Stocznia Północna S.A. (90,738 registered shares with the nominal value of each), accounting for 27.17percent stake in the capital and votes at the General Meeting of Shareholders of Stocznia Północna S.A. The selling price was PLN 12,172,986.82. Following the sale, Kredyt Bank S.A. does not hold any shares of Stocznia Północna S.A. This transaction exerts a neutral impact upon the results of Kredyt Bank S.A.

58. First time adoption of IAS/IFRS

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

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

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

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

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

a) exemption from applying cetrain aspects of the specified IAS/IFRS (IFRS 1 - Section 12 a);

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

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

a) do not apply retrospectively the stipulations of IAS 22 *Business Combinations* in relation to business combinations in the past (before the date IFRS became effective) (IFRS 1, Section 13 a);

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

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

d) present comparable data not compliant with IAS 32 *Financial Instruments. Disclosure and Presentation and IAS 30 Financial Instruments: Recognition and Measurement (IFRS 1, Section 36 A).*

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

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

As the accounting principles applied by the Bank, while preparing opening balance in accordance with IFRS, differ from the principles applied on the same date at the time of their historical preparation (pursuant to the Accounting Act), according to IFRS 1, the adjustments were recognized in the retained earnings.

The Bank, acting under IAS 12, failed to calculate the effect of the deferred income tax upon the adjustments related to the first adoption of IFRS. As mentioned in the Group's consolidated financial statements as of 31 December 2004, the accounting principle applied in 2003 and 2004 provided, that at the Bank, bearing in mind balance sheet and tax losses incurred in 2002 and 2003 and the uncertainty of the settlement of the surplus of deferred tax asset over deferred tax liability provision for the deferred tax, deferred tax asset were recognized only up to the amount of the deferred tax liability.

IAS/IFRS adjustments to the Group's shareholders' equity and other items of the financial statements in the periods covered by this report

Table 1 - Reconciliation of the consolidated opening balance of the shareholders' equity as of 1 January 2004 in accordance with IAS

PLN '000

	Consolidated shareholders' equity as at 31.12.2003 according to PAS	**644 481**
1	Adjustments related to the adoption of IAS disclosed in the revaluation reserve:	
a)	Measurement of fixed assets at fair value	-1 250
b)	Revaluation of currency translation differences from the translation of subordinated companies and foreign branches	-10 757
2	Adjustments related to the adoption of IAS disclosed in the retained profit/loss:	
a)	Withdrawal of the valuation of subordinated companies with the equity method	13 857
b)	Recognition of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS 39, are disclosed at cost less impairment charge	-16 254
c)	Measurement of fixed assets at fair value	1 250
d)	Reversal of the provision for general risk	87 867
3	Currency translation differences from the translation of subordinated entities and foreign branches	10 757
	Total IAS adjustments	**85 470**
	Consolidated shareholders' equity as at 01.01.2004 according to IAS	**729 951**

Table 2 - Adjustment of the closing balance of the consolidated shareholders' equity as of 30 June 2004 in accordance with IAS

PLN '000

	Consolidated shareholders' equity as at 30.06.2004 according to PAS	**1 295 913**	
	Including net profit for the period		***58 250***
	Adjustment related to the restatement of comparable financial data according to PAS – settlement over time of commissions collected on promotional installment credits	-30 079	*-15 360*
	Shareholders' equity as at 30.06.2004 according to PAS following the restatement of comparable figures	**1 265 834**	
	Including net profit for the period		***42 890***
1	Adjustments related to the adoption of IAS affecting the revaluation reserve:		
a)	Measurement of fixed assets at fair value	-1 250	
b)	Revaluation of currency translation differences from the translation of subordinated companies and foreign branches	-9 740	
		-10 990	
2	Adjustments related to the adoption of IAS affecting the undistributed profit from previous years		
a)	Withdrawal of the measurement of subordinated entities with the equity method not consolidated with the full method and the effect of the deconsolidation of the companies deemed as immaterial	13 857	
b)	Recognition of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS 39, are disclosed at cost less impairment charge	-16 254	
c)	Measurement of fixed assets at fair value	1 250	
d)	Reversal of the provision for general risk	87 867	
		86 720	
3	Adjustments related to the adoption of IAS affecting the net profit in the period:		
a)	Withdrawal of the measurement of subordinated entities with the equity method in correspondence to the net income in the period	-5 459	*-5 459*
b)	Reversal of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS are recognized at cost less impairment charge	616	*616*
c)	Reversal of the amortization of the goodwill recognized in the income statement for the first six months of 2004 according to PAS	-37 415	*-37 415*
d)	Reversal of the amortization of the goodwill recognized in the income statement for the first six months of 2004 according to PAS	9 429	9 429
		-32 829	-32 829
4	Currency translation differences from the translation of subordinated companies and foreign branches	9 740	
		9 740	
	Total IAS adjustments	52 641	*-32 829*
	Consolidated shareholders' equity as at 30.06.2004 according to IAS	**1 318 475**	
	Including net profit for the period		***10 061***

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

According to IFRS 1 and IFRS 3, the Bank ceased to amortize goodwill on 01.01.2004. Since this date, the impairment test for goodwill has been carried out every six months.

Moreover, the comparable data as of 30 June 2004 presenting the Bank's consolidated shareholders' equity according to PAS were restated in order to include the change of PAS in the fourth quarter of 2004, consisting in the settlement over time of all fees and commissions collected on retail loans considered to be promotional ones. Sections 6.12.3. described these issues in more detail.

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

in PLN '000

	ASSETS		30.06.2004 Polish Accounting Principles	Adjustments	30.06.2004 IFRS
I.	Financial assets (*)	A	8 873 619	44 506	8 918 125
II.	Receivables from customers	B	16 838 752	-676 018	16 162 734
III	Impairment charges (**)	C	-2 887 885	-42 083	-2 929 968
IV	Capital investments	D	67 477	-32 811	34 666
V	Intangible assets and fixed assets	E	891 817	-2 401	889 416
VI	Deferred tax asset	F	12 024	137 146	149 170
VII	Goodwill	G	45 708	1 586	47 294
VIII.	Other assets	B	223 094	-21 599	201 495
	Total assets		**24 064 606**	**-591 674**	**23 472 932**

	LIABILITIES		30.06.2004 Polish Accounting Principles	Adjustments	30.06.2004 IFRS
I.	Financial liabilities (***)	I	21 595 165	5 860	21 601 025
II.	Provisions	H	133 847	-84 788	49 059
III	Deferred tax liability	J	3 276	135 101	138 377
IV	Special funds and other liabilities (****)	K	1 005 456	-670 409	335 047
	TOTAL LIABILITIES		22 737 744	-614 236	22 123 508
V	Total shareholders' equity	L	1 326 862	22 562	1 349 424
	Total liabilities		**24 064 606**	**-591 674**	**23 472 932**

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

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

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

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

Explanation of reclassification adjustments to comparable data for 6 months of 2004:

Adjustment in assets	Amount in PLN '000	Item	Adjustment in liabilities	Amount in PLN '000
A	-4 987	Change in consolidation scope	L	-4 987
A D	49 493 -49 493	Reclassification to the portfolio of available-for-sale assets		
B	-686 854	Offset of interest accrued on non-performing loans from financial and non-financial customers with suspended interest	K	-686 854
B F	-10 763 2 045	Commission settled over time on loans	L	- 8 718
C	-92 535	Reversal of the provision for general risk in the total amount of PLN 92,535 thousand and the creation of special provisions for regular loans, under observation and irregular loans in an analogous amount	H	-92 535
D	2 979	Withdrawal of the measurement of subordinated entities with the equity method and the return to the purchase price with the recognition of the impairment of investment	L	2 979
E	-2 401	Offset of assets and amounts due to settlement of investments in fixed assets	K	-2 401
D	5 860	Change in consolidation scope	I.	5 860
G	9 429	Withdrawal of goodwill amortization in the first half of 2004	L	9 429
F	135 101	Presentation of assets and deferred tax liability (separately at the assets side and liabilities side)	J	135 101
C	50 452	Reversal of impairment charges	L	50 452
		Change in consolidation scope	K L	5 232 - 5 232
G D	- 7 843 7 843	Withdrawal of the reclassification of goodwill in a subsidiary		
		Commissions settled with the straight-line method	H K L	7 747 13 614 - 21 361
Total	**-591 674**			**-591 674**
		including adjustment of shareholders' equity	L	***22 562***

Table 4 - Adjustment of the closing balance of the consolidated shareholders' equity as of 31 December 2004 in accordance with IAS

PLN '000

	Consolidated shareholders' equity as at 31.12.2004 according to PAS	**1 459 954**	
	Including net profit for the period		***185 176***
1	Adjustments related to the adoption of IAS affecting the revaluation reserve:		
a)	Measurement of fixed assets at fair value	-1 250	
		-1 250	
2	Adjustments related to the adoption of IAS affecting the undistributed profit from previous years		
a)	Withdrawal of the measurement of subordinated entities with the equity method not consolidated with the full method and the effect of the deconsolidation of the companies deemed as immaterial	13 857	
b)	Recognition of the impairment of investments in the shares of subordinated entities measured with the equity method, and according to IAS 39, are disclosed at cost less impairment charge	-16 254	
c)	Measurement of fixed assets at fair value	1 250	
d)	Reversal of the provision for general risk	87 867	
		86 720	
3	Adjustments related to the adoption of IAS affecting the net profit in the period:		
a)	Withdrawal of the valuation of subordinated companies with the equity method	-11 012	*-11 012*
b)	Recognition of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and according to IAS are disclosed at cost less impairment charge	2 062	*2 062*
c)	Reversal of the amortization of goodwill recognized in the income statement for 2004 according to PAS	13 247	*13 247*
d)	Reversal of the provision for general risk	-32 633	-32 633
		-28 336	-28 336
	Total IAS adjustments	57 134	*-28 336*
	Consolidated shareholders' equity as at 31.12.2004 according to IAS	**1 517 088**	
	Including net profit for the period		***156 840***

Explanation of the adjustments to the consolidated shareholders' equity as of 31 December 2004

The comments are the same as for the adjustments as at 01.01.2004 and 30.06.2004.

Table 5 - Significant reclassifications of the consolidated balance sheet items in comparison with the data published as at 31 December 2004 according to the Polish Accounting Standards

	ASSETS		**31.12.2004 Polish Accounting Principles**	**Adjustments**	**31.12.2004 IFRS**
I.	Financial assets (*)	A	8 635 592	50 348	8 685 940
II.	Receivables from customers	B	14 772 682	-666 730	14 105 952
III	Impairment charges (**)	C	-2 701 539	-42 083	-2 743 622
IV	Capital investments	D	74 054	-38 787	35 267
V	Intangible assets and fixed assets	E	611 627	-2 069	609 558
VI	Deferred tax asset	F	18 423	67 274	85 697
VII	Goodwill	G	29 262	6 790	36 052
VIII.	Other assets	B	230 630	-21 262	209 368
	Total assets		**21 670 731**	**-646 519**	**21 024 212**

	LIABILITIES		**31.12.2004 Polish Accounting Principles**	**Adjustments**	**31.12.2004 IFRS**
I.	Financial liabilities (***)	I	19 021 870	16 465	19 038 335
II.	Provisions	H	134 756	-97 317	37 439
III	Deferred tax liability	J	10 048	67 274	77 322
IV	Special funds and other liabilities (****)	K	1 044 103	-690 075	354 028
	TOTAL LIABILITIES		20 210 777	-703 653	19 507 124
V	Total shareholders' equity	L	1 459 954	57 134	1 517 088
	Total liabilities		**21 670 731**	**-646 519**	**21 024 212**

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

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

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

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

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

Adjustment in assets	Amount in PLN '000	Item	Adjustment in liabilities	Amount in PLN '000
A D	50 348 -50 348	Reclassification to the portfolio of available-for-sale financial assets from capital investments		
B	-687 992	Offset of interest accrued on irregular receivables from financial and non-financial customer with qualified interest	K	-687 992
C	-97 272	Reversal of the provision for general risk in the total amount of PLN 97,317 thousand and the creation of special provisions for regular loans, under observation and irregular loans in the total amount of PLN 97,272 thousand.	H L	-97 317 45
C	55 189	Reversal of impairment charges	L	55 189
D	-11 362	Withdrawal of the measurement of subordinated entities with the equity method and the return to the purchase price with the recognition of the impairment of investment	L	-11 362
E	-2 069	Offsetting of assets and amounts due to settlement of investments in fixed assets	K	-2 069
D	16 465	Change in consolidation scope	I.	16 465
G	13 248	Reversal of the amortization of goodwill recognized in the income statement for 2004 according to PAS	L	13 248
F	67 274	Presentation of assets and deferred tax liability (separately at the assets side and liabilities side)	J	67 274
G D	-6 458 6 458	Withdrawal of the reclassification of goodwill in a subsidiary		
		Change in consolidation scope	K L	-14 14
Total	**-646 519**			**-646 519**
		including adjustment of shareholders' equity	L	***57 134***

Table 6 - Reconciliation of the opening balance of the consolidated shareholders' equity as of 1 January 2005 in accordance with IAS

PLN '000

	Consolidated shareholders' equity as at 01.01.2005 according to PAS	**1 459 954**
1	Adjustments related to the adoption of IAS disclosed in the revaluation reserve:	
a)	Measurement at fair value of debt securities reclassified from portfolio held until maturity to portfolio of available-for-sale assets	2 726
b)	Reclassification of the measurement of debt securities at fair value from the portfolio of available-for-sale assets to the portfolio of assets measured at fair market value in income statement	25 539
c)	Measurement of fixed assets at fair value	-1 209
		27 056
2	Adjustments related to the adoption of IAS disclosed in the retained profit from previous years:	
a)	Withdrawal of the measurement of subordinated entities with the equity method not consolidated with the full method and the effect of the deconsolidation of the companies deemed as immaterial	2 835
b)	Recognition of the impairment of investment in the shares of subordinated entities that were measured with the equity method, and now are disclosed at cost	-14 191
c)	Measurement at fair value of Solaris and Wolny Obszar Gospodarczy reclassified from „capital investments" to the portfolio of available-for-sale assets	13 281
d)	Withdrawal of the amortization of goodwill recognized in the income statement for 2004 according to PAS	13 247
e)	Reclassification of the measurement of debt securities at fair value from the portfolio of available-for-sale assets to the portfolio of assets measured at fair market value in income statement	-25 539
f)	Reversal of the provision for general risk	84 168
g)	Reversal of the 1,5% provision for "regular" consumer loans and "under observation" loans	20 981
h)	Loss in value of loan receivables measured for individual exposures	-93 624
i)	Loss in value of loan receivables portfolios	-135 672
j)	Measurement of financial assets and liabilities at amortized cost based on the effective interest rate	-95 505
k)	Measurement of fixed assets at fair value	1 209
		-228 810
	Total IAS adjustments	**-201 754**
	Consolidated shareholders' equity as at 01.01.2005 according to IAS	**1 258 200**

Explanation of the adjustments to the consolidated shareholders' equity as of 1 January 2005

Due to the fact that the Bank applied IAS 39 for the first time as of 1 January 2005, the adjustments on that account were included in the opening balance of shareholders' equity on that day. Below, we present adjustments under IAS 39:

1b) As of the day of adopting IFRS, the Bank re-defined (under IFRS 1, Section 13g) the financial assets disclosed in fair value as available for sale; according to the Polish Accounting Standards these assets were disclosed as held to maturity assets, and their carrying amount as of 1 January 2005 amounted to PLN 190,110 thousand;

1b) As of the day of adopting IFRS, the Bank re-determined the financial assets at fair value, including its changes recognized in the income statement; according to the Polish Accounting Standards, these assets were disclosed as available for sale, and their carrying amount as of 1 January 2005 amounted to PLN 862,249 thousand;

2a) and 2b) the adjustments were recognized by analogy to the comparable periods in 2004;

2c) as of 1 January 2005, the Bank did not exercise actual control and did not exert a significant influence upon the financial activities and operation of Solaris Bus and Coach Sp. z o.o. and Wolny Obszar Gospodarczy S.A. despite the fact that the Bank held over 50% of shares in both companies. As of 1 January 2005, the investments in the shares of these companies were classified to the portfolio of available-for-sale assets and are measured at estimated fair value. In the comparable data presented in this report, the shares of these companies were disclosed in "capital investments" and measured at cost according to IAS 27;

2d) goodwill adjustments: according to IFRS 1 and IFRS 3, the Group, on 01.01.2004, ceased to amortize goodwill. From this day, every six months, the impairment charge of goodwill is carried out.

2e) this adjustments corresponds to adjustment 1b);

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

2g) the release of provision at the Bank for the risk connected with consumer credits classified to "normal" category as well as credits classified to "under observation" category in accordance with Polish regulations on establishing provisions for credit risk;

2h) impairment measured for individual credit exposures;

2i) collective impairment measured for homogeneous portfolios of loan receivables;
2j) the measurement of assets and liabilities at amortized cost applying the effective interest rate

As stated before, the Group, taking advantage of exemptions stipulated in IFRS 1, decided not to restate the comparable data under IAS 32 and IAS 39.

If the Group restated the comparable data, the most important adjustments would be related to the measurement of financial assets at amortized cost with the application of the effective interest rate, including the measurement of the impairment of individual assets and homogenous portfolios of financial assets. As regards the restatements of the income statement, the most vital change in the presentation would be associated with the recognition of the fee and commission income at amortized cost, taking into account the effective interest rate. It would denote a decrease in the fee and commission income/expense accompanied with the increase in interest income/expense.

In addition, as regards presentation, the most important adjustment would be related to the re-classification of financial assets to the portfolio of assets measured at fair value through the profit and loss account and held-for-sale assets.

Adjustments related to first adoption of IFRS do not affect cash flows.

60. Fair value of financial assets and liabilities not recognized at fair value in the balance sheet

Fair value is an amount for which a given asset may be sold or exchanged for another asset, or liability may be paid in a transaction executed at arm's length between knowledgeable parties entering freely into the transaction. Fair value is best reflected by market price, if it is available. As stated in the section on the accounting principles adopted by the Group, if the market price is unavailable, the measurement is performed on the basis of generally adopted measurement models based on variables that can be observed in the market environment.

The main categories of financial assets and liabilities not measured in the Group's balance sheet at fair value are assets or liabilities measured at amortized cost or historical cost:

- credits and loans granted as well as the other own receivables – not held for trading;
- held-to-maturity investments;
- available-for-sale financial assets recognized at cost, including capital investments;
- financial liabilities not held for trading.

60.2. Loans, credits and other receivables

As stated in the section on the accounting principles adopted by the Group and the material accounting estimates, granted loans and credits and other own receivables not held for trading are measured at amortized cost with the effective interest rate method having regard for impairment measured on the basis of future expected cash flows (including those received as a result of the sale of loan collateral) discounted with the original effective interest rate.

Poland does not have an active market on which loans and receivables may be traded, therefore, it is not possible to reliably determine the market price of these assets. The best reflection of the fair value are estimates performed on the basis of the models of measurement based on discounted expected cash flows. Expected cash flows assume the same credit risk, which is taken into consideration in the case of the measurement at amortized cost. The discount rate is a market rate plus the margin for the risk offered on the market for particular loan facilities and specific customer groups.

As stated in Note 24, the major part of term deposits on the inter-bank market are short-term deposits. In addition, as presented in Note 27, the bulk of loans and receivables are floating interest rate facilities. Due to these features, fair value of such products is similar to their book value.

Within the fixed interest rate facilities, the major part are installment loans granted via Żagiel S.A..

Also, in the case of loan receivables for which impairment was identified, there are many cases, particularly of receivables under debt collection procedure, where the initial effective interest rate is much higher than the current market rates. For such receivables, the estimation of their fair value is particularly sensitive to assumptions made.

60.3. Held-to-maturity investments and available-for-sale financial assets

As stated in the section on the accounting principles adopted by the Group, held-to-maturity investments are measured at amortized cost with the effective interest rate methodology. Held-for-sale debt securities not measured at fair value in the balance sheet are also measured in this way. The market prices of debt securities applied in the measurement of fair value, for both categories of assets, do not take into consideration any potential adjustments resulting from the limited liquidity of the market or transaction costs.

The Group does not have any material commitment in the shares of the companies recognized at historical cost - these are shares in subsidiaries that are not fully consolidated in the consolidated financial statements due to the immateriality of their financial statements, and capital investments of minority nature. As fair value cannot be determined reliably, the value of such shares is recognized at cost.

In the case of certain groups of financial assets held at the value of the payment, it was assumed that fair value is equal to the book value. It is mainly related with cash, current receivables and customer liabilities.

60.4. Financial liabilities not held for trading

As stated in Note 40 and Note 41, the bulk of deposits are deposits on current accounts and term deposits with balance sheet maturities of less than one year. Issued own securities are based on a floating market rate, which is revaluated every six months. Estimates performed on the basis of the models of measurement based on discounted expected cash flows are the best reflection of the fair value. On the basis of the above-mentioned characteristics of financial liabilities and the assumptions adopted for the measurement models, the estimated fair value of financial liabilities not held for trading is not considerably different from their carrying amount as at the date of preparing these financial statements.

According to IFRS 1, Section 36A, the Group took advantage of the exemption related to the presentation of comparable data in terms of fair value.

30.06.2005	Carrying amount	Fair value
Assets		
Cash and balances with Central Bank	874 534	874 534
Amounts due from banks	2 934 638	2 934 638
Receivables from customers	10 834 224	10 880 094
Available-for-sale investment securities and not measured at fair value	544 355	544 355
Held-to-maturity investment securities	1 954 231	1 950 428

30.06.2005	Carrying amount	Fair value
Liabilities		
Amounts due to banks	2 552 600	2 552 600
Amounts due to customers	14 237 118	14 236 730
Debt securities in issue	402 941	402 941

61. Information on legal cases or public administration authority

The Bank was not a party in any legal case, where the amount(s) claimed would be equal to at least 10% of the Bank's shareholders' equity.

Below are presented those legal cases, where the amounts claimed are the highest

The cases in which the Bank is a plaintiff

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

The cases in which the Bank acts as a defendant

The cases, in which the amounts claimed are the highest, are as follows:

- Laboratorium Frakcjonowania Osocza Sp. z o.o. (LFO) - claiming for payment of indemnity due to the termination of a credit agreement equal to PLN 119,477 thousand. The suit was filed on 18 June 2003. The Bank is of the opinion that the LFO claims are not based on any actual and legal basis. On 16 March 2005, the court rejected the suit of LFO. On 4 May 2005, LFO filed a complaint about the decision. It has not been considered yet.
- Laboratorium Frakcjonowania Osocza Sp. z o.o. - claiming to deprive the executory title of the enforceability clause. The suit was filed on January 6, 2005. The value of the object of the dispute is equal to PLN 102,154 thousand (for all syndicate members, while the amount falling on to the Bank is equal to PLN 6,787 thousand). On 12 May 2005, the hearing was adjourned without fixing the date of the next hearing.

- The Banks – members of the syndicate approached the court in order to concede the enforceability clause to the executory title issued on 1 December 2004 against the State Treasury being the guarantor of the loan granted LFO. The first instance court by its ruling of 23 March 2005, dismissed the Banks' application. On 22 April 2005, the banks filed a complaint about the decision. It has not been considered yet.
- Trustee in bankruptcy of company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claiming for payment of indemnity equal to PLN 32,256 thousand by the reason of effecting, by the Bank, of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company towards the Bank. The suit was filed on 6 February 2004. On 13 January 2005, the court suspended the proceedings until penal proceeding is completed. At the same time, the Bank continues to raise objections and claim prescription for this case.

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

62. Custody services

The custody services of Kredyt Bank S.A. are mainly managing securities accounts for domestic and foreign, institutional and private customers. For the special group of customers – investment funds - Kredyt Bank S.A. also provides services related to the functioning of the role of a custodian and transfer agent.

Kredyt Bank S.A. holds an authorization of the Polish Securities and Exchange Commission to manage securities accounts; it is also a direct participant of the National Depository for Securities (KDPW) as a Custodian and the participant of the Securities Register (RPW) managed by the National Bank of Poland (NBP). On this basis, the Bank manages accounts for securities admitted to public trading, deposited in KDPW or RPW. The Bank's organizational unit providing the said services is the Custody Services Department in the Bank's Headquarters.

This Department is also a custodian for investment funds; deposits securities not admitted to public trading and registers them on auxiliary accounts for securities outside the public trading and on sub-fiduciary accounts in domestic and foreign financial institutions.

The Bank assists customers in sale/purchase transactions related to publicly traded securities (shares, rights to shares, subscription rights, Treasury bonds, Treasury bills) and non-publicly traded securities (bonds of local authorities (*gmina*), company bonds and other short term commercial papers) and securities traded on the main and secondary markets (stock market, OTC market, interbank market).

Securities purchase/sale orders to be realized at the Warsaw Stock Exchange are placed in the brokerage houses, selected by a customer, with which the Bank executes respective agreements.

The Bank settles the customers' transactions as required by KDPW, NBP and other institutions organizing trade in securities, and provides customers with updated information on the securities they hold, such as: dividends, subscription rights, interest, redemptions, splits, new issues, general meetings of shareholders.

The Bank offers the following custody services for investment funds:
1) keeping the register of fund's assets;
2) ensuring accurate and proper calculation of NAV and NAVPS;
3) ensuring the proper settlement of contracts on the fund's assets;
4) supervision of the fund's investment activities.

As at 30 June 2005, the Bank managed accounts for securities admitted to public trading for 3705 customers and the registers of foreign securities for 1048 customers.

As at 30 June 2005, Kredyt Bank S.A. performed the function of a transfer agent for three open-end investment funds and entered into agreements on custody services with 13 investment funds.

63. Risk management at Kredyt Bank S.A. Capital Group

The Bank's supervisory bodies, namely the Supervisory Board and Management Board, play the most crucial role in the risk management process.

The Bank's Supervisory Board, through the Audit Committee, is informed on the most important issues and approves the activities of the Management Board in this respect.

Particular risks are dealt with directly by the following specialized Committees:

- Financial Markets Committee – supervising market risk in the Bank trading portfolio,
- Assets and Liabilities Management Committee – responsible for management of market risk in banking portfolio as well as management of the Bank structural liquidity,
- Operating Risk Committee – supervising the implementation of the operating risk management process,
- Credit Risk Committee – supervising the credit risk management process.

Members of the Management Bard supervise the works of listed committees; there are at least two Board members in each committee.

The Risk Management Department subordinated directly to the President of the Bank's Management Board deals with the measurement and monitoring of all types of risks at Kredyt Bank. This is the only unit reporting all issues regarding risk maintaining full independency in relation to business units.

In the process of the identification, measurement and risk management, the Bank applies techniques relevant to a given type of risk. The most important are described below:

a) Market risk

The market risk is defined as a degree of the hazard to the Bank's financial standing resulting from disadvantageous changes in interest rates, exchange rate and prices of shares and their market volatility.

The interest rate and exchange rate risk are the two main risks at the Bank. The Bank does not actively operate on shares market and the majority of investments in stocks are long-term investments or strategic investments in subsidiaries. The Bank does not trade on commodity markets.

In order to improve management quality, since 2002, the activities of the Bank have been divided into two parts: Trading Book and Banking Book. Due to different nature of open positions, the risk is monitored in each portfolio separately.

Trading Book

The Trading Book is a separated part of the Bank's portfolio, where the Bank intends to generate income resulting from short-term changes of prices, interest rates, exchange rates or different market parameters. The main activity of the Trading Book is associated with financial instruments in PLN, and, to a lesser extent, these are also instruments in USD and EUR.

Interest rate risk

The interest rate risk reflects the degree of a threat to Kredyt Bank financial standing as a result of disadvantageous changes in market interest rates.

Value at Risk (VaR) is the basic risk metric in trading portfolio, calculated in the time horizon of 10 days at the level of confidence 99%, taking into account market data for the last 250 days that is consistent with international standards.

The limit and use of VaR as of 30 June 2005 is presented below.

Limit	Use as at 30 June 2005
VaR EUR 2,000 thousand	EUR 529,4 thousand

Additionally, the level of interest rate risk is monitored and limited (through the establishment of limits) with the application of BPV (basis point value).

All the above limits are established for the whole Trading Book. In order to create better conditions for monitoring the interest rate risk, the Trading Book has been divided into sections on the basis of the primary term of instruments. Internal VaR limits and stop-loss (maximum acceptable loss) are enforced on particular sections.

- currency risk

Currency position

The exchange rate risk reflects the degree or the risk for the entity's financial position due to disadvantageous changes in exchange rates on the market. This risk covers income on currency exchange operations and measurement of open currency positions resulting from the difference between the value of assets and liabilities in a given currency.

As in the case of interest rate risk, value at risk is the basic measurement applied for monitoring of currency risk. The parameters applied for calculations are identical as in the case of the interest rate risk. The limit and use of VaR as of 30 June 2005 is presented below.

Limit		Use as at 30 June 2005
VaR	EUR 1,000 thousand	EUR 188.8 thousand

The value at risk method is supplemented by stress-testing which is the amount of possible loss in very disadvantageous situations, but probable changes in exchange rates.

Foreign exchange options

The Bank also offers foreign exchange options. The option portfolio is small and these are mainly the options exercised upon the customer's initiative. The Bank does not maintain option portfolio for its own account, that is does not run speculative activity. The options concluded on the inter-bank market are the options hedging the position resulting from transactions with customers. Additionally, forwards and spots are used as risk hedge. Due to this, the risk on foreign exchange option transactions is insignificant. The scenario analysis and Greek parameters (open delta, gamma, vega) are the basic measures applied for monitoring of this section risk. The scenario analysis method involves the calculation of the most negative result on the open position, assuming the existence of particular changes in exchange rates and volatility. Below, we present the use and limits of scenario analysis as of 30 June 2005:

Limit	Use as at 30 June 2005
Scenario analysis	
EUR 250 thousand	EUR 4.1 thousand

- capital market risk

Kredyt Bank does not operate on the stock market within the Trading Book. Thus the Trading Book is not exposed to capital risk. As at 31.12.2004, IDM, which now is not included in the Bank's structure, pursued only insignificant trading activites related to its roles of a market maker.

The capital requirements for Trading Book as of 30 June 2005 and 30 June 2004 are as follows:

PLN '000

Capital requirements for the Trading Book

Market risk	**30.06.2005**	**30.06.2004**
including:		
Equity securities price risk	0	4
Specific risk of debt instruments	44	196
General interest rate risk	13 052	11 059
Settlement risk and counterparty risk	6 526	5 945
Other	0	0
Total capital requirement in the Trading Book	**19 622**	**17 204**

Banking Book

The Banking Book covers operations not covered by trading portfolio, i.e. commercial activities of branches, credit intermediaries and the portfolios of securities hedging the liquidity and stable interest income. The Banking Book aims at the elimination of the market risk.

Interest rate risk

Kredyt Bank actively manages the interest rate risk for 5 main balance sheet currencies: PLN, EUR, USD, CHF, GBP.

The interest rate gap and the following items calculated on this basis are the basic tool to measure and reduce risk in the banking portfolio:

- the sensitivity of the measurement of assets and liabilities (BPV);
- duration;
- accumulated gap.

The analysis of interest rate gap is applied in the interest rate risk management of the Banking Book and based on information on particular items of the balance sheet of Kredyt Bank S.A. as well as off-balance items sensitive to changes of interest rates. In the case of financial instruments with no maturity dates specified (according to stability analysis for each type of product), Kredyt Bank has implemented the model of periodic deposits rollover. This approach towards products makes it possible to effectively manage risk associated with this type of instruments and facilitates the generation of stable income from investments of these assets.

The Banking Book underlines the following items:

- Hedging, including:
  - benchmark portfolios of current accounts in PLN, EUR and USD,
  - benchmark portfolio of savings accounts in PLN,
  - branch position, except for the part of stable current accounts and savings accounts.
- Transformation, including
  - benchmark portfolio of Free Capital,
  - item with credit risk (Credit Book).

<u>Interest rate risk analysis</u>

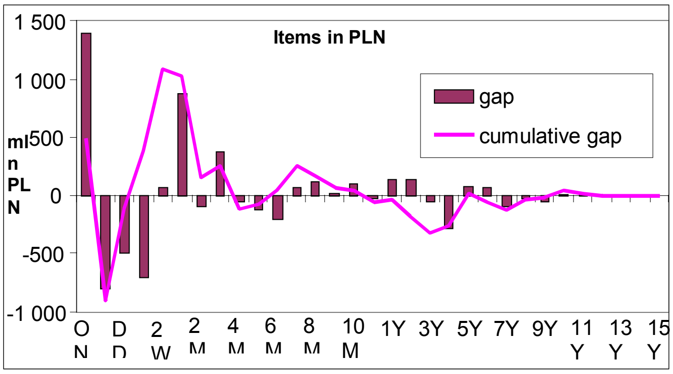
The interest rate risk analysis was conducted upon the following assumptions:

- ✓ the stable part of current (in PLN) and foreign currency accounts (EUR and USD) is invested periodically for the period of 5 years for PLN (1/60th of the stable part is invested monthly), and 2 years for foreign currencies (1/8th of the stable part is invested monthly);
- ✓ two stable portions are separated from savings accounts; the first portion is invested periodically for 6 months (1/6th of the stable part invested monthly), and the second part is invested for 3 years (1/36th of the stable part invested monthly);
- ✓ unstable parts of current accounts in PLN, EUR and USD, savings accounts and current accounts in other currencies are classified in the shortest term horizon;
- ✓ the amount of free capital is invested periodically for 10 years (1/120th of free capital invested monthly);
- ✓ the application of benchmark for non-working loans (40% - ON, 30% - 1M, 30% - 3M);
- ✓ loans are recognized in net terms (less provisions);
- ✓ loans are presented according to repayment schedules;
- ✓ except for nominal flows, also known future interest flows are presented in the report;
- ✓ each flow is divided in proportion into two parts which are classified in adjoining nodes of the curve;
- ✓ cumulative gap is calculated from the longest to the shortest term periods.

The interest rate gaps in particular currencies (in millions) and based on internal system of transfer rates have been presented below.

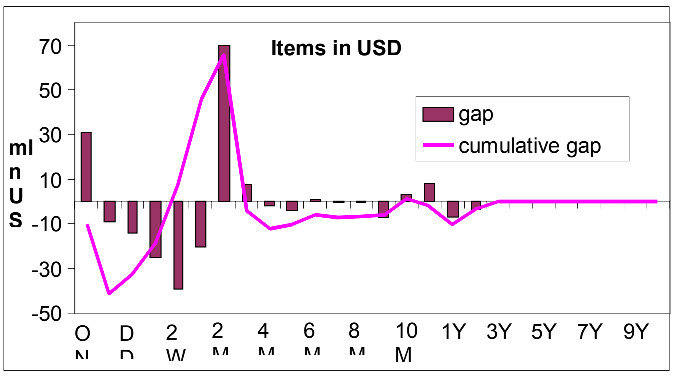
- **PLN**

For items in PLN, positive volume of gap in ON term range is associated mainly with volume of non-working loans, overdraft facilities and credit lines. The negative gap in term ranges from ON to 1 month is associated with the mismatch of fixed interest rate loans and deposits, short-term repo transactions and the second tranche of perpetual bonds based on 6M WIBOR. The positive gap in term ranges from 2 weeks up to 1 month and from 2 months to 3 months is a result of a mismatch of loans and deposits based in 1M and 3M rates. The first tranche of perpetual bonds affects the negative gap value in the term from 5 to 6 months. The gap in various term ranges is a result of a mismatch of the benchmark portfolios structures.



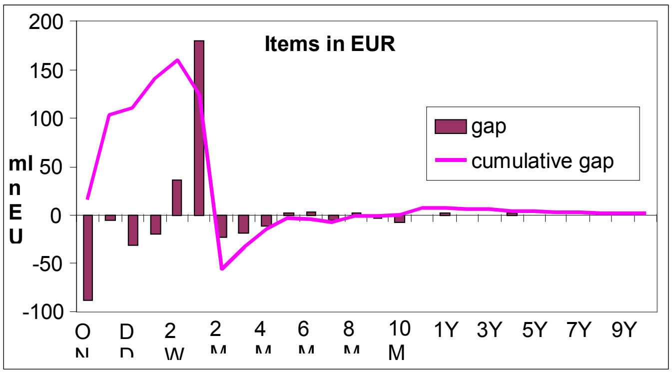
- **USD**

For USD, positive gap value in ON term range is mainly associated with the volume of non-working loans. Negative values of the gap in the term range from ON to 1 month result from the mismatch of fixed interest rate loans and deposits and the approved cash loan of USD 50 million. The positive gap in term ranges from 1 month to 2 months is a result of a mismatch of floating interest rate loans and deposits and accepted CIRS.



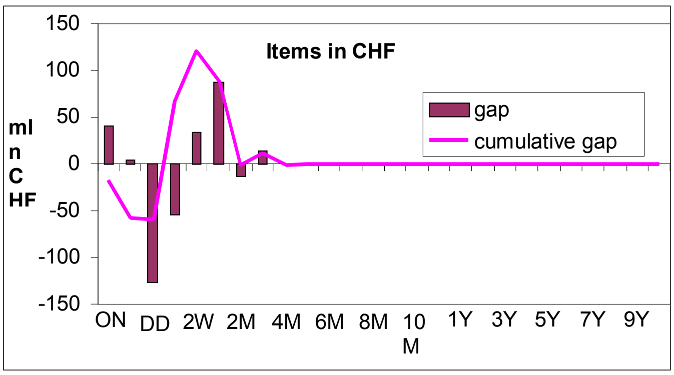
- **EUR**

For EUR, the negative gap value in ON term range is affected by floating legs of OISs. The negative value of the gap in the term ranges up to 1 week is a result of the accepted loan. The positive value of the gap in term ranges from 1 week up to 1 month indicate the mismatch of floating interest rate loans and deposits. The negative value of the gap in the term ranges from 1 month to 3 months is a result of financing floating interest rate loans with floating interest rate cash loans base don 3M market rates.



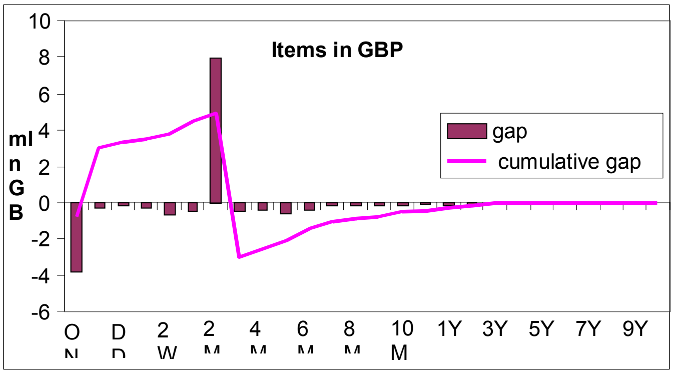
- **CHF**

For CHF, positive value of gap in term ranges ON and from 1 week to 1 month results from mismatch between floating interest rate loans and deposits. The negative values of the gap in term ranges from ON to 1 week are associated with financing of loans by cash loans based on 3M market rates, and from 1 month to 2 months, with accepted CIRS.



- **GBP**

The gap in items in GBP in term range from 1 month to 2 months is positive with regard to granted CIRS. Negative gap is a result of accepted fixed interest rate deposits.



The table below illustrates the Bank's basis point value (BPV) accompanied with the Bank's parallel shift in interest rates by 10 p.b. up for particular currencies.

Currency/portfolio		BPV	in millions – original currency 30/06/2005	
PLN	Hedging		0.539	0.366
	Transformation			0.173
USD			0.001	
EUR			-0.025	
CHF			-0.006	
GBP			0.001	

The use of the BPV limit (an aggregate of the absolute values for all currencies and portfolios) as at 30 June 2005:

Limit	Use:
EUR 1 million	EUR 154 thousand

- currency risk

As mentioned above, management of currency position is performed under the Trading Book. The positions related to the Bank's customers' transactions arising during the day are transferred, via internal transactions, to the Trading Book.

It should be noted that the currency risk at Kredyt Bank is perceived not only as the risk occurring at open currency position, but also as the risk of currency exchange rates fluctuations that may affect the value of certain products. In particular, this risk occurs in the case of loans granted in foreign currencies. In order to mitigate credit risk, increasing in the case of the growth in the exchange rate of loan currency (this also refers to loans granted in PLN, but of value indexed to the foreign currency exchange rate), the loans agreements for institutional customers contain clauses on the establishment of additional collateral or permit to change loan currency, when the customer does not generate income in the loan currency. Additionally, in order to hedge exchange rate risk of the customer, derivatives (forwards, options) are offered to him.

➢ **Derivative financial instruments**

In the first half of 2005, the parent company concluded the following types of transactions:
- currency swap;
- interest rate swap;
- forwards;
- forward interest rate (FRA);
- options.

Currency swaps

These transactions were made for commercial purposes at arm's length.

As of 30 June 2005, there were 72 active currency swaps whereupon the Bank was obliged to purchase the total of the following amounts: PLN 1,022,914 thousand; USD 395,989 thousand; EUR 73,074 thousand; CHF 43,106 thousand for the total amounts of PLN 1,372,578 thousand; USD 344,200 thousand; EUR 35,825 thousand and CHF 49,750 thousand. These transactions will be effected from 1 July 2005 to 10 March 2006.

As of 30 June 2005, the balance of currency swaps recognized as “liabilities from transactions on financial instruments” off-balance sheet item amounted to PLN 2,798,749 thousand on forward purchase of currencies by the Bank and PLN 2,769,509 thousand on forward sale of currencies.

The advanced settlement of transactions or exchange of a given instrument with another asset or liability is not possible. The current practice applied by the Bank does not assume the collection of additional collateral associated with currency swaps from the counterparty acting as bank. The currency swaps bear the risk of change in interest rates and foreign exchange rates disadvantageous for the Bank from the point of view of currencies in which these transactions were concluded.

Interest rate swaps (IRS)

These transactions were concluded for trading and collateral purposes at arm's length. As of 30 June 2005, there were 225 active interest rate swaps with the total face value of purchased amounts of PLN 5,621,000 thousand and the total value of sold amounts of PLN 5,991,010 thousand. These transactions will be effected from 4 July 2005 to 22 June 2015.

The advanced settlement of transactions on any future value date according under the conditions agreed prior between the parties is possible. The Bank does not offer any additional collateral associated with interest rate swaps.

Forward interest rate transactions (FRA)

As of balance sheet preparation date, there were 192 active purchase transactions and 185 active transactions on sale of forward interest rate (FRA). These transactions were concluded for trading purposes at arm's length on the interbank market.

As of 30 June 2005, the balance of FRAs recognized as "liabilities from transactions on financial instruments" off-balance sheet item amounted to PLN 29,375,000 thousand on FRA purchase of by the Bank and PLN 26,398,653 thousand on the sale of FRA.

The FRA purchase transactions were concluded for the total amount of PLN 29,375,000 thousand, including 151 transactions of the total value of PLN 22,100,000 thousand with domestic banks and 41 transactions for the total amount of PLN 7,275,000 thousand with foreign banks. FRA transactions will be effected from 10 August 2005 to 4 July 2006.

The FRA sale transactions were concluded for the total amount of PLN 26,398,653 thousand, including 130 transactions of the total value of PLN 18,115,000 thousand with domestic banks and 55 transactions for the total amount of PLN 8,283,653 thousand with foreign banks, with exercise dates from 11 August 2005 to 4 July 2006.

The appropriate WIBOR rate for PLN and LIBOR rate for USD was taken into account as the point of reference for the settlement of these transactions

There is no possibility of the advanced settlement of transactions according to conditions agreed between the parties. The current practice applied by the Bank does not assume the collection of additional collateral associated with FRA from the counterparty acting as bank.

Currency Interest Rate Swaps (CIRS)

CIRS transactions were concluded in order to swap the liquidity from one currency to another at arm’s length.

As of 30 June 2005, there were 4 active CIRS whereupon the Bank was obliged to sell the total of CHF 179,595,000 for the total amounts of USD 65,000 thousand; EUR 50,000 thousand and GBP 10,000 thousand. These transactions will be effected on: 23 May 2006, 1 June 2006 and 30 June 2006 respectively.

As of 30 June 2005, the balance of CIRS recognized as “liabilities from transactions on financial instruments” off-balance sheet item amounted to PLN 479,753 thousand on forward purchase of currencies by the Bank and PLN 468,240 thousand on forward sale of currencies.

The advanced settlement of transactions on any future value date according to the conditions agreed prior between the parties is possible. The Bank does not offer any additional collateral associated with CIRS.

Forwards

These transactions were concluded for trading purposes at arm’s length.

As of the balance sheet date, there were 415 forwards concluded with customers, whereupon the Bank was obliged to purchase the total of USD 56,022 thousand; EUR 38,452 thousand; GBP 822 thousand and PLN 315,695 thousand. At the same time, the Bank was obligated to sell, as a result of forwards, o USD 50,667 thousand; EUR 50,152 thousand; GBP 550 thousand and PLN 287,913 thousand. These transactions will be effected from 1 July 2005 to 28 April 2006.

As of 30 June 2005, the balance of forwards recognized as “forward exchange transactions” off-balance sheet item amounted to PLN 663,341 thousand on forward purchase of currencies by the Bank and PLN 663,383 thousand on forward sale of currencies.

There is a possibility of the advanced settlement of transactions according to conditions agreed between the parties. The Bank offers additional collateral associated with forwards. The establishment of the collateral in the following form is a pre-condition of concluding a forward transaction with the customer:

- frozen term deposit, or
- hold on cash on current account, or
- hold on cash on a separate frozen deposits account, or
- hold on the term deposit made by a customer prior to the forward concludion date, or
- “stand-by” loans securing forwards.

Options

Put/call options for currencies are of trading nature and hedging nature concluded at arm's length. As at 30 June 2005, there were 168 active options whereupon the Bank:
- purchased calls for EUR/PLN with the total nominal value of EUR 6,900 thousand;
- purchased calls for USD/PLN with the total nominal value of USD 1,000 thousand;
- purchased calls for GBP/PLN with the total nominal value of GBP 5,096 thousand;
- purchased puts for EUR/PLN with the total nominal value of EUR 5,050 thousand;
- purchased puts for GBP/PLN with the total nominal value of EUR 5,096 thousand;
- sold calls for EUR/PLN with the total nominal value of EUR 6,950 thousand;
- sold calls for USD/PLN with the total nominal value of USD 1,000 thousand;
- sold calls for GBP/PLN with the total nominal value of GBP 5,096 thousand;
- sold puts for EUR/PLN with the total nominal value of EUR 5,250 thousand;
- sold puts for GBP/PLN with the total nominal value of GBP 5,096 thousand;

There is a possibility of the advanced settlement of transactions according to conditions agreed between the parties. As at 30 June 2005, the Bank recognized in books also one index call with the total nominal value of PLN 53,300 thousand.

Embedded derivatives

Following the review of assets and liabilities, embedded derivatives requiring separation and listing, were identified in debt instruments (Earls bonds). As a result, embedded derivatives of the option type sold by the Bank were separated, where credit rating and purchased derivatives are the host instrument. The result from the measurement of derivatives embedded in debt instruments is recognized in current profit/loss in „profit/loss on financial operations" item. As at 30 June 2005, the measurement of derivatives embedded in Earls bonds amounted to PLN 7.7 million.

The embedded derivatives are measured according to the measurement models of these instruments and input data originate from the market

» **Liquidity risk**

The liquidity risk is strictly associated with activities of any bank resulting, among others, from the mismatch of the structures of assets and liabilities in terms of maturity dates and violations of agreements by customers. Maintenance of financial liquidity, interpreted as the ability to timely fulfill financial liabilities, is the crucial element of the policy on assets and liabilities management applied by the Bank. The current liquidity is maintained through correcting the surplus or shortage of liquid cash by operations conducted on the inter-bank monetary market. The scale of the possibility of leveling the mismatch in the maturity of assets and liabilities in the short-term horizon is limited and the Bank safety requires the maintenance of liquid reserves as well as term and quality structure of the whole balance sheet. The support of KBC, the strategic investor, is a crucial factor affecting the safety of Kredyt Bank's operations.

Decisions in terms of liquidity risk management are taken by the Bank's Assets and Liabilities Management Committee. The Risk Management Department measures and monitors strategic (long-term) liquidity. The current and operating tasks are performed by the Treasury Department.

Kredyt Bank hedged the liquidity risk by:

- maintenance of appropriate level of cash, taking into account volume of obligatory provisions;
- maintenance of portfolio of liquid securities (government bonds), hedging properly the term structure of the Bank's liabilities without specified maturities;
- establishment and monitoring of the observance of corporate prudence standards on liquidity;
- maintenance of a diversified portfolio of deposits in terms of terms and customers,
- monitoring the mismatch of the maturity dates of assets and liabilities, which makes it possible to forecast the demand for liquid assets and avoid excessive concentration of cash disbursements on a similar date.
- access to the interbank market and open market transactions,
- access to the lombard loan
- performing transactions on derivatives

The analysis of the Bank's liquidity is performed mainly on the basis of the liquidity gap report and the assessment of the deposits base stability.

To monitor the liquidity risk, on the basis of the liquidity gap, the Bank has established the following liquidity limits:

- Stock Liquidity Ratio (SLR)
- Coverage Ratio (CR)

The stability of the deposits base

Stable deposits base, not affected by seasonal phenomena, is the basic source of the Bank's financing.

The diversification of the deposits base makes the bank independent of any specific market segment, customer group or specific deposit type. As at 30.06.2005, large deposits of over EUR 1 million accounted for only 15% of the total deposits value.

The stability of the deposits base is particularly ensured by the cash from individual customers. As at 30 June 2005, the percentage of individual customers' deposits was at the level of 60%. More volatile deposits of the financial sector, business entities and the public sector accounted for 3%, 23% and 13% respectively of the deposits base.

The term structure of deposits remains advantageous from the point of view of the deposits stability: Current deposits and negotiated term deposits account for 54% of the base, term deposits for 34% and savings accounts for 12%.

Due to the initial maturity date, the structure of term deposits (except for interbank term deposits and negotiated term deposits) as at 30.06.2005 was as follows:

a)	Up to 1 week	9 %
b)	Up to 1 month	6 %
c)	Up to 3 months	27 %
d)	Up to 6 months	31 %
e)	Up to 12 months	16 %
f)	Up to 24 months	3 %
g)	Other	8 %

In terms of the currency, the structure of the deposits base as at 30.06.2005 was as follows: PLN – 82%, USD – 10%, EUR – 7%, GBP – 0.9%, CHF – 0.08%, other currencies – 0.02%.

» ***Operating risk***

Being aware of dangers resulting from operating risk, the Bank continued preparations for the implementation of the project on measurement and monitoring of this type of risk under the so called "standard method" defined by the Basel Committee. The Operating Risk Committee is responsible for supervision of this process. The business units comprising, among others, of employees acting as operating risk coordinators are in charge of the current operating risk management for supporting strategic targets of the Bank.

The separate risk management functions, independent from other units generating risk, develop tools for the identification and the assessment techniques for operating risk and reports volume of losses.

The actions required by methodologies and rigours enabling the application of the standard method for the establishment of capital requirements were taken. The database collecting information facilitating the quality assessment of the most frequent events, and statistical material for quantitative measurement of operating risk has been created. At the same time, the Bank conducts break-through operating risk self-assessment processes, recognizes the risks inherent in business processes and processes supporting the business activities which may generate a substantial operating risk for the Bank.

» ***Credit risk***

The Bank's credit risk is defined as the risk on non-payment of dues if creditworthiness is lost by the borrower, guarantors, reassurer, contractor or issuer.

Credit risk is managed taking into account the credit risk aspect corresponding to an individual transaction and from the portfolio perspective.

The process of risk management on an individual transaction takes into account risk assessment of this transaction, and depending on its level, the application of appropriate decision process.

The portfolio risk management remains the responsibility of the Bank's Management Board and the Credit Risk Committee is in charge of the following:

a) acceptance and substantial supervision over the methodology of credit risk measurement,
b) recommending to the Management Board and the Supervisory Board of the Bank admissible level of credit risk in the Bank's and subsidiaries' balance sheets,
c) giving opinions on the Bank's credit policy,
d) giving opinions on creation of provisions and collateral,
e) giving opinions on internal credit limits,
f) making changes in risk limits and approval of limit exceeds with the authorization of the Bank's Management Board,
g) substantial supervision over the programme of the Bank's adjustment to the requirements of the New Capital Accord on credit risk,
h) approval of the new products in respect of credit risk.

With reference to the New Capital Accord (Basel II), the Bank is intensely preparing for their implementation.

With regard to credit risk, the application of the variant which involves the successive transfer from approaches less advanced and offered under the agreement (Standard Method) to more advanced approaches (Internal Ratings Method: Basic and Advanced).

The Programme on Quantitative Assessment of Credit Risk - QCR (Quantitative Credit Risk) Programme - was created for realization of the tasks in this area, which will facilitate the following:

- development and implementation of credit risk measurement models,
- development and implementation of databases and tools facilitating the collection of data for the purposes of model development and their testing,
- the reorganisation of credit process taking into account the established level of risk,
- development and implementation of RAROC concept at the Bank,
    a. development and implementation of databases on credit risk, tools and reporting standards for the purposes of the calculation of capital adequacy by standard method and internal ratings.

It is assumed that realization of the above tasks will improve ROE ratio through optimal adjustment in terms of capital requirements, the improvement of efficiency of credit processes at the Bank and of business management.

- ***Debt collection processes***

In the first and the second quarters of 2005, an analysis of the evolution of the loan portfolio in terms of changes in the classification of loan receivables for institutional customers is evidence of a high stability of the internal structure o this portfolio in view of the classification of particular risk groups. This proves the correctness of credit risk measurement regarding these receivables as at the end of 2004.

At the same time, the effects of the Bank's debt collection are continuously improving and the changed implemented last year bring about noticeable results. The Bank, under the complex strategy, focuses on the optimization of the effects of restructuring processes and debt collection aiming at the optimization of the value of the Bank's non-performing receivables portfolio. The Bank's debt collection processes assume individual approach related both to the time of action and the strategy appropriate for a given exposure. The Bank does not write off loss receivables to off-balance sheet items, for which full provisions were created (Decree by the Minister of Finance of 12 December 2003).

- ***Risk metrics***

a) balance sheet instruments

Instrument	Carrying amount	Risk weighted value
Cash	421 603	0
Receivables	14 483 738	9 935 206
Debt securities	4 381 269	0
Other securities, shares	198 815	198 815
Fixed assets	408 701	408 701
Intangible assets	2 837	2 837
Other	373 825	93 700
Total banking portfolio	**20 270 788**	**10 639 259**
Trading portfolio	660 752	619
Total balance sheet instruments	**20 931 540**	**10 639 878**

b) Off-balance sheet instruments

Instrument	Replacement cost	Balance sheet equivalent	Risk weighted value
Interest rate instruments	0	0	0
Foreign exchange instruments	1 559 834	43 450	8 690
Total derivatives	**1 559 834**	**43 450**	**8 690**

c) other off–balance sheet – banking portfolio

Instrument	Carrying amount	Credit equivalent	Risk weighted value
Credit lines	1 609 255	623 569	599 666
Guarantees granted	2 358 085	2 228 362	954 493
Letters of credit	23 612	23 612	23 612
Other	80 323	80 323	16 068
Total	**4 071 275**	**2 955 866**	**1 593 839**

	Risk weighted value	Capital requirement
Total credit risk exposure (banking portfolio)	**12 241 788**	**979 343**

*/ Figures for the mid-year consolidated financial statements = 14.52%

» The structure of the exposure concentration for the Group

The Group's exposure towards institutional customers as at 30 June 2005 and 20 June 2004, by major entities:

Exposure towards 10 major institutional customers of the Group

Company	Share (%) in the portfolio as at 30.06.2005	Share (%) in the portfolio as at 30.06.2004
Customer 1	4.0	2.9
Customer 2	2.1	1.8
Customer 3	2.0	1.7
Customer 4	1.7	1.6
Customer 5	1.7	1.5
Customer 6	1.6	1.3
Customer 7	1.5	1.1
Customer 8	1.3	1.1
Customer 9	1.3	1.1
Customer 10	1.2	1.0
Total	**18.4**	**15.1**

The Group's exposure as at 30 June 2005 and 20 June 2004, by industrial segments, is as follows:

Exposure in industrial segments

Industry	Exposure (%) 30.06.2005	Exposure (%) 30.06.2004
Production activities	27.0	27.4
Retail and wholesale; repairs of motor vehicles and articles for personal and home use	21.5	25.8
Real estate administration and lease	14.3	8.5
Public administration, legally guaranteed social care	12.7	7.4
Electricity, gas and water	5.7	7.1
Financial intermediation	5.7	7.0
Construction	3.3	6.7
Other services for municipalities, social and individual services	2.6	2.4
Transport, storing and communication	1.5	2.1
Agriculture, hunting and forestry	1.9	1.8
Education	1.1	1.2
Hotels and restaurants	1.6	1.2
Mining	0.2	0.7
Other	0.9	0.7
Total	**100**	**100**

Geographical exposure (%)

Province	Structure of gross loans (%) 30.06.2005	Structure of gross loans (%) 30.06.2004
Mazowieckie	27.4	23.2
Dolnośląskie	8.6	8.6
Śląskie	7.3	9.1
Małopolskie	7.1	5.0
Łódzkie	6.9	4.8
Pomorskie	6.7	8.8
Wielkopolskie	6.3	9.9
Lubelskie	6.2	11.8
Podlaskie	5.8	3.0
Podkarpackie	5.0	1.9
Zachodniopomorskie	3.4	3.5
Kujawsko-pomorskie	3.2	2.4
Warmińsko-mazurskie	2.0	2.2
Świętokrzyskie	1.6	1.6
Lubuskie	1.4	0.8
Opolskie	1.1	0.6
Abroad	0.0	2.8
Total	**100**	**100**

Signatures of all Management Board members

Date 16.09.2005	Ronald Richardson	President of the Management Board	....
Date 16.09.2005	Krzysztof Kokot	Vice-President of the Management Board	....
Date 16.09.2005	Małgorzata Kroker-Jachiewicz	Vice-President of the Management Board	....
Date 16.09.2005	Guy Libot	Vice-President of the Management Board	....
Date 16.09.2005	Bohdan Mierzwiński	Vice-President of the Management Board	....

Financial Statements
of Kredyt Bank S.A.
for the First Six Months of 2005
ended as at 30 June 2005

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1. Income statement

in '000 PLN

	01.01-30.06.2005 *unaudited*	01.01-30.06.2004 *unaudited*
Interest income	704 218	620 932
Interest expense	-379 149	-321 871
Net interest income	**325 069**	**299 061**
Fee and commission income	149 274	235 318
Fee and commission expense	-43 391	-82 465
Net fee and commission income	**105 883**	**152 853**
Dividend income	750	0
Net trading income	71 982	34 820
Gains less losses from investments (other than trade)	-5 089	20 772
Other operating income	27 777	16 106
Total operating income	**526 372**	**523 612**
Operating expense	-393 718	-433 900
Net impairment charges for financial assets and other assets and provisions	70 350	-50 525
Other operating expenses	-19 767	-18 796
Total operating expense	**-343 135**	**-503 221**
Profit from operations	**183 237**	**20 391**
Profit before tax	**183 237**	**20 391**
Income tax expense	41 708	
Net profit (loss) from discontinued operations	974	
Net profit (loss)	**225 919**	**20 391**

Earnings per share per the Bank's shareholder (in PLN per share)	0.83	0.09

The Bank does not calculate diluted earnings per share due to the absence of capital categories resulting in dilution.

2. Balance sheet

in '000 PLN

Assets	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Cash and balances with Central Bank	874 515	1 512 560	1 062 229
Due from other banks	2 937 496	2 702 667	3 197 384
Impairment charge for receivables due from banks	-2 894	-3 194	-3 194
Financial assets measured at fair value through the profit and loss account, including held-for-trading investments	673 144	527 835	608 921
Receivables from customers	13 569 213	14 004 213	15 581 184
Impairment charge for receivables from customers	-2 549 384	-2 487 498	-2 618 275
Investments in securities	4 548 290	3 912 669	3 897 408
- available for sale	2 594 059	2 449 998	2 126 339
- held to maturity	1 954 231	1 462 671	1 771 069
Capital investments	126 946	125 745	191 803
Property, plant and equipment	346 211	360 873	551 562
Intangible assets	120 617	138 720	160 392
Deferred tax asset*	238 192	67 274	135 101
Other assets	112 367	184 972	144 432
Total assets	**20 994 713**	**21 046 836**	**22 908 947**

Liabilities	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Due to other banks	1 300 608	1 125 115	2 438 394
Held-for-trading financial liabilities	273 343	233 932	418 348
Due to customers	15 529 581	16 021 358	17 024 519
Securities sold under agreements to repurchase	777 150	718 772	0
Debt securities in issue	402 941	418 150	330 570
Deferred tax liability	0	555	0
Other liabilities	334 162	328 814	488 527
Subordinated liabilities	613 270	599 286	687 950
Provisions	75 385	36 538	40 838
Deferred tax liability*	196 484	67 274	135 514
Total liabilities	**19 502 924**	**19 549 794**	**21 564 660**
Shareholders' equity			
Share capital	1 358 294	1 358 294	1 358 294
Reserve capital	29	350 910	351 033
Revaluation reserve	32 539	-20 247	-76 728
Currency translation differences (translations of subsidiaries companies and foreign branches)	0	0	9 740
Reserve capital	120 942	173 779	173 779
Retained earnings (loss)	-245 934	-492 222	-492 222
Current net profit (loss)	225 919	126 528	20 391
Equity per Bank's shareholder	**1 491 789**	**1 497 042**	**1 344 287**
Total shareholders' equity	**1 491 789**	**1 497 042**	**1 344 287**
Total liabilities	**20 994 713**	**21 046 836**	**22 908 947**
Capital adequacy ratio	**14.43**	**14.40**	**13.70**

*) Accounting policy of recognizing deferred tax asset was described in Section 7.3 of the consolidated financial statements of The Capital Group of Kredyt Bank S.A.

3. Off-balance sheet items

in '000 PLN

	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Contingent liabilities, granted and received	4 965 386	5 867 635	5 813 489
Liabilities granted, including:	4 225 204	5 349 060	5 408 386
- financial	1 805 245	2 178 284	2 078 548
- guarantees	2 419 959	3 170 776	3 329 838
Liabilities received, including:	740 182	518 575	405 103
- financial	252 086	55 284	50 000
- guarantees	488 096	463 291	355 103
Liabilities related to the sale/purchase transactions	79 285 047	31 099 032	62 734 987
Other liabilities	3 399 002	3 661 768	2 963 648
- received collateral and guarantees	3 398 910	3 661 677	2 963 556
- other	92	91	92
Total off-balance sheet items	**87 649 435**	**40 628 435**	**71 512 124**

4. Statement of changes in shareholders' equity

in '000 PLN	30.06.2005 *unaudited*	31.12.2004	30.06.2004 *unaudited*
Shareholders' equity at the beginning of the period (opening balance) according to the Polish Accounting Standards (PAS)	**1 459 954**	**644 481**	**644 481**
Adjustments related to first adoption of IFRS, excluding IAS 39	37 088	100 893	100 893
Shareholders' equity at the beginning of the period according to IFRS, excluding IAS 39	1 497 042	745 374	745 374
Adjustments related to the application of IAS 39	-255 681	0	0
Shareholders' equity at the beginning of the period according to IFRS	**1 241 361**	**745 374**	**745 374**
Share capital at the beginning of the period	1 358 294	1 056 451	1 056 451
- issue of series W shares	0	301 843	301 843
Share capital at the end of the period	**1 358 294**	**1 358 294**	**1 358 294**
Reserve capital at the beginning of the period	350 910	1 020 023	1 020 023
Changes in reserve capital	-350 881	-669 113	-668 990
a) increase	35	301 864	301 853
- share issue above share nominal value	0	301 843	301 843
- other	35	21	10
b) decrease	350 916	970 977	970 843
- covering retained loss	350 910	969 988	969 988
- costs of the share issue	6	989	855
Reserve capital at the end of the period	**29**	**350 910**	**351 033**
Revaluation reserve at the beginning of the period according to PAS	-19 282	-46 861	-46 861
Adjustments related to the first adoption of IFRS	27 341	4 192	4 192
Revaluation of currency translation differences from the translation of subsidiaries and foreign branches	0	-10 757	-10 757
Revaulation reserve at the beginning of the period according to IFRS	8 059	-53 426	-53 426
Changes in revaulation reserve	24 480	33 179	-23 302
a) increase	24 521	33 318	0
- measurement of financial assets	24 521	33 318	0
b) decrease	41	139	23 302
- measurement of financial assets	0	0	23 292
- other	41	139	10
Revaluation reserve at the end of the period	**32 539**	**-20 247**	**-76 728**
Currency translation differences from the translation of subsidiaries and foreign branches at the beginning of the period according to PAS	0	0	0
Adjustments related to first adoption of IFRS	0	10 757	10 757
Currency translation differences from the translation of subsidiaries and foreign branches according to IFRS	0	10 757	10 757
Decrease in currency translation differences	0	10 757	1 017
Currency translation differences from the translation of subsidiaries and foreign branches at the end of the period	**0**	**0**	**9 740**
Reserve capital at the beginning of the period	173 779	173 779	173 779
- covering the retained loss	-52 837	0	0
Reserve capital at the end of the period	**120 942**	**173 779**	**173 779**
Other reserve capitals at the beginning of the period	0	62 000	62 000
- covering the retained loss	0	-62 000	-62 000
Other reserve capitals at the end of the period	**0**	**0**	**0**
Retained profit (loss) at the beginning of the period according to PAS	-403 747	-1 620 911	-1 620 911
Adjustments related to first adoption of IFRS	-245 934	96 701	96 701
Retained profit (loss) at the beginning of the period according to IFRS	-649 681	-1 524 210	-1 524 210
Retained profit at the beginning of the period according to PAS	185 176	0	0
- covering retained loss	-185 176	0	0
Adjustments related to first adoption of IFRS	-58 648	0	0
Retained profit (loss) at the end of the period according to IFRS	-58 648	0	0
Retained loss at the beginning of the period according to PAS	-588 923	-1 620 911	-1 620 911
Adjustments related to first adoption of IFRS	-187 286	96 701	96 701
- covering retained loss	588 923	1 031 988	1 031 988
Retained loss at the end of the period according to IFRS	-187 286	-492 222	-492 222
Retained profit (loss) at the end of the period	**-245 934**	**-492 222**	**-492 222**

Net result	**225 919**	**126 528**	**20 391**
Shareholders' equity at the end of the period (Closing balance)	**1 491 789**	**1 497 042**	**1 344 287**

5. Cash flow statement

in '000 PLN

		01.01-30.06.2005 *unaudited*	01.01-30.06.2004 *unaudited*
A	**Net cash flow from operating activities (I+/-II) – indirect method**	**1 743 404**	**1 245 140**
I.	**Net profit (loss)**	**225 919**	**20 391**
II.	**Total adjustments:**	**1 517 485**	**1 224 749**
1	Depreciation	65 741	75 884
2	Profit/loss from currency translation differences	5 715	-41 758
3	Interest payments and share in profits	-16 843	-45 102
4	Profit (loss) from investments	6 672	-1 453
5	Dividends	-750	0
6	Net increase/decrease in provisions	38 847	-2 767
7	Net increase/decrease in debt securities	716 940	327 682
8	Net increase/decrease in receivables from banks	-217 543	-207 936
9	Net increase/decrease in receivables from customers	283 314	1 427 596
10	Net increase/decrease in shares, other securities and other financial assets	5 775	-6 285
11	Net increase/decrease in payables towards banks	990 901	64 920
12	Net increase/decrease in payables towards customers	-489 625	-616 328
13	Net increase/decrease in liabilities related to the disposed securities with the promise of repurchase	59 835	0
14	Net increase/decrease in other payables	42 826	120 717
15	Net increase/decrease in prepaid expenses and accruals	6 275	-249
16	Income taxed paid/received	443	-12 583
17	Other adjustments	18 962	142 411
B	**Net cash flow from investing activities (I+/-II) – indirect method**	**-1 472 536**	**280 374**
I.	Inflows	20 916 296	2 203 260
1	Disposal of shares in associates		270
2	Disposal of shares in other businesses, of other securities and other financial assets	20 910 662	2 202 671
	including debt securities	20 906 518	2 076 618
3	Disposal of intangible assets and property, plant and equipment	3 685	319
4	Dividends received	750	0
5	Other proceeds from investing activities	1 199	0
II.	Outflows	22 388 832	1 922 886
1	Acquisition of shares in subsidiaries		100
2	Acquisition of shares in other businesses, other securities and other financial assets	22 353 362	1 911 911
	including debt securities	22 353 230	1 911 879
3	Acquisition of intangible assets and property, plant and equipment	35 470	5 878
4	Other investment outflows		4 997
C	**Net cash flow from financing activities (I+/-II)**	**-891 327**	**481 316**
I.	Inflows	0	602 831
	Net cash inflows from the issue of shares and additional contribution to the share capital		602 831
II.	Outflows	891 327	121 515
1	Repayments of long-term loans to other banks	811 577	0
2	Finance lease rentals	24 910	21 859
3	Decrease in subordinated liabilities		60 000
4	Other financial outflows	54 840	39 656
D	**Total net cash flow (A.III+/-B.III+/-C.III)**	**-620 459**	**2 006 830**
E.	Total cash flow balance, including:	-620 459	2 006 830
F.	Cash at the beginning of the period	3 922 059	2 006 895
G.	**Cash at the end of the period (F+/-D), including:**	**3 301 600**	**4 013 725**
	blocked cash	541 562	607 021

6. Basis for preparation of these financial statements

Pursuant to Article 45 clause1(c) of the Accounting Act of 29 September 1994 /consolidated text: Journal of Laws of 2002, No. 76, item 694/ ("the Act") and according to the decision of the General Meeting of Shareholders of Kredyt Bank S.A. of 25 April 2005, as from 1 January 2005, the individual financial statements of Kredyt Bank S.A. ("the Bank") have been prepared in compliance with IAS/IFRS.

The financial statements of Kredyt Bank S.A. for the first half of 2005 has been prepared in line with the International Accounting Standards (particularly IAS 34 *Interim Financial Reporting*) and the International Financial Reporting Standards (IFRS). At present, having regard for the IFRS implementation process taking place in the EU and the Bank's activities, there are no differences between IFRS and IFRS adopted by the EU with regard to the accounting principles applied by the Bank. Matters not governed by IFRS must comply with the Accounting Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694 as amended), and the provisions of the Ordinance by the Council of Ministers of 21 March 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005, No. 49, item 463).

These financial statements of Kredyt Bank S.A. are the first financial statements supplementing the full consolidated financial statements of the Capital Group of Kredyt Bank S.A. prepared in compliance with IAS/IFRS.

The Bank intends to prepare the first full financial statements according to IRFS as at 31 December 2005.

7. The Bank's financial standing at the end of the first half of 2005

Net income of PLN 226 million generated by the Bank in the first half of 2005 and the capital adequacy ratio equal to 14.43% are the evidence that profound restructuring of the Bank's operation implemented in the previous year and the strengthening of the capital base with the capital support on the part of KBC Bank N.V., became a reliable source of the Bank's profit.

Pursuant to the decision of the General Meeting of the Bank's Shareholders of 25 April 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 standing has further improved. In order to cover that loss, the Bank's entire 2004 net profit was used. The net profit, as disclosed in the financial statements as of 31 December 2004 prepared in compliance with the Polish Accounting Standards, amounted to PLN 185.2 million.

Mr. Ronald Richardson was appointed the President of the Management Board of Kredyt Bank S.A., and approved on 8 June 2005 by the Commission for Banking Supervision. He will continue the strategy of the Bank's growth in all aspects of its activities, also focusing on further implementation of the bancassurance concept.

Financial result

The Bank's profit before tax in the first half of 2005 amounted to PLN 183,237 thousand, while gross profit generated in in the first half of 2004 was equal to PLN 20,391 thousand.

The Bank's net profit in the first half of 2005 amounted to PLN 225,919 thousand and was higher than net profit generated in in the first half of 2004 by PLN 205,528 thousand.

The following factors contributed to the significant improvement of the financial result:

- Growing business activeness in the corporate and retail banking segments as observed over the last months after a profound restructuring processes had been implemented.
- Continuous mitigation of credit risk supported by efficient restructuring and debt collection activities.
- Continuation of the Bank's effective operational expenses management.

The main elements of the Bank's income in the comparable periods are presented in the table below:

Specification (in '000 PLN)	**The first half of 2005** *unaudited*	**The first half of 2004** *unaudited*
Interest income	325 069	299 061
Net fee and commission income	105 883	152 853
Dividend income	750	0
Net trading income and investments	66 893	55 592
Profit from other operating income/expenses	8 010	-2 690
Total income	**506 605**	**504 816**
Operating expense	-393 718	-433 900
Net impairment charges for financial assets and capital investments and other assets	70 350	-50 525
Income tax	41 708	0
Total expenses	**-281 660**	**-484 425**

Interest income generated by the Bank in the first half of 2005 amounted to PLN 325,069 thousand and was higher than the interest income generated in the comparable period of 2004 by 9%, as a result of, among other factors, the increased volume of customers' funds, an increase in working assets share and fluctuating market interest rates. The interest income was affected by the calculation of commissions with the effective interest rate and charging them to the interest income.

Net fee and commission income amounted to PLN 105,883 thousand and was lower in comparison with the first half of last year by 31%. Net fee and commission income is a consequence of adopting by the Bank (from 01.01.2005) the methodology of effective interest rate to measure the financial assets and liabilities recognized at amortized cost without the restatement of comparable data, which conforms to IFRS 1. The commissions received in cash are withdrawn from net fee and commission income and recognized as interest income at the effective interest rate of contracts. The largest portion of commissions settled with the effective interest rate method refers to retail loans as well as long-term mortgage loans.

Net trading income and investments in the first half of 2005 amounted to PLN 66,893 thousand, exceeding the result for the analogous period of 2004 by ca. 20%. It was generated owing to the extended scale of market activities conducted in the circumstances of the significant fluctuations of the foreign currency exchange rates.

In the first half of 2005, the costs of the Bank's functioning amounted to PLN 393,718 thousand and were down by 19% as compared to the first half of 2004. The main areas, in which the Bank's savings were the most significant are as follows: operation of IT and telecommunication systems, supplies of materials and the selection of the service providers.

Lower staff expenses were connected with the implementation of the Bank's restructuring process and the changes resulting from this process in respect of the Bank's human resources policy. According to that policy, the main emphasis was placed on the strengthening of sales divisions, centralizing certain functions as well as optimizing the employment in the area of back office and support of business units. As of the end of the first half of 2005, the employment at the Bank was at the level of 5,548 FTEs, which, in comparison with the same period of the last year, denotes a decline in employment by the total number of 414 FTEs.

In the first half of 2005, the Bank recorded a positive impact of net impairment charges for loan receivables and other assets on the income statement. It amounted to PLN 70,350 thousand, while in the comparable period of the previous year, this impact was negative and was equal to PLN 50,525 thousand. The result is the effect of the systematically lowered level of credit risk in the Bank, successful implementation of the restructuring program of non-performing receivables portfolio as well as new principles of measuring provisions based on the identification and measurement of impairment of individual credit exposures and portfolios of receivables pursuant to IAS 39.

Cost/income ratio in the first half of 2005 amounted to 77.7%, which signifies an improvement by 8.2 p.p. against the comparable quarter of the previous year.

The Bank, as of 30 June 2005, due to the Bank's improving financial results, decided to prudently recognize a surplus of the deferred tax asset over deferred tax liability in the value that is probable to be utilised in the future. The accounting policy adopted by the Bank stipulates in this respect that, at the end of each quarter, the Bank will assess the probability of realizing net deferred tax asset and recognize the amount in the value of the probable future realization amount on that account. The probability of realizing net deferred tax asset will be determined on the basis of financial plans and tax forecasts prepared by the Bank's Management Board, updated on an ongoing basis as at the end of each quarter. Therefore, the Bank, as of 30 June 2005, recognized the deferred tax asset amounting to PLN 41,708 thousand, which was directly reflected in the Bank's net income for the first half of 2005.

Further improvement in the quality of loan portfolio

The Bank continues the process of decreasing the volume of irregular receivables portfolio through efficient restructuring and debt collection activities carried out on the basis of new organizational and procedural solutions implemented last year. In the first half of 2005, the value of irregular receivables dropped by over 8%, and by 12% over the last 12 months. As a result, the quality ratio of the Bank's gross receivables portfolio improved in the first half of 2005 by 1.4 p.p. and by 2.5 p.p over 12 months.

The Bank applies the imperative prudence principle for measuring credit risk related to individual credit exposures as well as the portfolios. The coverage of non-performing loans by impairment charges ratio over the last 12 months increased by 12.3 p.p. and as of 30 June 2005, the value of this ratio was among the highest in the sector.

Specification (in '000 PLN)	**30.06.2005** *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
Gross receivables from customers * (net of interest)	**13 514 434**	**13 964 733**	**15 540 548**
Regular receivables	9 916 143	10 054 848	11 025 243
Irregular receivables	3 598 291	3 909 885	4 515 305
Interest	54 779	39 480	40 636
Total gross receivables from customers	**13 569 213**	**14 004 213**	**15 581 184**
Impairment charge for receivables from customers	2 549 384	2 487 498	2 618 275
Impairment charge for irregular receivables	2 427 786	2 377 039	2 492 875
Total net receivables from customers	**11 019 829**	**11 516 715**	**12 962 909**
Non-performing receivables to total gross receivables ratio	**26,6**	**28,0**	**29,1**
Coverage of irregular receivables by provisions	**67,5**	**60,8**	**55,2**

* excluding banks

Segment reporting

The Bank's operation is divided into four basic sector segments: corporate, retail, treasury and investment. The Bank does not pursue activities diversified in geographical terms. Operations are focused on the Polish market; the main customer base is composed of Polish natural and legal persons and foreign customers operating on the Polish market.

Corporate Segment performs transactions with large companies (with annual income exceeding PLN 6 million) as well as state budgetary units at the central and local levels. Beside the traditional deposit, credit and settlement services, other specific services are offered. They are tailored to the customers' individual needs, e.g. organizing syndicates supporting investment undertakings, financing real estate transactions, financing foreign trade and bulk payments. The Bank's offer in this segment is expanded by the products of Kredyt Lease, which offers a complete range of services for companies in respect of leasing of fixed assets and real estates, and also in the field of real estate trading.

Retail Segment offers products addressed at individual customers as well as Small and Medium-size Enretprises (SME), whose annual income does not exceed PLN 6 million. The offer contains a wide range of deposit and loan products, insurance products (bancassurance and assurebanking) offered in co-operation with WARTA S.A. as well as clearing services. This offer is directed to customers through traditional channels of distribution within the Bank's nationwide network of branches as well as the Internet network - KB24. The results of this segment also comprise the result of Żagiel S.A. specializing in the sale of installment loans as well as in intermediation in the distribution of the selected services included in the Bank's and WARTA's offer.

Treasury Segment comprises the result of the activities conducted by the Bank on its own account as an active participant of the money market (Treasury and NBP bills), bonds (Treasury and commercial bonds) as well as an active participant of the currency market and interbank 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 options.

Investment Segment focuses on capital investments of Kredyt Bank and custodian services.

Segment income and expenses had been determined before inter-segmental exclusions were made. The selling prices between segments are calculated on the basis of the transfer prices methodology. Transfer rate is a benchmark rate taking into consideration the specific nature of transactions and the structural management of assets and liabilities. For products with defined repricing dates, the basis for establishing transfer rates are money market rates, swaps market prices and bonds prices. For current, savings and "free capital" accounts, so called "benchmarks" are applied; they are calculated as an average interest rate of the portfolio of certain assets, whose features are similar to the nature of a given product. "Free capital" means the surplus of bank's fundamental funds (having regard for planned tax payments and planned dividend payments) over the property, plant and equipment and the value of stakes in companies in which the bank holds controlling stock. Transfer rates are determined separately for each balance sheet currency.

The expenses and income that may not be reasonably assigned to any of the segments are disclosed in items "unallocated expenses" and "unallocated income". The Bank's expenses are not allocated internally to individual segments. For the purpose of these financial statements, the expenses were allocated using the allocation key such as the structure of employment, usable area or the scope of the segment activities measured with the value of assets and liabilities.

In 2004, a process of profound restructuring was implemented in the Bank; it helped introduce considerable changes in the organizational structure of segments. Also, since the beginning of 2005, the Bank has expanded the system of the valuation of internal funds transfers by including the measurement of specific provisions. It means that in 2005, the costs of financing loan and credit activities are calculated on the basis of net value, while last year, they were calculated on the basis of gross value.

Bank's net profit in the first half of 2005 (in PLN '000) *unaudited*

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	302 875	365 013	261 844	20 968	34 079	0	**984 779**
2. Segment income (internal)	101 867	266 910	294 275	0	8	-663 060	**0**
3. Total segment income	**404 742**	**631 923**	**556 119**	**20 968**	**34 087**	**-663 060**	**984 779**
4. Segment expenses (external)	-78 399	-190 223	-171 831	-13 655	-21 146	0	**-475 254**
4a. Allocated expenses	-68 080	-295 937	-14 848	-13 582	-3 217	0	**-395 664**
5. Segment expenses (internal)	-168 012	-119 368	-368 784	-6 896	0	663 060	**0**
6. Total segment expenses	**-314 491**	**-605 528**	**-555 463**	**-34 133**	**-24 363**	**663 060**	**-870 918**
7. Segment result	**90 251**	**26 395**	**656**	**-13 165**	**9 724**	**0**	**113 861**
8. Profit from provisions and revaluation	**54 464**	**14 609**	**0**	**1 202**	**75**	**0**	**70 350**
9. Segment result	**144 715**	**41 004**	**656**	**-11 963**	**9 799**	**0**	**184 211**
10. Income tax	0	0	0	0	0	0	**41 708**
11. Net profit/loss	**144 715**	**41 004**	**656**	**-11 963**	**9 799**	**0**	**225 919**
1. Unallocated capitals	0	0	0	0	0	0	1 491 789
2. Capital investments (costs of assets acquisition)	6 353	25 336	1 843	1 658	278	0	35 468
3. Depreciation	12 455	44 698	3 309	3 745	534	0	65 741

Bank's net result in in the first half of 2004 (in PLN '000) *unaudited*

	Corporate Segment	Retail Segment	Treasury Segment	Investment Segment	Other	Exclusions	Total
1. Segment income (external)	278 068	454 102	139 032	34 359	16 910	0	922 471
2. Segment income (internal)	99 673	272 187	348 794	0	3 264	-723 918	0
3. Total segment income	**377 741**	**726 289**	**487 826**	**34 359**	**20 174**	**-723 918**	**922 471**
4. Segment expenses (external)	-60 713	-229 913	-102 174	-80	-24 752	0	-417 632
4a. Allocated expenses	-82 904	-316 587	-15 997	-14 951	-3 484		-433 923
5. Segment expenses (internal)	-179 909	-155 898	-375 124	-12 474	-513	723 918	**0**
6. Total segment expenses	**-323 526**	**-702 398**	**-493 295**	**-27 505**	**-28 749**	**723 918**	**-851 555**
7. Segment result	**54 215**	**23 891**	**-5 469**	**6 854**	**- 8 575**	**0**	**70 916**
8. Profit from provisions and revaluation	**48 301**	**-133 236**	**0**	**13 150**	**21 260**	**0**	**- 50 525**
9. Segment result	**102 516**	**-109 345**	**-5 469**	**20 004**	**12 685**	**0**	**20 391**
10. Net profit/loss	**102 516**	**-109 345**	**-5 469**	**20 004**	**12 685**	**0**	**20 391**

1. Unallocated capitals	0	0	0	0	0	0	1 344 287
2. Capital investments (acquisition costs of assets)	6 736	43 685	1 101	983	218	0	52 723
3. Depreciation	14 367	51 557	4 970	4 320	670	0	75 884

Below, we presented the Bank's major accomplishments by segments that correspond to the diversified business activities.

Corporate banking

In the first half of 2005, the Bank continued the implementation of the adopted strategic goals and expanded the sale of products and services addressed at corporate customers, applying new organizational structure as well as modifications introduced towards the end of 2004 and at the beginning of 2005, with a view to improve the offer. As a result of these activities, in the first half of 2005, the number of corporate customers increased.

The value of deposits made by corporate customers increased due to attractive deposit and investment products.

In response to the growing customers' requirements with respect to the mitigation of financial risk, the Bank introduced new products of interest rate derivatives.

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

Retail and SME banking

In the first half of 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, certain changes and benefits for the customers were introduced with respect to the offered credits and deposits as well as the applied servicing procedures. The Bank's most noticeable accomplishments in this area are as follows:

- The sale of retail loans through Żagiel S.A. in the first half of 2005 remained stable; the total value of new installment and cash loans in the first half of 2005 amounted to over PLN 800 million. In order to further expand the activities and attract new customers, the following was accomplished:
    - under the cross-selling strategy realized in the co-operation with Warta S.A., a significant progress was recorded in the sale of life insurance policies for the customers contracting installment loans through Żagiel S.A.: within the last 12 months, the number of loan agreements increased by 18% up to 282 thousand;
    - an agreement was signed on the installment sale of tourist services with one of the major traveling agencies;
    - the second edition of the "Trusted Partner" Program, addressed to commercial partners, aiming to stimulate the growth of the sale of installment loans and establishing their loyalty towards Żagiel S.A., has been completed,
    - a number of promotion campaigns were carried out.

- In the first half of 2005, the Bank granted over 3,000 mortgage loans for the total amount of PLN 220 million; the most dynamic growth (by ca. 30%) was recorded for loans granted in CHF.

- Deposit offer for individual customers is still being expanded. The deposits on the Saving Account, which is one of the basic deposit products, grow continuously: in the first half of 2005, the value of new deposits amounted to over PLN 800 million, while the number of opened Accounts grew 2.5 times over the same period last year. In the first half of 2005, 24 thousand new current accounts were opened.

- At end of June 2005, the number of credit cards increased almost 3 times in comparison to the end of June 2004. The value of transactions effected with the use of credit cards is also continuously growing.

- On 1 May 2005, the Bank made available the expanded network of 1800 ATMs to the holders of Ekstrakonto current accounts, where the customers may withdraw money free of charge. Apart from the devices of independent operators, the Bank's customers were granted free access to the ATM network, pursuant to an agreement signed, composed of the ATMs of Kredyt Bank as well as of a few other banks. This is the second-largest ATM network in Poland, which greatly contributes to the increase in the competitiveness of the Bank's offer.

- The number of the users of electronic distribution channels is steadily growing. At the end of June 2005, the number of KB24 users was equal to 152 thousand. In comparison with the first quarter of 2005 (133 thousand users), the number of users grew by 19 thousand, i.e. by 14.3%. Among KB24 users, individual customers account for over 80%, while SMEs account for 19%.

- In the first half of 2005, as during the entire first six months of 2005, the Bank recorded good results in respect of investment funds management. Assets were growing in the segment of capital guaranteed funds as well as for open-end funds; the assets worth over PLN 400 million were sold via the Bank's distribution network.

- In June 2005, *Rzeczpospolita* daily awarded the Bank honorable mention for the best corporate account for active companies from the SME segment. Ekstrabiznes account was scored the best and was found to be the most advantageous for the companies frequently using banking accounts.

- In the first half of 2005, the number of customers in the SME segment grew by 3 thousand.

- Bearing in mind that in the first quarter of 2005, KBC Securities launched its operation, the Bank added Corporate Finance products to its range, offering advisory services, services related to public offers, mergers, take-overs as well as the services related to solicting investors. This is one of the most promising development areas, especially for the SMEs segment, which is one of key target markets for Kredyt Bank as well as KBC Bank in Poland.

- Under the cross-selling strategy implemented in co-operation with Warta S.A. as well as the other entities from KBC Group operating on the Polish market, the Bank, in the first half of 2005, developed the related product offer. On 1 August 2005, the first outlet launched its operations, fully implementing the idea of „one-stop-shop" sale of financial products. This outlet offers complete banking and insurance services for all customers – individual, SME and corporate clients. KBC Securities offers all services connected with the securities trading on derivatives market. Moreover, the customers may acquire shares of investment funds of KBC TFI.

Investment Segment

In the first half of 2005, the Bank continued its activities aimed at ordering and maximizing the effects of the Bank's activity.

➢ The following mergers were registered:

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

The merger took place by way of transferring, onto TFI KB, all the assets of the above mentioned subsidiaries of TUiR Warta S.A. in exchange for shares that TFI KB granted to TUiR Warta S.A.. At the same time, the name of TFI KB was changed into: "KBC Towarzystwo Funduszy Inwestycyjnych S.A." (KBC TFI). As a result of the merger, the share capital of KBC TFI was increased up to the total amount of PLN 25,258 thousand. Kredyt Trade Sp. z o.o., the Bank's subsidiary, holds 39.6% in capital and votes at the General Meeting of Shareholders of KBC TFI, while the remaining 60.4% is held by KBC Bank, including Warta S.A.;

KBC TFI S.A., with the assets in investment funds of PLN 1.7 billion, is ranked among 10 largest investment funds societies in Poland, which means that KBC TFI S.A. had 3.75% share in the investment funds market as of 30 June 2005. As of the end of the second quarter of 2005, KBC TFI S.A. managed 14 investment funds:

- 5 open-end investment funds (KB Pieniądz FIO, WARTA Papierów Dłużnych FIO, KB Obligacja FIO, WARTA Trzeciofilarowy Zrównoważony FIO and KB Zrównoważony FIO);
- 3 specialist open-end investment funds (ALFA SFIO, BETA SFIO, GAMMA SFIO);
- 1 closed-end investment fund investing in foreign investment funds denominated in US Dollars (KBC Dolar FIZ);
- 5 capital guaranteed funds (KB Kapitał Plus FIZ, KB Kapitał Plus II FIZ, KB Kapitał Plus III FIZ, KB Klik Europa FIZ and KB Klik Ameryka FIZ).

KBC TFI S.A. remains a leader on the Polish market of guaranteed capital funds. A dynamic growth of assets results from the attractive features of the product: full protection of the capital invested, a possibility of achieving a high rate of return. Other funds are systematically added to the offer of KBC TFI.

➢ The Bank disposed of all its shares in Solaris Bus and Coach Sp. z o.o., accounting for 82.32 % of shares in the capital and votes of the Company's General Meeting of Shareholders.

8. First time adoption of IAS/IFRS

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

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

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

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

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

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

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

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

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

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

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

d) presents comparable data that do conform to IAS 32 and IAS 39 (IFRS 1, Section 36A)

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

The accounting principles applied by the Bank to prepare the financial statements for the financial year ended on 31 December 2004 were based on the Polish accounting standards as provided for in the Act, as well as the executive regulations thereto. Polish standards were, to a significant extent, consistent with IAS that were in force on that day.

All new accounting principles implemented by the Bank on 1 January 2005 require relevant estimates as well as the professional judgment by the Management Board. The areas that call for the largest extent of profound, professional expertise and judgment are as follows:

a) re-definition of financial assets for particular portfolios;

b) identification and estimation of the impairment of financial assets in the portfolios of assets measured at amortized cost;

c) identification and measurement of impairment of all other assets, where the fair value may not be established reliably;

d) provisions.

9. Description of significant accounting policies and accounting estimates

A detailed description of the accounting principles applied in the Bank and the most essential accounting estimates was presented in the consolidated financial statements of the Capital Group of Kredyt Bank S.A. for the first half of 2005, to which these financial statements has been attached.

Below, we present the description of the major changes in the applied accounting policies and accounting estimates which results from the adoption of IAS/IFRS by the Bank.

1. The measurement of assets and liabilities at amortized cost using effective interest rate

Pursuant to the data presented in the Bank's consolidated financial statements as of 31 December 2004, the accounting principle adopted in 2003 and 2004 assumed that the income from up-front fees on installment loans is recognized in advance, at the time of granting a loan, except for commissions on promotional installment loans with zero interest rate that are recognized on a straight-line basis in fees and commission income, in proportion to the lapse of actual crediting period in overall crediting period, bearing in mind the risk for this product, i.e. the risk of returning a portion of commissions in the case of earlier repayment of a loan.

In the fourth quarter of 2004, the Bank's Management Board decided to extend this accounting policy by the amortisation over time, using exponential function, of all commission income and direct expenses, connected with the entire class of installment loans recognized as promotional loans. The decision to extend the accounting principle was caused, among others, by the fact that the Bank's units were just completing preliminary works aimed at the adoption of the International Financial Reporting Standards as the basis for the preparation of financial statements.

From 1 January 2005 on, as a result of adopting the method of measuring financial assets and liabilities at amortized cost applying the effective interest rate, the Bank amortises over time, into the income statement, fee and commission income and expenses as well as certain external expenses connected with the measured financial assets and liabilities in accordance with the stipulations provided in IAS 39. The Bank decided not to restate the comparable data according to the exemptions permitted under IFRS 1, Section 13.

Effective interest rate method

The effective interest rate is the rate that discounts the future, expected cash flows to a current net carrying amount during a period until maturity or by the time of the next market valuation of a particular financial asset and liability, and its determination includes any due or received/paid cash flows under the agreement on a given instrument, excluding future possible credit losses.

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

- credits and loans granted as well as other own receivables – not held for trading;
- held-to-maturity investments;
- available-for-sale debt securities for which fair value cannot be determined reliably;
- financial liabilities not held for trading, which are not derivative instruments.

In case of financial assets measured at fair value through the profit and loss account, the effective interest rate method is used to settle interest income from coupon rates and settled discount/premium.

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

The recognition of the measurement in the income statement.

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

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

However, the manner of recognizing particular types of commissions/fees settled over time in the income statement as interest or commission income and the general necessity of their settlement over time, and not the possibility of their recognition in the income statement when due or received, depends on the economic nature of the commission/fee.

The items included in the commissions/fees amortised over time comprise, for instance, fees for the positive appraisal of a loan application, commissions for granting a credit, commissions for releasing cash, fees for establishing additional collateral, etc. The collection of the above commissions and fees constitutes an integral part of the return generated by a specific financial instrument. This category also includes fees and expenses connected with the changes of contractual terms, which changes the value of the originally calculated effective interest rate. Any significant amendments to the conditions of a given financial instrument in economic terms are connected with the expiry of the financial instrument of the previous type and establishment of a new instrument with different characteristics.

The fees that are collected in this category include, among others, the fees for preparing an annex changing the future cash flows schedule, fees for restructuring of loan agreements, fees for postponement of payment dates, etc. The above-mentioned types of fees are deferred and settled over time in the income statement by applying the method of the effective interest rate or on a straight-line basis, depending on the type of product.

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

The fees received, provided that they do not modify the schedule of future cash flows, are recognized once in the income statement.

All fees/commissions and external expenses connected with the granting of consumer loans through Żagiel S.A. are amortised into the income statement using the effective interest rate method.

Interest income/expense

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

In the event of the non-performing loans and receivables, the interest is included in the income statement basing on the probability of their payment and is recognized on an accrual basis at the time of their receipt.

2. Impairment of assets measured at amortized cost

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

As of 1 January 2005, the Bank implemented the principles of measuring impairment of loan receivables under IAS 39.

In accordance with IAS 39, all receivables are subject to the analysis from a point of view of impairment, and not only receivables that bear the increased credit risk. If the Bank identifies the premises that indicate impairment, the impairment is calculated; it is equal to a difference between the book value of loan receivable and its economic value measured as the present value of the expected, future cash flows.

At least once a quarter, the Bank carries out an analysis to determine whether or not the impairment of the individual assets and/or the impairment of a portfolio of the financial assets occurred. The methodology of appraising the circumstances indicating the impairment of loans has been elaborated in cooperation with the Bank's Major Shareholder on the basis of the Bank's experience acquired in the banking services sector, analyzing historical data over a long term and taking into account the current specific character of the local market and the features of the financial assets portfolios managed by the Bank.

Impairment triggers

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

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

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

In the case of loan portfolios, the impairment triggers are events/observations regarding all homogenous - the triggers may be identified, assessed and quantified in relation to the entire portfolios, but not the individual receivables.

Measurement of the individual impairment

All loan receivables are subject to the measurement of the individual impairment in the case of which, some individual triggers, indicating impairment, were identified.

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

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

Measurement of portfolio impairment

In the situation where no objective circumstances indicating the loss in a loan value assessed on individual basis occurred, regardless of whether it constitutes a significant reporting item, such exposure is included in the credit portfolio of similar features, and the portfolio analysis of the impairment 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 impairment is performed basing on historical parameters of losses generated by the similar assets portfolios. Historical trends for losses are cleared of single events and are updated with a current risk profile of homogenous groups of assets. Thus, the continuous risk of portfolios is identified, and a defined probability exists that this risk will be transformed into individual losses.

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

a) fluctuations in the receivables portfolio, for which the individual losses in values are not identified;

b) the Bank's operating effectiveness in the credit risk management processes, particularly taking into account the restructuring and debt collecting activities;

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

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

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

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

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

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

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

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

- were purchased or contracted mainly for sale or buying back in the nearest future;
- constitute a portion of the portfolio of specific financial instruments managed jointly and there exists a current, actual formula of generating short-term profits, or
- they are derivative instruments (except for the determined derivative instruments which are the effective hedging instruments)

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

Due to the difference between IFRS 1 and the accounting principles applied by the Bank, while preparing the opening balance in accordance with IFRS, and the principles applied on the same date at the time of their historical preparation pursuant to the Accounting Act, the adjustments were recognized in the retained earnings.

The Bank, acting pursuant to IAS 12, did not calculate the effect of the deferred tax upon the adjustments related to the first adoption of IFRS. As mentioned in the Group’s consolidated financial statements as of 31 December 2004, the accounting principle applied in 2003 and 2004 assumed, that at the Bank, bearing in mind balance sheet and tax losses incurred in 2002 and 2003 and the uncertainty of the settlement of the surplus of deferred tax asset over deferred tax liability for the deferred tax, deferred tax asset was recognized only up to the amount of the deferred tax liability.

The Bank, as of 30 June 2005, due to the Bank’s improving financial result, decided to recognize the surplus of the deferred tax asset over deferred tax liability in the value that may be generated in the future with the application of the prudence principle. The accounting policy adopted by the Bank stipulates in this respect that at the end of each quarter, the Bank will assess the probability of realizing net deferred tax asset and recognize the amount in the value of the probable future realization amount on that account. The probability of realizing net deferred tax asset will be determined on the basis of financial plans and tax forecasts prepared by the Bank’s Management Board, updated on an ongoing basis at the end of each quarter.

IAS/IFRS adjustments to the Bank's shareholders' equity and other items of the financial statements in the periods covered by this report

Table 1 – Reconciliation of the opening balance of shareholders' equity as of 1 January 2004 in accordance with IAS

in '000 PLN

	Shareholders' equity as at 31.12.2003 according to PAS	**644 481**
1	Adjustments related to the adoption of IAS disclosed in the revaluation reserve:	
a)	Withdrawal of the valuation of subsidiaries with the equity method	5 442
b)	Measurement of fixed assets at fair value	-1 250
c)	Revaluation of foreign exchange differences from the translation of subsidiaries and foreign branches to a separate equity item	-10 757
		-6 565
2	Adjustments related to the adoption of IAS disclosed in the retained profit/loss:	
b)	Withdrawal of the valuation of subsidiaries with the equity method	409 984
c)	Recognition of the impairment of investment in the shares of subsidiaries that were measured with the equity method, and according to IAS 39, are disclosed at cost less impairment charge	-402 400
d)	Measurement of fixed assets at fair value	1 250
e)	Reversal of the provision for general risk	87 867
		96 701
3	Currency translation differences from the translation of subsidiaries and foreign branches	10 757
	Total IAS adjustments	**100 893**
	Shareholders' equity as at 01.01.2004 according to IAS	**745 374**

Table 2 - Reconciliation of the closing balance of the shareholders' equity as of 30 June 2004 in accordance with IAS

in '000 PLN

	Shareholders' equity as at 30.06.2004 according to PAS	**1 295 913**	
	Including net profit for the period		***58 250***
1	Adjustment related to the restatement of comparable financial data according to PAS – settlement over time of commissions collected on promotional installment credits	-21 361	-6 642
	Shareholders' equity as at 30.06.2004 according to PAS following the restatement of comparable figures	**1 274 552**	
	Including net profit for the period		***51 608***
2	Adjustments related to the adoption of IAS affecting the revaluation reserve:		
a)	Withdrawal of the valuation of subsidiaries with the equity method in correspondence to the revaluation reserve.	5 501	0
b)	Measurement of fixed assets at fair value	-1 250	0
c)	Revaluation of currency translation diffrences from the translation of subsidiaries and foreign branches to a separate equity item	-9 740	0
		-5 489	0
3	Adjustments related to the adoption of IAS affecting the undistributed profit from previous years		
a)	Withdrawal of the valuation of subsidiaries with the equity method	409 984	0
b)	Recognition of the impairment of investment in the shares of subsidiaries that were measured with the equity method, and according to IAS, are disclosed at cost less impairment charge	-402 400	0
c)	Measurement of fixed assets at fair value	1 250	0
d)	Reversal of the provision for general risk	87 867	0
		96 701	0
4	Adjustments related to the adoption of IAS affecting the net profit in the period:		
a)	Withdrawal of the valuation of subsidiaries with the equity method in correspondence to the net income in the period	-4 397	-4 397
b)	Reversal of the impairment charge for capital investments in shares of subsidiaries recognized at cost	10 595	10 595
c)	Reversal of the provision for general risk	-37 415	-37 415
		-31 217	*-31 217*
5.	Currency translation differences (translation of subsidiaries and foreign branches)	9 740	0
	Total IAS adjustments	*69 735*	*-31 217*
	Shareholders' equity as at 30.06.2004 according to IAS	**1 344 287**	
	Including net profit for the period		***20 391***

Explanations of the adjustments to the shareholders' equity as of 1 January 2004 and 30 June 2004

In accordance with IAS 27, if the Bank prepares the individual financial statements, the investments in subsidiaries, not classified as available-for-sale assets, are disclosed at the purchase cost or at fair value, in accordance with IAS 39. As reliable determination of fair value as at 1 January 2004 is not possible, the Bank recognizes the value of capital investments in shares of subsidiaries at cost less impairment measured in line with IAS 36.

Moreover, the comparable data as of 30 June 2004 presenting the Bank's shareholders' equity were restated in order to include the change of the Polish Accounting Standards in the fourth quarter of 2004, consisting in the settlement over time of all fees and commissions on retail loans regarded as promotional loans.

Table 3 – The presentation of significant reclassifications of the balance sheet items in comparison with the data published for in the first half of 2004 according to the Polish Accounting Standards

in '000 PLN

	ASSETS		30.06.2004 Polish Accounting Principles	Adjustments	30.06.2004 IFRS
I.	Financial assets (*)	A	8 716 449	49 493	8 765 942
II.	Receivables from customers	B	16 222 329	-641 145	15 581 184
III	Impairment charges for receivables due from banks and customers	C	-2 518 452	-103 017	-2 621 469
IV	Capital investments	D	265 824	-74 021	191 803
V	Intangible assets and fixed assests	E	733 206	-21 252	711 954
VI	Deferred tax asset	F	0	135 101	135 101
VII	Other assets	B	144 453	-21	144 432
	TOTAL ASSETS		**23 563 809**	**-654 862**	**22 908 947**

	LIABILITIES		30.06.2004 Polish Accounting Principles	Adjustments	30.06.2004 IFRS
I.	Financial liabilities (**)		20 899 781	0	20 899 781
II.	Provisions	G	230 371	-189 533	40 838
III	Deferred tax liability	H	413	135 101	135 514
IV	Special funds and other liabilities	I.	1 137 331	-648 804	488 527
	TOTAL LIABILITIES		22 267 896	-703 236	21 564 660
V	TOTAL SHAREHOLDERS' EQUITY	J	1 295 913	48 374	1 344 287
	TOTAL LIABILITIES		**23 563 809**	**-654 862**	**22 908 947**

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

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

Explanation of reclassification adjustments to comparable data for in the first half of 2004:

Adjustment in assets	Amount in '000 PLN	Item	Adjustment in liabilities	Amount in '000 PLN
A	49 493	Reclassification to the portfolio of available-for-sale financial assets		
D	-49 493	from capital investments		0
		Offset of interest accrued on non-performing loans from financial and non-financial customers with suspended interest		
B	-641 166		I	-641 166
			G	-92 535
C	-42 083	Reversal of the provision for general risk	J	50 452
C	-60 934	Recognition of impairment on capital investments in the amount exceeding the purchase price of shares of subsidiaries: the surplus of the impairment is recognized in loans granted to these entities	J	-60 934
D	-24 528	Withdrawal of the valuation of subsidiaries with the equity method and the return to the purchase price with the recognition of the impairment of investment	J	-24 528
E	-21 252	Offsetting of assets and amounts due to settlement of investments in fixed assets	I	-21 252
F	135 101	Presentation of assets and deferred tax liability (separately at the assets side and liabilities side)	H	135 101
			I.	13 614
		Ensuring comparability of financial data related to the deferral over time	G	7 747
		commissions on installment loans recognized as promotional.	J	-21 361
		Withdrawal of negative goodwill of subsidiaries measured according to	G	-104 745
		PAS with the equity method	J	104 745
Total	**-654 862**			**-654 862**
		including adjustment of shareholders' equity	*J*	***48 374***

Table 4 - Reconciliation of the closing balance of the shareholders' equity as of 31 December 2004 in accordance with IAS

	in '000 PLN		
	Shareholders' equity as at 31.12.2004 according to PAS	**1 459 954**	
	Including net profit for the period		***185 176***
1	Adjustments related to the adoption of IAS affecting the revaluation reserve:		
a)	Withdrawal of the valuation of subsidiaries with the equity method	285	0
b)	Measurement of fixed assets at fair value	-1 250	0
		-965	0
2	Adjustments related to the adoption of IAS affecting the undistributed profit from previous years		
a)	Withdrawal of the valuation of subsidiaries with the equity method	409 984	0
b)	Recognition of the impairment of investment in the shares of subsidiaries that were measured with the equity method, and according to IAS, are disclosed at cost less impairment charge	-402 400	0
c)	Measurement of fixed assets at fair value	1 250	0
d)	Reversal of the provision for general risk	87 867	0
		96 701	0
3	Adjustments related to the adoption of IAS affecting the net profit in the period:		
a)	Withdrawal of the valuation of subsidiaries with the equity method	-71 090	-71 090
b)	Reversal of the impairment charge for capital investments in shares of subsidiaries recognized at cost	45 075	45 075
c)	Reversal of the provision for general risk	-32 633	-32 633
		-58 648	**-58 648**
	Total IAS adjustments	37 088	-58 648
	Shareholders' equity as at 31.12.2004 according to IAS	**1 497 042**	

Explanation of the adjustments to the shareholders' equity as of 31 December 2004

With respect to the recognition of investments in shares of subsidiaries, the adjustments of capitals was made in an analogous manner (based on the same provision in IAS 27), as for 1 January 2004 and 30 June 2004.

Table 5 – The presentation of significant reclassifications of the balance sheet items in comparison with the data published as at 31 December 2004 according to the Polish Accounting Standards

in '000 PLN

	ASSETS		**31.12.2004 Polish Accounting Standards**	**Adjustments**	**31.12.2004 IFRS**
I.	Financial assets (*)	A	8 605 383	50 348	8 655 731
II.	Receivables from customers	B	14 669 566	-665 353	14 004 213
III	Impairment charge for receivables from banks and customers	C	-2 399 004	-91 688	-2 490 692
IV	Capital investments	D	231 038	-105 293	125 745
V	Intangible assets and property, plant and equipment	E	515 884	-16 291	499 593
VI	Deferred tax asset	F	0	67 274	67 274
VII	Other assets	B	184 993	-21	184 972
	TOTAL ASSETS		**21 807 860**	**-761 024**	**21 046 836**

	LIABILITIES		**31.12.2004 Polish Accounting Standards**	**Adjustments**	**31.12.2004 IFRS**
I.	Financial liabilities (**)		19 116 613	0	19 116 613
II.	Reserves	G	220 259	-183 721	36 538
III	Deferred tax liability	H	0	67 274	67 274
IV	Special funds and other liabilities	I.	1 011 034	-681 665	329 369
	TOTAL LIABILITIES		20 347 906	-798 112	19 549 794
V	SHAREHOLDERS' EQUITY	J	1 459 954	37 088	1 497 042
	TOTAL LIABILITIES		**21 807 860**	**-761 024**	**21 046 836**

(*) and (**) – as in Table 3

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

Adjustment in assets	Amount in '000 PLN	Item	Adjustment in liabilities	Amount in '000 PLN
A D	50 348 -50 348	Reclassification to the portfolio of available-for-sale financial assets from capital investments		0
B	-665 374	Offset of interest accrued on irregular receivables from financial and non-financial customers with qualified interest	I.	-665 374
C	-42 083	Reversal of the provision for general risk	G J	-97 317 55 234
C	-49 605	Recognition of impairment on capital investments in the amount exceeding the purchase price of shares of subsidiaries: the surplus of the impairment is recognized in loans granted to these entities	J	-49 605
D	-54 945	Withdrawal of the valuation of subsidiaries with the equity method and the return to the purchase price with the recognition of the impairment of investment	J	-54 945
E	-16 291	Offset of assets and liabilities due to settlement of investments in fixed assets	I.	-16 291
F	67 274	Presentation of assets and deferred tax liability (separately at the assets side and liabilities side)	H	67 274
	0 0	Withdrawal of negative goodwill of subsidiaries measured according to PAS with the equity method	G J	-86 404 86 404
Total	**-761 024**			**-761 024**
		including adjustment of shareholders' equity	J	***37 088***

Table 6– Reconciliation of the opening balance of the shareholders' equity as of 01.01.2005 in accordance with IAS

in '000 PLN

	Shareholders' equity as at 01.01.2005 according to PAS	**1 459 954**
1	Adjustments related to the adoption of IAS disclosed in the revaluation reserve:	
a)	Withdrawal of the valuation of subsidiaries with the equity method in correspondence to the revaluation reserve.	285
b)	Measurement at fair value of debt securities reclassified from portfolio held until maturity to portfolio of available-for-sale assets	2 726
c)	Reclassification of the measurement of debt securities at fair value from the portfolio of available-for-sale assets to the portfolio of assets measured at fair market value through profit and loss account	25 539
d)	Measurement of fixed assets at fair value	-1 209
		27 341
2	Adjustments related to the adoption of IAS disclosed in the retained profit :	
a)	Withdrawal of the valuation of subsidiaries with the equity method	338 894
b)	Recognition of the impairment of investment in the shares of subsidiaries that were measured with the equity method, and according to IAS, are disclosed at cost less impairment charge	-380 919
c)	Measurement at fair value of Solaris and Wolny Obszar Gospodarczy reclassified from „capital investments" to the portfolio of available-for-sale assets	13 281
d)	Reclassification of the measurement of debt securities at fair value from the portfolio of available-for-sale assets to the portfolio of assets measured at fair market value through profit and loss account	-25 539
e)	Reversal of the provision for general risk	84 167
f)	Reversal of the 1.5% provision for normal consumer loans and under observation loans	20 982
g)	Loss in value of loan receivables measured for individual exposures	-91 918
h)	Loss in value of loan receivables portfolios	-131 971
i)	Measurement of financial assets and liabilities at amortized cost based on the effective interest rate	-74 120
j)	Measurement of fixed assets at fair value	1 209
		-245 934
	Total IAS adjustments	**-218 593**
	Shareholders' equity as at 01.01.2005 according to IAS	**1 241 361**

Explanation of the adjustments to the shareholders' equity as of 1 January 2005

Due to the fact that the Bank applied IAS 39 for the first time as of 1 January 2005, the adjustments on that account were included in the opening balance of shareholders' equity on that day.

1a) The adjustment recognized as in the case of 31.12.2004

1b) The Bank, as of the date of adopting IFRS, re-defined (under IFRS 1, Section 13g) the financial assets disclosed in fair value as available for sale; according to the Polish Accounting Standards these assets were disclosed as held to maturity, and their carrying amount as of 1 January 2005 amounted to PLN 190,110 thousand;

1c) The Bank, as of the day of adopting IFRS, re-determined the financial assets at fair value, including its changes recognized in the income statement; according to the Polish Accounting Standards, these assets were disclosed as available for sale, and their carrying amount as of 1 January 2005 amounted to PLN 862,249 thousand;

2a) and 2b) the adjustments were recognized by analogy to the comparable periods in 2004;

2 c) as of 1 January 2005, the Bank did not exercise actual control and did not exert a significant influence upon the financial activities and operation of Solaris Bus and Coach Sp. z o.o. and Wolny Obszar Gospodarczy S.A. despite the fact that the Bank holds over 50% of shares in both companies. As of 1 January 2005, the investments in the shares of these companies were classified to the portfolio of available-for-sale assets and are measured at estimated fair value. In the comparable data presented in this report, the shares of these companies were disclosed in "capital investments" and measured at the purchase price according to IAS 27;

2d) this adjustment corresponds to adjustment 1 c);

2e) the reversal of the provision for general risk in accordance with the Polish Banking law;

2f) the reversal of the provision for the risk connected with consumer credits classified in the "normal" category as well as credits classified in the "under observation" category in accordance with Polish regulations on establishing provisions for credit risk;

2g) the impairment measured for individual credit exposures;

2h) the collective impairment measured for homogeneous portfolios of loan receivables;

2i) the measurement of assets and liabilities at amortized cost applying effective interest rate

With respect to the presentation of cash for cash flow statement, a change in comparable date was made in relation to the data originating from the approved financial statements for periods ended 31.12.2004 and 30.06.2004. Cash as at 1.01.2004 and 30.06.2004 was adjusted with the amount of 3-month term deposits in the amount of PLN 1,315,828 thousand and PLN 2,899,863 thousand respectively, as described in Section 6.18 of the consolidated financial statements of the Capital Group of Kredyt Bank S.A.

11. Explanation regarding the seasonality or cyclical character of the operations

The Bank's operations are not of seasonal character.

12. Non-typical factors and events

No untypical events occurred in the Bank in the first half of 2005 that could affect the structure of balance sheet items and the financial result.

13. Issue, repurchase and repayments of debt or equity instruments

In the first half of 2005, Kredyt Bank S.A. did not issue, repurchase or repay any debt securities.

14. Paid dividend

In the first half of 2005, Kredyt Bank S.A. did not have any liabilities related to the payment of accrued dividend.

15. Significant subsequent events

On 4 July 2004, Kredyt Bank and Warta announced that early in September, a new corporate visualization and similar logotypes would be introduced, with their colours and graphics referring to the common shareholder – Belgian Bank KBC. The names of the companies shall remain unchanged.

The new visualization and logo of Warta and Kredyt Bank will emphasize a close co-operation and the membership of the Bank and the insurer in the international structure of KBC Group. KBC strategy assumes that the logotypes of its subsidiaries in Europe should be made uniform, so that the Group's entities are more recognizable, which will also allow them to maximize the synergy effect.

On 7 July 2005, Kredyt International Finance BV, a subsidiary of Kredyt Bank S.A. repaid, before maturity, a loan amounting to CHF 200 million, and also repaid EUR 30 million – a remaining portion of a loan amounting to EUR 180 million. Both loans were granted by KBC Bank NV Dublin Branch on 7 October 2002.

As a result of the said transactions, the guarantees of Kredyt Bank S.A. securing the loans expired.

On 14 July 2005, Kredyt Bank S.A. concluded, with KBC Bank NV, two loan agreements at arm's length with a five-year repayment deadline. The loans amounted to EUR 150 million and CHF 150 million. The amount of each loan exceeds 10% of the Bank's shareholders' equity.

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

Following the sale of the shares of KBC Towarzystwo Funduszy Inwestycyjnych S.A., Kredyt Trade Sp. z o.o. holds a 30-percent stake in capital and votes at the General Meeting of Shareholders of KBC Towarzystwo Funduszy Inwestycyjnych S.A

On 18 August 2005, Kredyt Bank S.A. sold, to Gdańska Stocznia Remontowa S.A, all its shares in Stocznia Północna S.A., accounting for 27.17% stake in capital and votes at the General Meeting of Shareholders of Stocznia Północna S.A. The transaction covered 90,738 registered shares with the nominal value of PLN 50 each of Stocznia Północna S.A. with its registered office in Gdańsk. The purchase price of the shares of Stocznia Północna S.A. amounted to PLN 12,173 thousand. Following the sale of the shares of Stocznia Północna S.A., Kredyt Bank S.A. does not hold any shares of Stocznia Północna S.A. This transaction exerts a neutral impact upon the results of Kredyt Bank S.A.

16. Changes of contingent liabilities or contingent assets

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

in '000 PLN

Off-balance sheet items	**30.06.2005** *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
Contingent liabilities, granted and received	4 965 386	5 867 635	5 813 489
Liabilities granted, including:	4 225 204	5 349 060	5 408 386
- financial	1 805 245	2 178 284	2 078 548
- guarantees	2 419 959	3 170 776	3 329 838
Liabilities received, including:	740 182	518 575	405 103
- financial	252 086	55 284	50 000
- guarantees	488 096	463 291	355 103
Liabilities related to the sale/purchase transactions	79 285 047	31 099 032	62 734 987
Other liabilities	3 399 002	3 661 768	2 963 648
- received collateral and guarantees	3 398 910	3 661 677	2 963 556
- other	92	91	92
Total	**87 649 435**	**40 628 435**	**71 512 124**

17. Notes to the cash flow statement

Held-to-maturity assets

in '000 PLN	**01.01. - 30.06.2005** *unaudited*	**01.01. - 30.06.2004** *unaudited*
Adjustments related to first adoption of IFRS – in operations	193 509	0
Acquisition in investment activities	-1 285 334	-676 399
Sale in investing activities	639 348	733 156
Changes in interest receivables in operations	-39 501	-79 323
Change in held-to-maturity investments in operations	5 784	0
Currency translation differences in operations	-5 366	0
Total	**-491 560**	**-22 566**

Available-for-sale investment securities

in '000 PLN	**01.01. - 30.06.2005** *unaudited*	**01.01. - 30.06.2004** *unaudited*
Adjustments related to first adoption of IFRS - in operations	2 721	0
Acquisition in investment activities	-20 395 852	-1 235 480
Sale in investment activities	20 268 796	1 467 934
Changes in interest receivables in operations	14 570	588
Change in available-for-sale financial assets in operations	286	10 483
Currency translation differences in operations	0	-433
Total	**-144 061**	**243 092**

With regard to held-to-maturity assets and available-for-sale investment securities, the above tables reconcile flows presented in various parts of the cash flow statement with the balance sheet change.

Receivables due from other banks

in '000 PLN	**01.01. - 30.06.2005** *unaudited*	**01.01. - 30.06.2004** *unaudited*
Change	-235 129	-1 935 476
Nostro accounts – cash at the end of the period	27 576	48 686
3-month term deposits – cash at the end of the period	-9 990	1 678 854
Total	**-217 543**	**-207 936**

Receivables from customers

in '000 PLN	**01.01. - 30.06.2005** *unaudited*	**01.01. - 30.06.2004** *unaudited*
Change	496 886	1 478 959
Adjustments related to adoption of IFRS	-72 855	-4 911
Adjustments related to adoption of IFRS - impairment	-140 717	-46 452
Total	**283 314**	**1 427 596**

Due to banks

in '000 PLN	**01.01. - 30.06.2005** *unaudited*	**01.01. - 30.06.2004** *unaudited*
Change	175 493	36 272
Adjustments related to adoption of IFRS	-18	0
Repayment of a working loan – recognition in financial activities	468 787	0
Repayment of an investment loan - recognition in financial activities	346 639	0
Change in syndicated loan – presentation in operations	0	15 429
Change in syndicated loan – presentation in operations	0	13 219
Total	**990 901**	**64 920**

Amounts due to customers

in '000 PLN	**01.01. - 30.06.2005** *unaudited*	**01.01. - 30.06.2004** *unaudited*
Change	-491 777	-616 328
Adjustments related to adoption of IFRS	2 152	0
Total	**-489 625**	**-616 328**

18. Shareholders holding over 5-percent stake in the share capital and votes at the General Meeting of Shareholders.

As at 30.06.2005, the only shareholder holding over 5% of shares in the share capital and votes at General Meeting of Shareholders was KBC Bank NV:

Shareholder	Objects of the Company	Number of votes at the GMS	Share in votes and share capital (%)
KBC Bank N.V.*	Banking	232 341 875	85,53

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

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

The Bank's share capital as of 30 June 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, including 271,582,105 bearer shares and 76,775 registered shares. In comparison with 31 March 2005, the Bank's share capital did not change.

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

19. Shares of Kredyt Bank S.A. held by the Management Board Members and the Supervisory Board Members.

Shares of Kredyt Bank S.A. held by the members of the Management Board of Kredyt Bank S.A. and the members of the Supervisory Board of Kredyt Bank S.A.:

	30 June 2005		31 December 2004		30 June 2004	
Specification	Number of shares	Shares nominal value in PLN '000	Number of shares	Shares nominal value in PLN '000	Number of shares	Shares nominal value in PLN '000
Members of the Management Board	5 100	25.5	100	0.5	100	0.5
Members of the Supervisory Board	24 491	122.5	1 000	5.0	1 000	5.0
Total	**29 591**	**148.0**	**1 100**	**5.5**	**1 100**	**5.5**

The following changes occurred in the numbers of shares of Kredyt Bank S.A. held by the members of the Management Board of Kredyt Bank S.A. and the members of the Supervisory Board of Kredyt Bank S.A.:

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

The members of the Management Board and of the Supervisory Board of Kredyt Bank S.A. do not hold shares in the companies of the Capital Group of Kredyt Bank S.A.

20. Information on legal cases or public administration authority

In the first half of 2005, the Bank was not a party to any legal cases or public administration authority, where the amount(s) claimed would amount to at least 10% of the Bank's shareholders' equity.

Below are presented those legal cases, where the amounts claimed are the highest

The cases in which the Bank is a plaintiff

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

The cases where the Bank is a defendant

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

- Laboratorium Frakcjonowania Osocza Sp. z o.o. (LFO) - claiming for payment of indemnity due to the termination of a credit agreement equal to PLN 119,477 thousand. The suit was filed on 18 June 2003. The Bank is of the opinion that the LFO claims are not justified upon the actual and legal basis. On 16 March 2005, the court rejected the suit of LFO. On 14 May 2004, LFO filed a complaint about that verdict; it has not been examined yet.

- Laboratorium Frakcjonowania Osocza Sp. z o.o. - claiming to deprive the executory title of the enforceability clause. The suit was filed on January 6, 2005. The value of the object of the dispute is equal to PLN 102,154 thousand (for all syndicate members, while the amount falling on to the Bank is equal to PLN 6,787 thousand). On 12 May 2005, the hearing was adjourned without fixing the date of the next hearing.

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

- Trustee in bankruptcy of company operating in the real estate developing sector (the name of the company is subject to confidentiality application) claiming for payment of indemnity equal to PLN 32,256 thousand by the reason of effecting, by the Bank, of financial orders from the company's account on the basis of bank transfers orders and checks bearing a forged signature of one of the persons authorized to represent the company towards the Bank. The suit was filed on 6 February 2004. On 13 January 2005, the court suspended the proceedings until penal proceeding is completed. At the same time, the Bank continues to raise objections and claim prescription for this case.

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

21. Significant transactions with the related entities with the value equal to or exceeding PLN equivalent of EUR 500,000 not related to current operations.

In the first half of 2005, no significant transactions had place with the related entities linked with the value equal to or exceeding PLN equivalent of EUR 500,000 not related to current operations. Below, we present the information on all transactions with related parties.

Subsidiaries, with which the Bank concludes transaction, are the Bank's subsidiaries, the companies of KBC Group, persons managing the Bank and the Bank's employees.

The major part of the transactions with related parties are standard banking operations, provided at arm's length: granting loans, issuing bank guarantees, issuing own securities, accepting deposits, borrowing loans, currency transactions, transactions made in derivatives. The Bank does not make impairment charges for loans granted to related parties. The volumes of transactions and related income and expenses have been presented below:

in '000 PLN

Assets	**Subsidiaries**	**Associates**	**Parent company (KBC Group)**	**Total as at 30 June 2005** *unaudited*
Due from other banks	1 373 462	0	661 616	**2 035 078**
Receivables from customers	344 233	0	28 966	**373 199**
Other assets	15 002	1	71 463	**86 466**
Total assets	**1 732 697**	**1**	**762 045**	**2 494 743**

in '000 PLN

Liabilities	**Subsidiaries**	**Associates**	**Parent company (KBC Group)**	**Total as at 30 June 2005** *unaudited*
Due to banks	284 521	219	1 264 543	**1 549 283**
Amounts due to customers	1 294 291	0	119 397	**1 413 688**
Investments in securities	0	0	400 000	**400 000**
Subordinated liabilities	0	0	611 716	**611 716**
Other liabilities	153 885	314	80 154	**234 353**
Total liabilities	**1 732 697**	**533**	**2 475 810**	**4 209 040**

in '000 PLN

Off-balance sheet items	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005** *unaudited*
Issued guarantees	1 718	1 483 647	**1 485 365**
Guarantees received	1 718	114 536	**116 254**
Derivatives	0	8 403 963	**8 403 963**
Liabilities related to the sale/purchase transactions	0	172 267	**172 267**
Off-balance sheet items	**3 436**	**10 174 413**	**10 177 849**

in '000 PLN

Income	**Subsidiaries**	**Parent company (KBC Group)**	**for the period ended 30 June 2005** *unaudited*
Interest income	39 630	8 282	**47 912**
Fees and commissions income	35 575	520	**36 095**
Net trading income	15 012	0	**15 012**
Other operating income	5 101	252	**5 353**
Total income	**95 318**	**9 054**	**104 372**

in '000 PLN

Expenses	**Subsidiaries**	**Associates**	**Parent company (KBC Group)**	**for the period ended 30 June 2005** *unaudited*
Interest expense	39 630	0	46 736	**86 366**
Fees and commissions expense	35 575	0	0	**35 575**
Other operating expenses	823	52	2 247	**3 122**
The costs of the Bank's operating and overheads	19 290	1 129	0	**20 419**
Total expense	**95 318**	**1 181**	**48 983**	**145 482**

in '000 PLN

Assets	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005**
Due from other banks	2 051 850	218 415	**2 270 265**
Receivables from customers	401 181	69	**401 250**
Other assets	24 848	46 663	**71 511**
Total assets	**2 477 879**	**265 147**	**2 743 026**

in '000 PLN

Liabilities	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005**
Due to banks	298 681	2 165 551	**2 464 232**
Amounts due to customers	1 964 778	6 511	**1 971 289**
Investments in securities	0	400 000	**400 000**
Subordinated liabilities	0	598 210	**598 210**
Other liabilities	214 420	38 765	**253 185**
Total liabilities	**2 477 879**	**3 209 037**	**5 686 916**

in '000 PLN

Off-balance sheet items	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005**
Issued guarantees	0	1 877 014	**1 877 014**
Guarantees received	0	0	**0**
Derivatives	0	5 621 384	**5 621 384**
Liabilities related to the sale/purchase transactions	0	77 909	**77 909**
Off-balance sheet items	**0**	**7 576 307**	**7 576 307**

in '000 PLN

Assets	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005** *unaudited*
Due from other banks	2 393 242	778 340	**3 171 582**
Receivables from customers	587 305	0	**587 305**
Other assets	12 675	17 359	**30 034**
Total assets	**2 993 222**	**795 699**	**3 788 921**

in '000 PLN

Liabilities	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005** *unaudited*
Due to banks	518 158	708 908	**1 227 066**
Due to customers	2 129 647	0	**2 129 647**
Investments in securities	0	343 892	**343 892**
Subordinated liabilities	0	686 992	**686 992**
Other liabilities	345 417	42 185	**387 602**
Total liabilities	**2 993 222**	**1 781 977**	**4 775 199**

in '000 PLN

Off-balance sheet items	**Subsidiaries**	**Parent company (KBC Group)**	**Total as at 30 June 2005** *unaudited*
Issued guarantees	6 041	2 361 545	**2 367 586**
Guarantees received	0	2 390 888	**2 390 888**
Derivatives	0	7 598 568	**7 598 568**
Liabilities related to the sale/purchase transactions	4 384	161 417	**165 801**
Off-balance sheet items	**10 425**	**12 512 418**	**12 522 843**

in '000 PLN

Income	**Subsidiaries**	**Parent company (KBC Group)**	**for the period ended 30 June 2005** *unaudited*
Interest income	70 902	4 835	**75 737**
Fees and commissions income	70 527	0	**70 527**
Net trading income	35 736	0	**35 736**
Other operating income	5 342	0	**5 342**
Total income	**182 507**	**4 835**	**187 342**

in '000 PLN

Expenses	**Subsidiaries**	**Parent company (KBC Group)**	**for the period ended 30 June 2005** *unaudited*
Interest expense	70 902	33 434	**104 336**
Fees and commissions expense	70 527	0	**70 527**
Other operating expenses	473	0	**473**
The costs of the Bank's functioning and overheads	40 605	0	**40 605**
Total expenses	**182 507**	**33 434**	**215 941**

22. Remuneration of the key management staff

In the period, the Bank's Management Board received the following remuneration:

- in in the first half of 2004 PLN 2,639.18 thousand
- in 2004 PLN 8,121.41 thousand
- in the first half of 2005 PLN 4,716.79 thousand

Below, we present information on remuneration for each category of benefits.

in '000 PLN

No.	Benefit	for the period 1 January 2004 – 30 June 2004 *unaudited*	for the period 1 January 2004 – 31 December 2004	for the period 1 January 2005 – 30 June 2005 *unaudited*
1	Short-term employee benefits	2 084.39	5 308.79	4 081.45
2	Benefits paid after the termination of employment	554.79	651.63	588.51
3	Other long-term benefits	0.00	0.00	0.00
4	Benefits due on account of the termination of employment	0.00	2 160.99	46.83
5	Payments in the form of treasury shares	0.00	0.00	0.00

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

Below, we present a list of commitments related to guarantees or sureties for loans and credits granted by the Bank to its subsidiary, Kredyt International Finance BV (KIF BV), as at 30 June 2005, which exceeded 10% of the Bank's shareholders' equity.

No.	Customer name	Guarantee/surety amount in foreign currency	Guarantee/surety amount (in '000 PLN)	Date issued	Date of expiry
1.	KIF BV	EUR 30,000,000	121,203	7.10.2002	28.06.2007
2.	KIF BV	CHF 200,000,000	521,440	7.10.2002	1.10.2006
3.	KIF BV	EUR 150,000,000	606,015	28.11.2002	22.02.2007
	TOTAL		**1 248 658**		

The Bank, on account of the issued guarantee, receives an annual commission of 0.1% of the guarantee amount.

Signatures of all Management Board members

Date 16.09.2005	Ronald Richardson	President of the Management Board	....
Date 16.09.2005	Krzysztof Kokot	Vice-President of the Management Board	....
Date 16.09.2005	Małgorzata Kroker-Jachiewicz	Vice-President of the Management Board	....
Date 16.09.2005	Guy Libot	Vice-President of the Management Board	....
Date 16.09.2005	Bohdan Mierzwiński	Vice-President of the Management Board	....

The Management Board's Report on the Operations of Kredyt Bank S.A. Capital Group in the First Six Months of 2005 ended 30 June 2005

CONTENTS

1. External conditions of the Group's operation in the first half of 2005

1.1. Macroeconomic situation

1.1.1. Overall economic situation in Poland

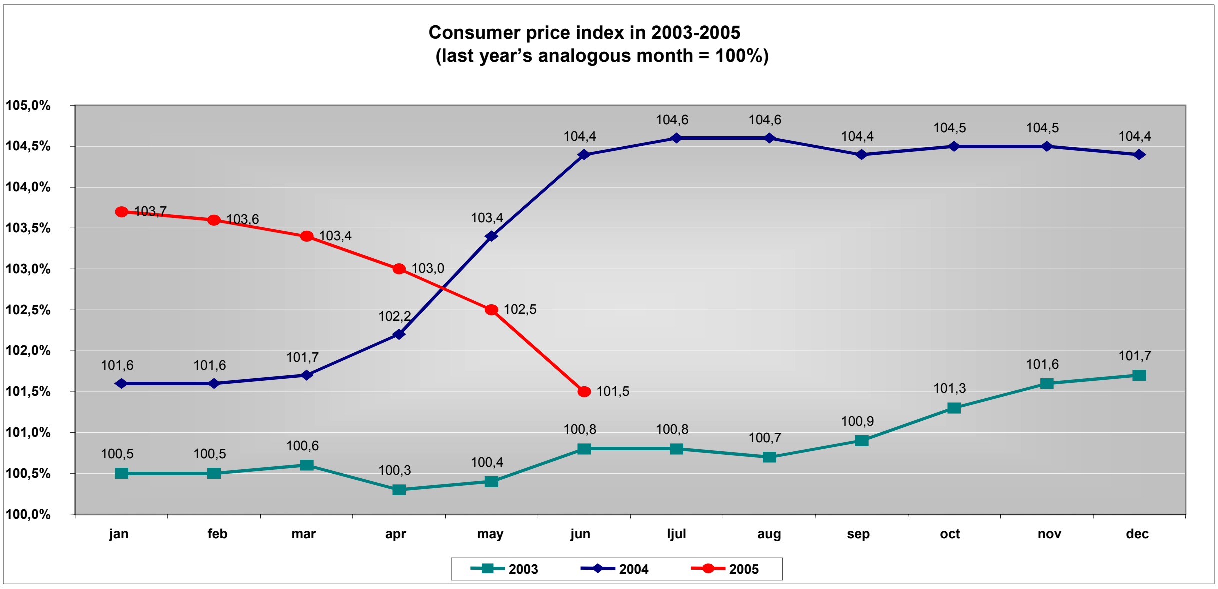
The slower growth recorded in the second half of 2004 was continued in the first quarter of 2005. In the first three months of 2005, GDP growth was down to 2.1 % y/y from 4.0 % y/y recorded in the fourth quarter of 2004 and 5.4 % in 2004. The slowdown of the economic growth resulted from the high statistical base, however, also from slower consumption growth (1.7 % y/y) and a surprisingly slow growth in investments (by 1.0 % y/y). Having regard for the significant decrease in domestic demand, the slow growth would be even weaker if not for the positive impact of net exports on GDP. It seems that the second quarter witnessed a slight acceleration in the economic growth (to 2.8 % y/y), mainly due to the increase in investments (primarily in the building industry) and still a positive impact of net exports. At the same time, the figures on retail sales, particularly their decline in April, suggest that consumption growth may be slightly slower than in the first quarter.

The following issues may be pointed as the most important factors having a positive impact upon the macroeconomic environment:

- accelerated growth in the building industry;
- gradual improvement on the labour market;
- decrease in investment risk following the accession of Poland to the EU;
- growth in financial profitability of enterprises;
- safe implementation of the State budget (the deficit on the level lower than assumed in the 2005 budgetary schedule);
- significant improvement in external balance achieved due to the exports increase and inflow of EU grants.

In the first half of 2005, a significant decline in consumer prices occurred (year-to-year); it is the basic effect of the last year's high base which, however, was the result of the price shock following the accession to the EU. It should be noted here that the inflation rate drop would have been much more significant if not for the growth in fuels prices on global markets recorded in the second quarter.

At the end of June 2005, inflation (CPI) was at the level of 1.4%, i.e. below the bottom line established by the Monetary Policy Council for 2005 regarding the inflation target of 2.5% ± 1p.p.
The diagram below illustrates the level of Consumer Price Index in the first half of 2005 as compared to figures recorded for 2003 and 2004.



The following are listed among the disturbing macroeconomic trends and negative phenomena:

- relative weakness of factors that may permanently support the re-establishment of economic growth; despite the evident decline in the inflation rate, the growth of private consumption was limited by slow growth in salaries and wages, and the investments were mainly restricted to the building industry;
- too strong zloty appreciation following the parliamentary elections may become a hazard to the relatively fast exports growth.

The key issue and the main threat to the re-establishment of the high growth in medium term perspective is the increase in the share of investments in GDP.

1.1.2. Monetary policy of the central bank

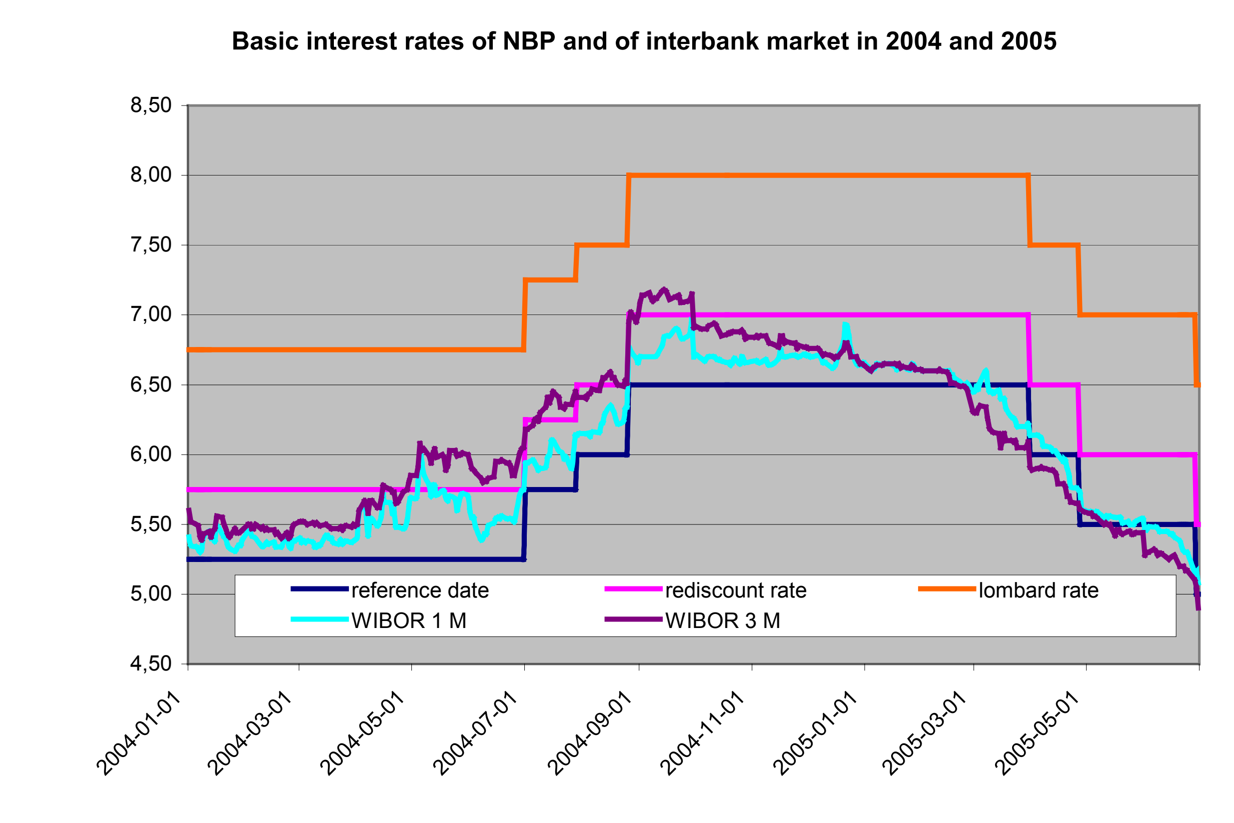
In the first half of 2005, the Monetary Policy Council, in response to the decline in CPI and surprisingly low GDP figures in the first quarter of 2005, has repeatedly decreased interest rates (by the total of 175 p.p.). Nevertheless, towards the end of the second quarter, with reference to the incoming macroeconomic data, indicating, in the Council's opinion, to the upcoming growth in business activities and the anxiety related to the impact of the record-breaking crude oil prices upon inflation rate, the cycle of decreases in interest rates has been stopped. In the first half of 2005, the Monetary Policy Council changed its approach to monetary policy three times: in February – to non-restrictive, in April – to neutral, and in June – again to non-restrictive.

At the end of June 2005, the basic interest rates of the central bank were as follows:

- reference rate 5.0% p.a.,
- lombard rate 6.50% p.a.,
- rediscount rate 5.50% p.a.,

- NBP deposit rate 3.50% p.a.

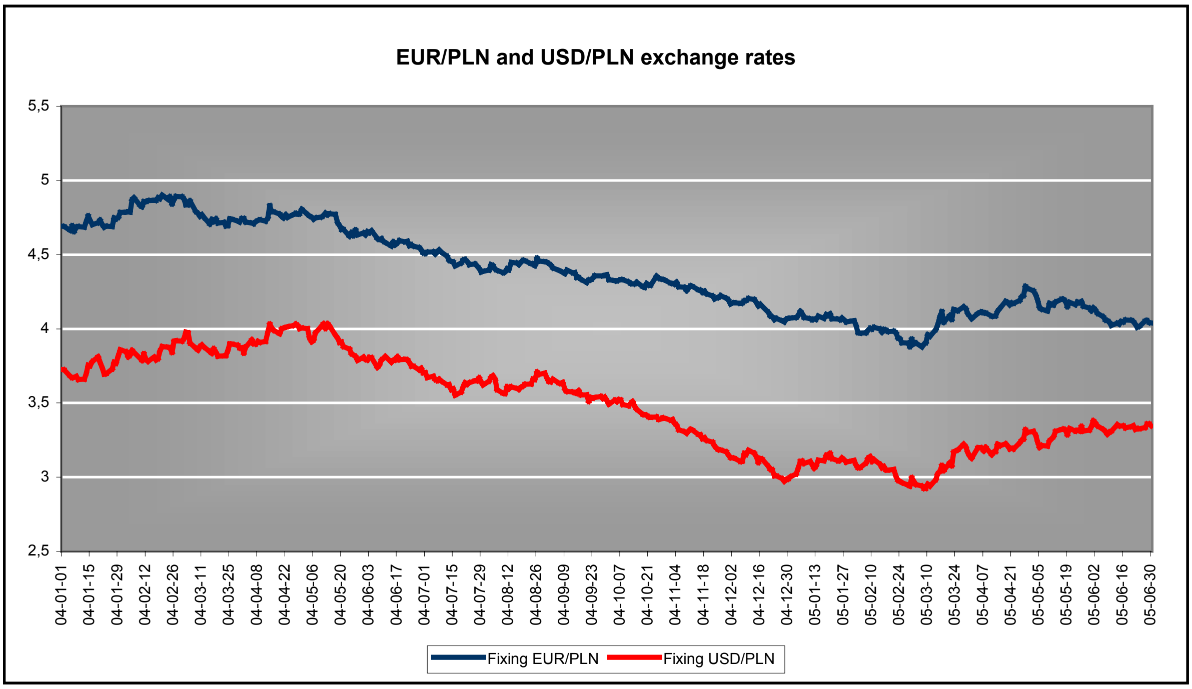
The diagram below illustrates basic interest rates of the National Bank of Poland at the background of inter-bank market rates and inflation in the first half of 2005.



The main cause of the decrease of NBP interest rates was the fear that a too restrictive monetary policy contributed to the slump in economic growth in the first half of 2005. At the same time, the decline in the inflation rate resulting from the base effect and the absence of pressure on the increase in salaries and wages was advantageous for deeper cuts.

In terms of currency market tendencies, it should be pointed that zloty, after significant strengthening in the first quarter to the record high, both against Euro and US dollar, in the second quarter slightly lost in value due to a global change in investors' approach to the currencies from emerging economies and the increase in political risk prior to parliamentary elections. The limitations to the exposure to assets in PLN was affected both by the US dollar strengthening against Euro in the second quarter (partly due to the aggressive policy of the US central bank) and a significant drop in interest rates in Poland, which considerably limited exchange premium. At the end of June 2005, the exchange rates were as follows: PLN 4.033 per 1 EUR and PLN 3.341 per 1 USD.

The diagram below illustrated tendencies in USD/PLN and EUR/PLN exchange rates in the first half of 2005.



1.2. Banking sector in the first half of 2005

For the banking sector, the first half of 2005 was a period of improvement. Despite the slump in economic growth as compared to an analogous period of the previous year, banks recorded an increase in business potential and financial results.

Towards the end of the first half of 2005, the balance sheet total to GDP ratio exceeded 63% (as compared to last year's 58 %). As the preliminary figures show, the total net profit of the sector after the first and the second quarter of 2005 amounted to over PLN 4.5 billion and was higher by almost 25% than in the first six months of 2004. Interest is the main factor affecting the operating result. The significant impact of the decrease in credit risk and low operating expenses upon the best ever improvement in the sector net profit of the sector should be emphasized here.

Other factors characterizing the period:

- increase in deposits and other liabilities as compared to the end of 2004 by 2.4% (including the growth in household deposits accompanied by the stabilization in corporate deposits at the level recorded for December 2004);
- increase in loan receivables by 5.8% (including the growth in household receivables by 9.4%, and in corporate receivables by 3.2%);
- decrease in non-performing loans to 12.4% (14% at the end of 2004).

The following phenomena affected the changes in the above-mentioned volumes:

- improvement of the labour market (decline in the unemployment rate);

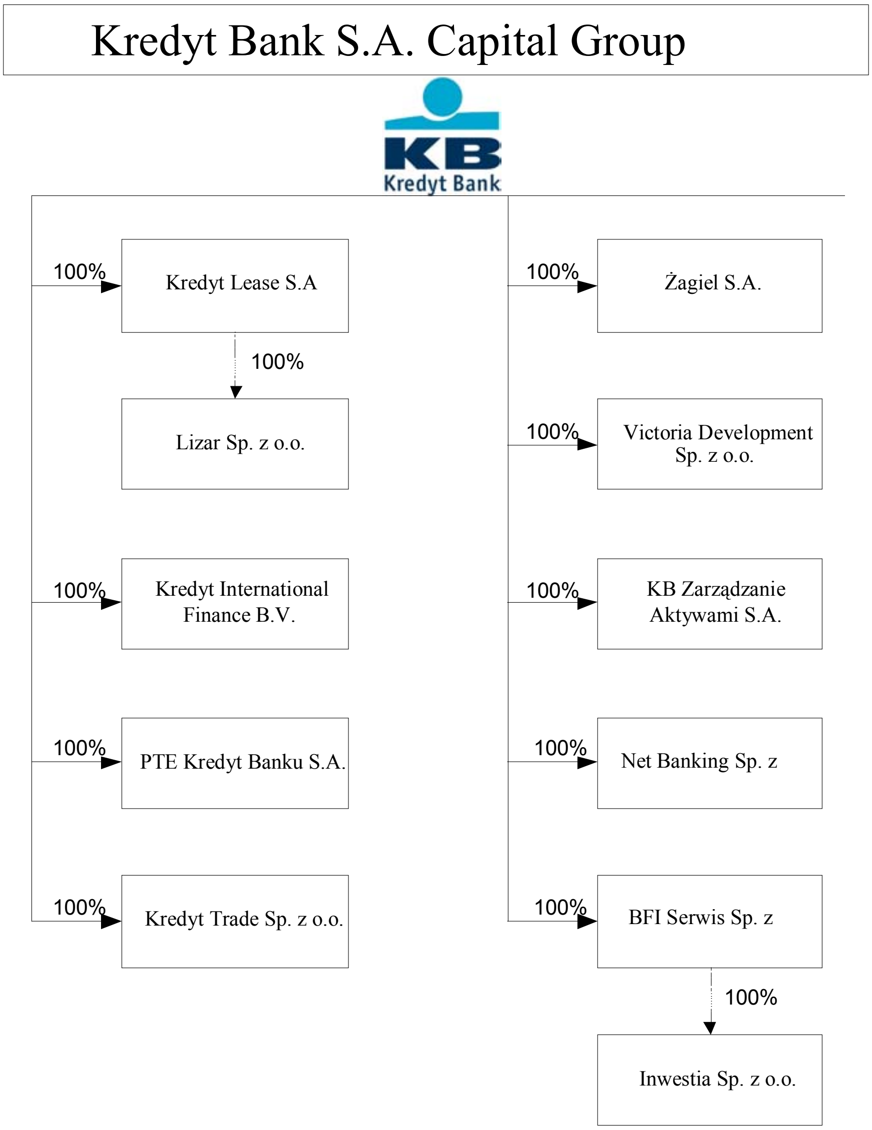
- gradual acceleration of the growth in the consumption of households and the associated slower growth in net savings;
- good financial standing of companies resulting in the reduction in credit risk expenses;
- lower interest rates and inflation rate.

Banks fine-tuned the performance of capital groups, risk management and customer relations in the period. They also adjusted their present development policies to economic realities characterized by the prevalence of positive trends, however not accompanied by any material growth in investments. This fine-tuning resulted in, among others. the diversification of margins, preference of retail and mortgage loans (growth by 29% y/y) and of investment funds, and the profit sharing policy[1].
In addition, a mandatory adoption of IFRS in banks' consolidated financial reports was a material factor affecting the sector's financial standing.

[1] Banks paid record-breaking dividends to their shareholders in 2004 (ca. PLN 4.6 billion)

2. The structure and the description of Kredyt Bank S.A. Capital Group

Kredyt Bank S.A. Capital Group comprises legally separated business entities, whose activities are coordinated to a great extent. The capital relations linking the Group are strengthened by trading relations, contracts, a joint product offer, the Bank's performance of controlling functions over the companies' operating and financial policies and the transfer of management staff and know-how.
The Group's composition and ownership structure as at 30.06.2005 was as follows:



As compared to the Group's 2004 consolidated financial statements, the composition of Kredyt Bank S.A. Capital Group changed as follows:

- on 18 January 2005, Kredyt Bank S.A. disposed of its whole stake in Wolny Obszar Gospodarczy S.A., i.e. 49.95% of shares in the capital and votes at the General Meeting of Shareholders of the company;
- on 28 April 2005, Kredyt Bank S.A. disposed of its whole stake in Solaris Bus and Coach Sp. z o.o., i.e. 82.32% stake in the capital and votes at the General Meeting of Shareholders of the company;
- on 25 April 2005, as a result of the merger of: Towarzystwo Funduszy Inwestycyjnych Kredyt Bank S.A., WARTA Asset Management S.A. and WARTA Towarzystwo Funduszy Inwestycyjnych S.A., a new company - KBC Towarzystwo Funduszy Inwestycyjnych S.A. (KBC TFI) – was registered, in which Kredyt Trade Sp. z o.o. held 39.6 % stake in capital and votes at the General Meeting of Shareholders. On 25 July 2005, Kredyt Trade Sp. z o.o. sold, to KBC Asset Management N.V., 2,422,605 shares of KBC TFI and, as a result of the transaction, it holds 30% of shares in capital and votes at the General Meeting of Shareholders of the company;
- despite holding, by Kredyt Bank, 50.06 % of votes at the General Meeting of Shareholders of the company, Dolwis S.A. is not a member of the Capital Group, as the Bank does not have any actual control over the company (in domestic law, the term "control" was defined in broader terms and, for this reason, the company was presented as a member of the Capital Group in the 2004 consolidated financial statements), however does not exert any significant influence upon its financial and operating activities and, thus, is not consolidated;
- the Bank also holds an interest in Korporacja Budowlana Inwestycje Sp. z o.o., but does not exert any actual control over the company and does not exert any significant influence upon its financial and operating activities (the company was acquired as a result of the debt collection proceedings), and, thus, is not subject to consolidation.

Below, we present a short description of the subsidiaries of KB S.A. Capital Group as at 30 June 2005.

Żagiel S.A.

As at 30.06.2005, the share capital of Żagiel S.A. amounted to PLN 23,964 thousand.

Kredyt Bank launched cooperation with Żagiel S.A. in 1995. Its core business entails the intermediation in the sale of loans and retail cash loans. The company offers consumer loans, mortgage loans for natural persons, issues and services VISA Electron Żagiel S.A. cards, provides mortgage loans for natural persons, EKSTRABIZNES and EKSTRAKONTO accounts, housing cash loans and leasing services.

Over the years, the Company has built up a strong and enduring position on the retail sale market. In the first half of 2005, Żagiel S.A. granted 479 thousand loans with the total value of PLN 877.6 million. The company's loan-related operation grew by nearly 5% as compared to the first half of 2004. According to *Rzeczpospolita* daily (23.07.2005), the total value of loans granted by the six nationwide financial intermediation companies in the first half of 2005 amounted to PLN 3.5 billion.

Żagiel S.A. is ranked third on the intermediation market in Poland (the sales in the second quarter of 2005 amounted to PLN 407 million and in the first quarter of 2005, to PLN 401 million). Loans sold via this company are one of the most yield-generating assets of the Bank.
In order to expand the activities and win new customers, a number of actions were taken in the first half of 2005:

- within the cross-selling strategy implemented in cooperation with Warta S.A., the sale of life insurance to customers borrowing installment loans via Żagiel S.A. rose substantially; in the last 12 months, the number of contracts increased by 18% up to 282 thousand;
- an agreement was signed on the hire purchase of tourist services with one of the major traveling agencies,
- the first edition of "Zaufany Partner" ["Trusted Partner"] Program, addressed to commercial partners, aiming to stimulate growth of the sale of installment loans and establishing their loyalty towards Żagiel S.A., was completed in the first quarter of 2005 and the second edition was completed in the second quarter of 2005;
- a number of promotional activities were conducted to win new customers: "Pracownicze Benefity" ["Employee Benefits"] (an offer addressed to employees of the enterprises serviced by the Bank and other companies), a special program for employees of Warta Insurance Company and Warta Vita;
- a modified process of considering loan applications placed by individual customers was implemented; it made it possible to reduce the time needed to service borrowers. In the case of special purpose cash loans, the decision may be taken almost immediately ("Kredyt Błyskawiczny" – "Flash Loan"), and in the case of mortgage loans, the Bank takes decisions within 48 hours;
- Żagiel S.A. was honoured with a few awards and prizes, among others the company was awarded the *Most Popular Brand in Lublin* title in 2005 in a vote held in this region by *Gazeta Wyborcza* daily, Radio Lublin and TVP 3; in the "Golden Top 100" - ranking published by *Kurier Lubelski* daily, Żagiel S.A. was ranked first in terms of profitability; in the annual contest held by *Gazeta Wyborcza Lublin* daily, the company was awarded, for the third time after 2002 and 2003, „A Golden Key to Success with one diamond" title in the large enterprises category; in the contest organized by the Regional Chamber of Commerce in Lublin, the company was awarded a special mention and a title of "The 2005 Provincial Business Leader".

Kredyt Lease S.A.

As at 30.06.2005, the company's share capital amounted to PLN 12,501 thousand. Pursuant to the resolution of the General Meeting of Shareholders of 21 July 2005, the company's share capital was increased to PLN 15 million through the issue of shares.
Kredyt Lease pursues business activities related to leasing services, rental and lease of rights and assets, trade in real estates and intermediation in the sale of goods and services. The Company focuses its activities mainly on services provided to the Bank, but also offers its services on the market.
Recently, the company underwent reorganization of the sale and organizational structures.

Kredyt Trade Sp. z o.o.

As at 30.06.2005, the share capital of the company amounted to PLN 27,500 thousand.
The Company conducts business related to intermediary services in real estate trading, substitutive investments, property and technical facility management and administration, as well as consulting services and preparation of economic and financial expert reports, drafting of business plans, appraising company value, and holding and conducting training programs. The Company also offers a number of trainings on the operation of the banking and financial services market.
The company holds shares of KBC TFI, which account for 39.6 % of shares and votes at the General Meeting of Shareholders of the company.

Kredyt International Finance B.V.

As at 30.06.2005, the share capital of Kredyt International Finance B.V. (KIF) amounted to EUR 18,000.
The Company was registered on 14 February 2001 to effect and service the issue of bonds in EUR on foreign markets. KIF B.V. also pursues business activities related to the sourcing of financial resources for Kredyt Bank S.A. Capital Group on foreign markets.
In 2001, the Company effected abroad the public offer of bonds in EUR with a 3-year redemption term. The bonds worth EUR 150 million were redeemed on 29.03.2004.
In 2002, the Company entered into three loan agreements with KBC Bank NV Dublin Branch, guaranteed by Kredyt Bank S.A. On 7.01.2005, KIF B.V. repaid, before the maturity date, the portion of the loan of EUR 150 million out of the total loan amount of EUR 180 million. CHF KIF B.V. repaid the remaining portion, i.e. EUR 30 million, and the total loan of EUR 200 million, on 7.07.2005.

Powszechne Towarzystwo Emerytalne Kredyt Bank S.A.

As at 30.06.2005, the share capital of Powszechne Towarzystwo Emerytalne Kredyt Bank S.A. (PTE KB S.A.) amounted to PLN 37,400 thousand.
Formation and non-gratuitous management of Otwarty Fundusz Emerytalny Kredyt Bank S.A. [Kredyt Bank Open Pension Fund] and its representation vis-a-vis third parties are the objects of activities of PTE KB S.A. On 1 October 2004, the Extraordinary General Meeting of Shareholders of PTE KB S.A. decided to dissolve the company (to open the winding-up procedure).

At present, the companies described below do not operate.

BFI Serwis Sp. z o.o.

As at 30.06.2005, the share capital of the company amounted to PLN 19,250 thousand.

The company is mainly involved in providing financial intermediation and consulting services.

Net Banking Sp.z o.o.

As at 30.06.2005, the share capital of the company amounted to PLN 1,425 thousand.
Objects of the Company's activities are: software, data processing and activities related to databases as well as the sale of services related to hardware and telecommunication equipment.

Victoria Development Sp. z o.o.

As at 30.06.2005, the share capital of the company amounted to PLN 6,466 thousand.
Construction and real estate administration are the objects of activities of Victoria Development Sp. z o.o.
In December 2004, the company disposed of the building in ul. Giełdowa 7/9.

KB Zarządzania Aktywami S.A.

The share capital of KB Zarządzanie Aktywami S.A. as at 30.06.2005, was at the level of PLN 15,012 thousand.
Management of the customer's assets upon order and brokerage services are the objects of activities of the company.

Inwestia Sp. z o.o.

As at 30.06.2005, the company's share capital was at the level of PLN 1,751 thousand.
The company is involved in the provision of financial intermediation services (except for granting loans), performing transactions on financial markets upon order, and financial consulting.

Lizar Sp. z o.o.

The share capital of Lizar Sp. z o.o. as at 30.06.2005 amounted to PLN 50 thousand.
The company is involved in the lease, rental and leasing of real estate.

3. The Group's financial standing

3.1. Income statement

The Group's gross profit in the first half of 2005 amounted to PLN 196,973 thousand, while gross profit generated in the first half of 2004 was equal to PLN 20,962 thousand.

In accumulated terms, the Group's net profit for the first half of 2005 amounted to PLN 233,161 thousand. The following factors exerted an impact on the significant improvement of the financial result as compared to the analogous period in 2004:

- growing business activity in the corporate and retail banking segments as observed over the last months following a profound restructuring processes;
- continuous mitigation of credit risk supported by efficient restructuring and debt collection activities;
- continuation of the effective operational expenses management by the Group.

The critical items from the income statement, in comparable periods, have been presented below:

Income

in '000 PLN

Specification	**First half of 2005**	**First half of 2004**
Net interest income	364 463	344 315
Net fee and commission income	139 938	234 633
Net result on trading and investment activities (including dividend income)	69 291	61 553
Net result on other operating activities	11 235	-1 539
Total income	584 927	638 962

Expenses

Specification	**First half of 2005**	**First half of 2004**
Operating (overhead) costs including depreciation	-437 096	-539 319
Net impairment charges on loan receivables and other assets	48 741	-78 682
Total expenses	-388 355	-618 001

Tax

Specification	**First half of 2005**	**First half of 2004**
Income tax	35 214	-9 249

Net interest income generated by the Group in the first half of 2005 amounted to PLN 364,463 thousand and was higher than the interest income generated in the comparable period of 2004 by 6%, as a result of an increased volume of customers' funds, an increase of working assets share and fluctuating market interest rates among others.

Net fee and commission income amounted to PLN 139,938 thousand and was by 40% lower in comparison to the first half of the previous year. The lower profit from fees and commissions is a consequence of adopting by the Group (from 01.01.2005 on) the effective interest rate method to measure financial assets and liabilities recognized at amortized cost without the restatement of comparable data, which conforms to IFRS 1. The fees and commissions received in cash are withdrawn from income from fees and commissions and settled as interest income with the effective interest rate of contracts. Retail loans as well as long-term mortgage loans are the largest portion of fees and commissions settled with the effective interest rate method.

Net result on trading and investment activities (including dividend income) in the first half of 2005 amounted to PLN 69,291 thousand thus exceeding, by ca. 13%, the result for the same period of 2004. It was generated owing to the extension of market activities conducted in the situation of significant fluctuations of the foreign currency exchange rates.

In the first half of 2005, operating (overhead) costs including depreciation amounted to PLN 437,096 thousand and were down by 19% in comparison to the first half of 2004. The main areas, in which the Group's savings were the most significant, are as follows: operation of IT and telecommunication systems, supplies of materials and selection of the service providers.
Lower staff expenses were connected with the implementation of the Bank's restructuring process and the changes resulting from it in respect of the Bank's human resources policy. Under the said policy, the main emphasis was placed on strengthening sales divisions, centralizing certain functions as well as optimizing the employment in the area of back office and support for business units. As of the end of the first half of 2005, the employment at the Bank was at the level of 5,548 FTEs, which in comparison with the same period of the last year, denotes a decline in employment by 414 FTEs altogether.

In the first half of 2005, the Group recorded a positive impact of net impairment charges on loan receivables and other assets on the income statement. It amounted to PLN 48,741 thousand, while in the comparable period of the last year, this impact was negative and amounted to PLN 78,682 thousand. The achieved result is an effect of systematically reduced level of credit risk in the Group, successful implementation of the restructuring program of non-performing receivables portfolio as well as new principles of measuring provisions based on the identification and measurement of impairment of individual credit exposures and portfolios of receivables pursuant to IAS 39.

Cost/income ratio (CIR) at the end of the first half of 2005 remained at the level of 74.7%, which signifies an improvement by 9.7 p.p. against the comparable quarter of the previous year.

The positive trend in the operating income generated by the Bank indicates an increasing probability of settling tax losses retained in previous years. Therefore, the Bank, as of 30 June 2005, recognized the deferred tax asset amounting to PLN 41,708 thousand, which was directly reflected in the Group's net result for the first half of 2005.

3.2. Group's assets and liabilities

Selected balance sheet figures (in '000 PLN)

	30.06.2005 *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
Balance sheet total	20 931 540	21 024 212	23 472 932
Gross receivables from customers*	13 588 918	14 066 472	16 117 082
including: irregular receivables	3 944 694	4 247 281	4 948 691
Financial assets**	5 252 529	4 470 631	4 560 375
Customer deposits*	14 069 106	13 889 963	15 360 471
Equity per shareholder	1 515 642	1 517 088	1 318 475

* net of interest

** Financial assets are the aggregate of the "Financial assets measured at fair value through the profit and loss account, including held-for-trading financial assets" and "Investment securities" categories.

The decrease in the balance sheet total of Kredyt Bank S.A. Capital Group as at 30.06.2005 as compared to the analogous period in 2004 is a result of the following factors and circumstances:

- a change in the presentation of assets resulting from the Bank's obligation to report its results, from the beginning of 2005 on, pursuant to the International Financial Reporting Standards (including the compensating of qualified interest, adjustments related to the application of the effective interest rate in the measurement of assets, the recognition of the provision for general risk in assets in 2004 and the provision for the portfolio impairment in 2005);
- a change in the consolidation scope (disposal of Kredyt Bank Ukraina S.A.);
- a disposal of the Vilnius Brach and the Brokerage House of Kredyt Bank S.A.;
- a repayment of loans borrowed at arm's length from KBC Bank NV Dublin Branch by Kredyt International Finance BV, the Bank's subsidiary.

The Group effectively continues the process of decreasing the portfolio of irregular receivables through efficient restructuring and debt collection activities carried out on the basis of new organizational and procedural solutions, implemented in the previous year, what also results in the drop in gross receivables from customers. When comparing the value of irregular receivables as at 30.06.2005 and as at 31.12.2004, one may observe the persistence of the downward trend – an over 7-percent drop, and by over 20% as compared to the first half of 2004. As a result, the ratio of the quality of the Group's gross receivables portfolio enhanced in the first half of 2005 by 1.2 p.p., and by 1.7 p.p. over 12 months.

The Group, when estimating credit risk related to individual credit exposures as well as the receivables portfolios, applies the imperative prudence principle. The ratio of impairment losses to irregular receivables increased by 11.4 p.p. over the last 12 months and as of 30 June 2005, the value of this ratio was among the highest in the sector.

	30.06.2005 *unaudited*	**31.12.2004**	**30.06.2004** *unaudited*
Gross receivables from customers * (net of interest)	13 588 918	14 066 472	16 117 082
Regular receivables	9 644 224	9 819 191	11 168 391
Irregular receivables	3 944 694	4 247 281	4 948 691
Interest	55 043	39 480	45 652
Total gross receivables from customers	13 643 961	14 105 952	16 162 734
Impairment charges for receivables from customers, including:	2 809 737	2 740 428	2 926 774
Impairment charge for irregular receivables	2 732 658	2 688 175	2 865 502
Total net receivables from customers	10 834 224	11 365 524	13 235 960
Irregular receivables to gross receivables ratio	29.0%	30.2%	30.7%
Irregular receivables to provisions ratio	69.3%	63.3%	57.9%

* excluding banks

The drop in gross receivables from customers was also affected by significant fluctuations of exchange rates, mainly related to EUR and USD exchange rates in June 2005, as compared to June 2004.

Average NBP rates of exchange

	30.06.2005	**31.12.2004**	**30.06.2004**
EUR	4.0401	4.0790	4.5422
USD	3.3461	2.9904	3.7470
CHF	2.6072	2.6421	2.9726

As compared to 31.12.2004, the value of deposits as at 30.06.2005 slightly increased (by over 1%). This relatively slow growth of deposits is related to the general slow progress on the labour market and the low income of households, as well as to the seasonal nature of the operation of particular market segments in the case of corporate deposits (e.g. public sector enterprises).

In addition, as a result of the expansion of the retail products portfolio, the share of investment funds in the structure of deposits of the Bank's customers is rapidly growing. As at 30.06. 2005, as compared to the first half of 2004, the share of Kredyt Bank S.A. in the investment funds market doubled (from 1.1% to 2.1%), what is mainly the result of the cooperation between KBC and Warta S.A. in the sale of new, attractive products (the assets of investments funds grew by 138% p.a.).

3.3. Ratings

On 24 March 2005, Fitch Ratings agency increased the perspective of the long-term rating of Kredyt Bank S.A. from stable to positive.

Today, Kredyt Bank is rated as follows:

- Long-term rating - "A"
- Short-term rating - "F1"
- Support rating - "1"
- Individual rating - "D/E"

3.4. The Group's financial ratios

At the end of the first half of 2005, ROE for KB S.A. Group was at the level of 34 %, and ROA 4 %. A significant increase in the net profit is the main factor affecting the improvement of the ratios.

	30.06.2005 *unaudited*	**30.06.2004** *unaudited*
ROE (net profit/loss/shareholders' equity)	30.8 %	2.1 %
ROA (net profit/loss/total assets)	2.2 %	0.1 %
CIR	74.7 %	84.4 %
Capital adequacy ratio	14.5 %	13.5 %

*) annualized ratios

**) ratios calculated on the basis of average assets and shareholders' equity

The optimization and reduction in the operating expenses allow the Bank to systematically upgrade the CIR ratio. At the end of 2005, the operating expenses to operating net income ratio increased, as compared to the first half of 2004, by 9.7 p.p. to 74.7 %.

The capital adequacy ratio of Kredyt Bank S.A., as at the end of the first half of 2005, was safe and amounted to 14.5 %; at the end of the first half of 2004, it added up to 13.5 %.

4. The Group's operations in the first half of 2005

The composition of the Management and Supervisory Boards of Kredyt Bank S.A in the first half of 2005 changed.

Kredyt Bank S.A. continues to modify and customize its product offer in response to changes in customers' expectations. In the first half of 2005, the product offer addressed to both individual and institutional customers was expanded.

Corporate banking

In the first half of 2005, the Bank continued implementation of the adopted strategic targets and expanded the sale of products and services addressed to corporate customers, by introducing new organizational structure and modifications towards the end of 2004 and at the beginning of 2005, and by enhancing the product offer. As a result, in the first half of 2005, the number of corporate customers increased.

- The value of deposits made by corporate customers increased due to the offer of attractive deposit and investment products.
- Since the beginning of 2005, the Bank strengthens its position among the players of the foreign exchange and interest rates market, offering to its customers, in cooperation with KBC, a number of new solutions (interest rate derivatives). The financial risk hedging products are among the key areas of the increase in the Bank's income in 2005.
- Cooperation with the banks from KBC and IBOS groups was established through the intensification of the activities of „European Desk" office, whose objective is to win new customers – Polish companies effecting goods traffic with European contractors and starting-up foreign investors. The customers are offered services of cross-border electronic banking, clearings and settlements, and cash management.
- The Bank assists companies in the process of obtaining EU grants.by, among others, offering financial servicing of loan commitments and investment loans adjusted to the requirements of the EU programmes.

The result of the segment also discloses the result of the effective debt collection with regard to a number of significant loan receivables.

Retail and SME banking

In the first half of 2005, the Bank continued its efforts aimed at taking optimum advantage of the continuously expanded sales potential. In order to increase market attractiveness of the Bank's products and services, certain changes, advantageous for the customers, were introduced with respect to the offered loans and deposits as well as the applied servicing procedures. The Bank's most noticeable accomplishments in this area are presented below:

- The sale of retail loans via Żagiel S.A. in the first half of 2005 remained at a stable level; the total value of new installment loans and cash loans in the first half of 2005 amounted to over PLN 800 million. In order to further expand the activities and attract new customers, the following was accomplished:

- mortgage loans and mortgage credits were included in the product offer of Żagiel S.A.;
- under the cross-selling strategy carried out in co-operation with Warta S.A., a significant progress was recorded in the sale of life insurance policies to the customers borrowing installment loans via Żagiel S.A.: within the last 12 months, the number of loan agreements increased up to 282 thousand.

- In the first half of 2005, the Bank granted over 3,000 mortgage loans for the total amount of PLN 220 million; the most rapid growth (by ca. 30%) was recorded for loans granted in CHF.
- Deposit offer for individual customers is still being expanded. Deposits on the Savings Account, which is one of the basic depositary products, grow on a continuous basis; in the first half of 2005, the value of new deposits amounted to over PLN 800 million, while the number of opened Accounts grew 2.5 times in comparison with the same period of the previous year. In the first half of 2005, 24,000 new current accounts were opened.
- Since the beginning of 2005, the Bank has been recording a further increase in the customers' activeness in regard to transactions effected with payment cards and in the sale of credit cards. At end of June 2005, the number of credit cards almost tripled in comparison with the sales recorded at the end of June 2004. In response to the customers' needs, the Bank continues to expand its offer and provide new credit cards.
- From 1 May 2005, the Bank launched an expanded network of 1800 ATMs to the holders of Ekstrakonto current accounts, where the customers may withdraw money without commission. Apart from the devices of independent operators, the Bank's customers were granted free access to the ATM network, stipulated by a contract, composed of the ATMs of Kredyt Bank as well as of a few other banks. This is the second-largest ATM network in Poland, what contributes significantly to the increase in competitiveness of the Bank's offer.
- In the first half of 2005, the Group recorded good results with respect to investment funds management. Assets were growing both in the segment of capital guaranteed funds and open-end investment funds.
- In the first half of 2005, the number of customers in the SME segment grew by nearly 3,000;
- Bearing in mind that, in the second quarter of 2005, KBC Securities launched its operation, the Bank added Corporate Finance products to its offer and provides advisory services, services related to public offers, mergers, take-overs as well as seeking investors. This is one of the most challenging development areas, especially for the SME segment, which is one of the key target markets for Kredyt Bank as well as KBC Group in Poland.
- Under the cross-selling strategy implemented in co-operation with Warta S.A. as well as other entities from KBC Group operating on the Polish market, the Bank, in the first half of 2005, continued to develop the related product offer. On 1 August 2005, the first outlet launched its operations; it is implementing the idea of „one-stop-shop" sale of financial products. This outlet offers complete banking and insurance services to all customers – individual, SME and corporate clients. KBC Securities offer comprises all services connected with the securities trading on the

derivatives market. Furthermore, the customers may acquire shares in investment funds of KBC TFI.

Investment Segment

In the first half of 2005, the Bank continued its activities aimed at ordering and maximizing the effects of the Group's activity.

- On 18 January 2005, Kredyt Bank S.A. disposed of its whole stake in Wolny Obszar Gospodarczy S.A. The profit from the transaction amounted to PLN 786.2 thousand.
- On 31 March 2005, the conditional contract of the sale of an organized portion of the enterprise in the form of Inwestycyjny Dom Maklerski S.A. to KBC Securities N.V., Brussels, Belgium (the company for which KBC Bank N.V. is a parent company) was performed. This transaction exerts a neutral impact upon the results of Kredyt Bank S.A. Brokerage activities, so far performed by the Brokerage House of Kredyt Bank S.A., will be continued and developed by the Polish branch of KBC Securities.
- The Bank disposed of all its shares in Solaris Bus and Coach Sp. z o.o., accounting for 82.32% of shares in the capital and votes at the Company's General Meeting of Shareholders.
- KBC TFI S.A., with its assets in investment funds of PLN 1.7 billion, is ranked among 10 largest investment funds societies in Poland, what means that KBC TFI S.A., as of 30 June 2005, reported a 3.75 percent share in the investment funds market. As of the end of the first half of 2005, KBC TFI S.A. managed 14 investment funds:
  - 5 open-end investment funds (KB Pieniądz FIO, WARTA Papierów Dłużnych FIO, KB Obligacja FIO, WARTA Trzeciofilarowy Zrównoważony FIO and KB Zrównoważony FIO);
  - 3 specialist open-end investment funds (ALFA SFIO, BETA SFIO, GAMMA SFIO);
  - 1 close-end investment fund investing in foreign investment funds denominated in the US dollar (KBC Dolar FIZ);
  - 5 capital guaranteed funds (KB Kapitał Plus FIZ, KB Kapitał Plus II FIZ, KB Kapitał Plus III FIZ, KB Klik Europa FIZ and KB Klik Ameryka FIZ).
- KBC TFI S.A. remains the leader on the Polish market of capital guaranteed funds. A dynamic growth of assets is a result of the attractive features of the product: full protection of the capital invested, a possibility of generating a high rate of return. Subsequent funds are systematically added to the offer of KBC TFI.

The companies of KB S.A. Capital Group, as at 30.06.2005, did not issue, redeem or repay any debt or equity securities.

Cash management

In the first quarter of 2005, the Bank restructured long-term portfolios of debt securities due to the reclassification of the financial instruments portfolios associated with the first time adoption of IAS/IFRS in the Group. As a result, the Bank disposed of a part of the securities and acquired instead, without an increase in the exposure to interest rate risk, securities offering higher interest income. Profit from sale of PLN 15.7 milion was an additional result of these transactions.

Electronic distribution channels

The number of users of electronic distribution channels is steadily growing. At the end of June 2005, the number of KB24 users amounted to 152 thousand. Among KB24 users, individual customers account for over 80%, while SME users account for 19%.

Kredyt Bank changed its website graphics. The aim of the change was the presentation of the information service and the Bank's offer in a more interesting and dynamic manner. New organization and creation of KB internet services were introduced. The navigation of the new website was adjusted to the needs and preferences of customers taking advantage of www services. The new service is in friendly colours which stress the division of groups of customers into separate segments. Links to the KB24 transaction service and to the websites of KBC, the bank's major shareholder, and to Warta, its business partner, are now available on the website. A simple, intuitive navigation outlay, clear menu and browsers facilitate information search.

Since July 2005, KB24 – an electronic banking system of Kredyt Bank – has been operating on a new hardware platform. The change of servers multiplied the speed and contributed to the increase in the quality of customer service. It will also allow for an increase in KB24 functionality.

The application of up-to-date solutions increased the performance of the internet banking and the speed of transactions. It will affect the quality of servicing transactions made via alternative access channels, i.e. electronic banking, call centers or ATMs. A three-tier security system was also introduced, to enhance the security of KB24 service. The new IT platform guarantees the top quality of services and the stability of the servers' operations.

Additionally, the Group's operations were affected by the following factors:

- On 25 April 2005, the Annual General Meeting of Shareholders of Kredyt Bank S.A. was held. The following resolutions were adopted:
  - on distribution of the 2004 net profit;
  - on allocation of the reserve capital and the general risk funds for the covering of retained losses from previous years;
  - on preparation of financial statements according to the International Accounting Standards;
  - on application of corporate governance in Kredyt Bank S.A. ("2005 Best Practices in Public Companies")
  - on appointment of the Bank's Supervisory Board for a new term of office.

  In particular, under the resolution of the General Meeting of Shareholders, the Bank's net profit for 2004 amounting to PLN 185,175,947.94 was allocated for the covering of the loss retained from previous years.

  In addition, the General Meeting of Shareholders decided to cover the remaining portion of the retained loss with the reserve capital (PLN 350,909,843.19) and the general risk funds (PLN 52,836,862.87).

- On 7 January 2005, Kredyt International Finance B.V., the Netherlands – a wholy-owned subsidiary of Kredyt Bank S.A. – repaid, before due date, the portion the loan of EUR 150 million out of the total loan amount of EUR 180 million; the loan was granted in October 2002 by KBC Bank NV Dublin Branch. As a result of the transaction, Kredyt Bank S.A. decreased the amount of the collateral securing the loan.

- On 18 January 2005, Kredyt Bank S.A. disposed of its whole stake in Wolny Obszar Gospodarczy S.A., i.e. 49.95% of shares in capital and votes at the General Meeting of Shareholders of the company, to companies from outside the Capital Group.

- On 18 February 2005, the conditional contract of the sale of an organized portion of the enterprise in the form of Inwestycyjny Dom Maklerski Kredyt Bank S.A. was signed. The parties to the contract are: KBC Securities NV, Brussels, Belgium and Kredyt Bank S.A. The value of the transaction added up to PLN 10,922,346 and was neutral in terms of the Bank's results.

- Execution of the contract of the sale of an organized portion of the enterprise in the form of Inwestycyjny Dom Maklerski Kredyt Bank S.A. is another element of the Bank's strategy which assumes, among others, focusing of the Bank's efforts on the effective banking activities on the Polish market. Brokerage activities, so far performed by the Brokerage House of Kredyt Bank S.A., will be continued and developed in the Polish branch of KBC Securities.
  On 31 March 2005, the conditional contract of the sale of an organized portion of the enterprise in the form of Inwestycyjny Dom Maklerski Kredyt Bank S.A. was performed.
- On 28 April 2005, Kredyt Bank S.A. disposed of all its shares in Solaris Bus and Coach Sp. z o.o., accounting for 82.32 % of shares in the capital and votes at the Company's General Meeting of Shareholders.
- On 1 July 2005, the Management Board of KB S.A. informed that KB S.A. had acquired from Centralny Fundusz Inwestycyjny Sp. z o.o., 15,300 shares of Korporacja Budowlana Inwestycje Sp. z o.o., i.e. 40.37 % of shares in the capital and votes at the Company's General Meeting of Shareholders.

4.1. Awards

Kredyt Bank was awarded "Alicja" title by *Twój Styl* monthly. The Bank was honoured with a special consumer award for microprocessor-based cards.
Kredyt Bank was granted the "Alicja" title for the second time. Earlier, the bank received this award for financial services offered to young people. This award is granted for innovative solutions and services friendly for the society and the households. The verdicts of an impartial jury foster the trust of the society in the banking system, financial institutions and money.

Kredyt Bank was also awarded, for the third time, the Godło Promocyjne "Bank przyjazny dla przedsiębiorców" title ["Bank Friendly towards Entrepreneurs" Promotional Title]. In the 6th edition of the contest, eight KB branches were also awarded (in Gdańsk, Łódź, Warsaw, among others) with the "Złoty Oddział" [Golden Branch] titles. The award was granted to the Bank for the availability and high quality of services for SME customers.

The jury focused on the role of the bank as an institution supporting SMEs in the application process for EU grants.
This annual contest is to promote higher quality of cooperation standards between banks and SMEs. The organizers – the Polish Chamber of Commerce, the Polish-American Consulting Foundation for SMEs and the Warsaw Banking Institute – honour banks which facilitate an access of companies from the SME sector to the sources of banking finance.
Ekstrabiznes account of Kredyt Bank was ranked first in the ranking published by *Rzeczpospolita* daily. It proved to be the best offer for active SMEs. Ekstrabiznes, a package for SMEs, prepared by Kredyt Bank was considered, by *Rzeczpospolita* daily, the best account for active customers. Its attractiveness lies in low fees for basic operations (transfers) and the possibility of free cash withdrawal and payment acknowledgement. In addition, a multi-channel access, services of an advisor and free insurance are the advantages of the account.

4.2. Risk management in the Group's parent company

The aim of risk management is to maximize the financial result of the Parent Company and at the same time to reduce and diversify the operating risk. As recommended by the Basel Committee, the critical role in the risk management process is played by the governing bodies of the Parent Company: the Supervisory Board and the Management Board of the Bank as well as specialized risk committees empowered by the Management Board.
The description of the responsibilities of particular committees and of the techniques of identification, measurement and management of particular risks (interest rate risk, currency risk, capital market risk, liquidity risk, operating risk, credit risk) applied in the Parent Company is presented in Section 59 of the Notes to the consolidated financial statements of the Capital Group of Kredyt Bank S.A. for the first half of 2005.

4.3. Related party transactions

Related party transactions were presented in Section 22 of the financial statements of Kredyt Bank S.A. for the first half of 2005.

4.4. Dividend policy

The policy on dividends was presented in Section 14 of the financial statements of Kredyt Bank S.A. for the first half of 2005.

4.5. The Management and Supervisory Boards in the Parent Company of the Group

4.5.1. Changes in the composition of the Management and Supervisory Boards of the Parent Company in the first half of 2005

On 9 February 2005, the Supervisory Board of Kredyt Bank S.A. appointed, as of 1 March 2005, Mr. Ronald Richardson for the position of the Vice President of the Bank's Management Board. On 8 June 2005, the Commission for Banking Supervision expressed its consent to the appointment of Mr. Ronald Richardson for the position of the President of the Management Board of Kredyt Bank S.A.

Under the resolution of the Supervisory Board of 31.03.2005, from the date of the approval, Mr. Ronald Richardson performs the function of the President of the Bank's Management Board.
Ms. Małgorzata Kroker-Jachiewicz, the previous President of the Bank's Management Board, remained a member of the Board as its Vice President.
On 9 February 2005, the Supervisory Board of Kredyt Bank S.A. appointed, as of 1 March 2005, Mr. Krzysztof Kokot for the position of the Vice President of the Bank's Management Board.
The Supervisory Board also accepted the resignation of Mr. Fedele Di Maggio from the position of the Vice President of the Bank's Management Board. Mr. Fedele Di Maggio was entrusted with other duties in KBC Group.
As at 30 June 2005, the Management Board of Kredyt Bank S.A. was composed of:

Mr. Ronald Richardson	- President of the Management Board, CEO
Mr. Krzysztof Kokot	- Vice President of the Management Board, Vice CEO
Ms. Małgorzata Kroker-Jachiewicz	- Vice President of the Management Board, Vice CEO
Mr. Guy Libot	- Vice President of the Management Board, Vice CEO
Mr. Bohdan Mierzwiński	- Vice President of the Management Board, Vice CEO

On 9 February 2005, in respect to the resignation by Mr. Dirk Mampaey from his position in the Supervisory Board of Kredyt Bank S.A., Ms. Rita Docx was appointed a member of the Supervisory Board.
As at 30 June 2005, the Supervisory Board of Kredyt Bank S.A. was composed of:

Mr. Andrzej Witkowski	– Chairman
Mr. André Bergen	– Member
Mr. Marko Voljć	– Member
Mr. Francoise Florquin	– Member
Mr. Feliks Kulikowski	– Member
Ms. Rita Docx	– Member
Mr. Marek Michałowski	– Member
Mr. Adam Noga	– Member
Mr. Józef Toczek	– Member

4.5.2. Remunerations of members of the Supervisory Board and the Management Board of Kredyt Bank S.A.

In the first half of 2005, the total value of the remuneration received by members of the Bank' Management Board amounted to PLN 4,717 thousand. The remuneration included: short-term employee benefits, benefits paid following the termination of employment and benefits related to the termination of employment.
In the first half of 2005, the total value of the remuneration received by members of the Bank's Supervisory Board amounted to PLN 901 thousand.
In the first half of 2005, the total value of the remuneration received by members of the Bank's Management Board and the Supervisory Board amounted to PLN 5,618 thousand. In the first half of 2004, the total value of the remuneration received by members of the Bank's Management Board and the Supervisory Board amounted to PLN 3,275 thousand.

In the first half of 2005, the total value of the remuneration in the Group's companies paid to members of the Management Boards and the Supervisory Boards amounted to PLN 713 thousand; and in the first half of 2004, to PLN 4,575 thousand. A significant difference in value is a result of the consolidation of a smaller number of companies.

4.6. The Capital Group's development policy

In the first half of 2005, the restructuring plan for the Bank and the Capital Group was continued. Its objective is to create new conditions for effective fulfillment of the Bank's mission consisting in satisfying, in a professional and modern manner, customers' needs, having regard for the security of depositors and the constant growth of the Bank's value for its shareholders.
The investment plans to be implemented in future periods are mainly focused on further, concentrated development of both retail banking and corporate banking.
The Bank strives to improve the situation in terms of the sale and the expansion of the Bank's and the Group's operations. The activities in the Bank will focus, to a greater extent, on the improvement in the use of the existing sales infrastructure and its expansion. One of the major factors that should make it possible is the change of the Kredyt Bank's logo. Kredyt Bank and Warta, in early September, introduced a new corporate visualization and similar logotypes, with their coloring and graphics referring to Belgian KBC Group - their common shareholder. The change is accompanied by a process of standardizing interiors of the outlets and promotion of the Bank's image.
The new visualization and logo emphasize the close co-operation and membership of the Bank and the insurer in the international structure of KBC Group. The Group will become more recognizable and this will also allow for maximizing the synergy effect.
The companies will develop bancassurance and escalate their activities in order to create the most dynamic banking and insurance group in Poland. Both companies are natural partners – their services and products are complementary and constitute a full offer for customers. Due to the close cooperation, the companies will retain their individual identities and develop own product and distribution channels, addressing their offers to individual customers, SMEs and large corporations.
Kredyt Bank and Warta expand their offers following the experience and expertise of the common shareholder. The actions will be reflected in benefits for customers – a more attractive offer, in terms of products and prices, loyalty programmes and an easier access to products of both companies, what means a better implementation of the "one-stop-shop" concept.
In terms of human resources management, the Group will continue the policy of striving for the high quality of the staff at all organizational levels.

4.7. Corporate governance

Since January 2005, the Group has been bound by the corporate governance rules, adopted by the Stock Exchange, but modified as compared to the 2002 version, for public companies admitted to stock exchange trading set forth in "The 2005 Best Practices in Public Companies".

According to the Warsaw Stock Exchange guidelines stipulating that the statements of the companies on the observance of corporate governance should be approved by the General Meeting of Shareholders, on 25 April 2005, under Resolution No. 26, the General Meeting of Shareholders of

Kredyt Bank S.A. adopted and obliged the company to observe corporate governance – "The 2005 Best Practices in Public Companies" approved by the Resolution of the Stock Exchange Board No. 44/1062/2004 of 15 December 2004.

The key assumptions of corporate governance are as follows:

- best practices of General Meetings of Shareholders;
- best practices of Supervisory Boards;
- best practices of Management Boards;
- best practices in relations with third parties and third party institutions.

In the current report of 1 July 2005, the Management Board of Kredyt Bank S.A. submitted to the Warsaw Stock Exchange, the scope and contents of the corporate governance rules and regulations applied by the Bank and set forth in the Resolution of the General Meeting of Shareholders of Kredyt Bank S.A. of 25 April 2005.

Under the corporate governance rules, the Bank adopted the By-laws of the Management Board and of the Supervisory Board and the By-laws of the General Meeting of Shareholders of the Bank. In addition, the Bank, implementing the corporate governance rules, presents stock exchange reports, current reports, basic internal by-laws and regulations and other information on its website, in the section of investor relations.

As assumed in the policy on implementation of the compliance function, i.e. the compliance with law, recommendations and guidelines of the National Bank of Poland, of the Commission for Banking Supervision, of the Minister of Finance, of the Securities and Exchange Commission, of the General Inspector of Banking Supervision and internal by-laws, adopted by the Management Board of Kredyt Bank S.A., from 30.07.2004, the Bank must comply with „The Code of Ethics for Employees of Kredyt Bank S.A."

The ethics rules set forth in the Code arise from the general moral standards and are basic guidelines to be observed by the Bank's employees performing their tasks, i.e. honesty, loyalty, professionalism, reliability and due diligence. Each employee is obliged to make every effort and show initiative to continue to improve the quality of the customer service in the Bank.

The Ethics, Procedures and Control Unit operates within the Compliance Department. Its scope of responsibilities includes, among others, supervising the observance of the financial ethics rules, conducting explanatory and control proceedings and cooperating with the ethics department of the Bank's major shareholder.

5. Post-balance sheet events which exert a major impact upon the operations and the financial result of the Group.

The events after the balance sheet date exerting an impact upon the operations and the financial result of the Group were presented in Section 54 of the Notes to the consolidated financial statements of the Capital Group of Kredyt Bank S.A. for the first half of 2005.

6. Statement of the Management Board

Under Article 101.1.4 and Article 101.1.5 of the Regulation by the Polish Council of Ministers of 21.03.2005 on current and interim information provided by issuers of securities (Journal of Laws of 25.03.2005, No. 49, item 463), the Management Board of Kredyt Bank S.A. hereby declares as follows:

6.1. True and fair view presented in the financial statements

According to the best knowledge of the Management Board of Kredyt Bank S.A., the mid-year consolidated financial statements of Kredyt Bank S.A. Capital Group and the standalone mid-year financial statements of Kredyt Bank S.A. covering the period from 1.01.2005 to 30.06.2005 along with the comparable data, were prepared according to the accounting principles in force and present a true and fair view of the financial standing and assets of Kredyt Bank S.A. Capital Group as well as of its financial result. In addition, the Management Board of Kredyt Bank S.A. hereby declares that the mid-year Management Board's report presents the true picture of the development and accomplishments, as well as the situation (including the description of basic risks and threats) of Kredyt Bank S.A. Capital Group in the first half of 2005.

6.2. Appointment of the certified auditor for financial statements

The Management Board of Kredyt Bank S.A. hereby declares that the certified auditor to be appointed to audit the mid-year consolidated financial statements of Kredyt Bank S.A. Capital Group as at 30.06.2005 was designated as required by law. This entity and certified auditors performing the audit complied with the conditions on the issue of impartial and independent audit report, as required by the Polish law.

Signatures of all Management Board members

Date 05.09.2005	Ronald Richardson	President of the Management Board	....
Date 05.09.2005	Krzysztof Kokot	Vice-President of the Management Board	....
Date 05.09.2005	Małgorzata Kroker-Jachiewicz	Vice-President of the Management Board	....
Date 05.09.2005	Guy Libot	Vice-President of the Management Board	....
Date 05.09.2005	Bohdan Mierzwiński	Vice-President of the Management Board	....