

## **Additional Information to Quarterly Report of Fortis Bank Polska S.A. for the first quarter of 2006 (1Q)**

(under Article 91 para. 3 and 4 of the Ministry of Finance Ordinance dated October 19, 2005  
– Journal of Laws No. 209, item 1744)

### **1. Accounting principles adopted in the report.**

- 1.1. Fortis Bank Polska S.A. keeps its accounting records pursuant to the rules set out in:
  - 1.1.1. Accounting Act dated September 29, 1994 (*Journal of Laws* No. 76, item 694, of 2002 as amended);
  - 1.1.2. Ordinance of the Ministry of Finance dated December 12, 2001 (*Journal of Laws*, No 152, item 1727 of 2001);
  - 1.1.3. Act dated July 29, 2005 on Public Offering and Conditions of Financial Instruments Introduction into an Organized Trading System, and on Public Companies (*Journal of Laws* No. 184, item 1539);
  - 1.1.4. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Laws* No. 149 item 1673 as amended);
  - 1.1.5. Ordinance of the Ministry of Finance dated December 12, 2001, regarding special rules of recognition, measurement methods, the scope of disclosure and manner of presentation of financial instruments (*Journal of Laws* No. 149 item 1674 as amended);
  - 1.1.6. Ordinance of the Ministry of Finance dated December 10, 2003, regarding rules of creation of provisions for risk connected with operations of banks (*Journal of Laws* No. 218, item 2147).
- 1.2. A detailed description of the accounting policies applied by the Bank was presented in the Introduction to the 2005 Annual Report of Fortis Bank Polska SA published on April 12, 2006.
- 1.3. Financial data included in the quarterly report have been prepared using valuation rules applicable to assets and liabilities, and the calculation of the net financial profit/loss binding on the balance sheet day, taking into account the adjustments resulting from provisions, and deferred tax assets and liabilities, referred to in the Accounting Act, and write-downs for asset impairment.
- 1.4. For the purpose of financial reporting the Bank applies the Model Chart of Accounts implemented under the Ministry of Finance Ordinance dated December 12, 2001, regarding the bank model chart of accounts (*Journal of Laws* No. 152, item 1727). Due to the fact that the Bank's shares are admitted to trading on the official stock quotations market under the *Act on Public Offering and Conditions of Financial Instruments Introduction into an Organized Trading System, and on Public Companies*, the Bank's financial reporting is prepared also according to the Ministry of Finance Ordinance dated October 19, 2005, regarding current and periodical information submitted by issuers of securities (*Journal of Laws* No. 209, item 1744) and the Ministry of Finance Ordinance dated October 18, 2005 on the scope of information reported in financial statements and consolidated financial statements required in issue prospectuses from issuers that have their registered offices on the territory of the Republic of Poland and are subject to Polish accounting principles (*Journal of Laws* No. 209, item 1743).
- 1.5. Selected financial data included in this report have been converted into EUR, according to the following rules:
  - 1.5.1. Particular assets and liabilities of the balance sheet were converted into EUR at the NBP mid-rate announced on March 31, 2006, i.e. PLN 3.9357; whereas particular

items of the balance sheet assets and liabilities for the comparable data were converted into EUR at the NBP mid-rate announced on March 31, 2005, which amounted to PLN 4.0837;

- 1.5.2. Particular items in the profit and loss account and cash flows as at the end of the first quarter of 2006 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through March 2006, which amounted to PLN 3.8456, whereas particular items of the profit and loss account and cash flows for comparable data for as at the end of the first quarter of 2005 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through March 2005, which amounted to PLN 4.0153;
- 1.5.3. The following rates were applied in the currency conversion, according to the above mentioned rules:
  - rate as at the end of January 2006 - EUR/PLN 3.8285
  - rate as at the end of February 2006 - EUR/PLN 3.7726
  - rate as at the end of March 2006 - EUR/PLN 3.9357
  - rate as at the end of January 2005 - EUR/PLN 4.0503
  - rate as at the end of February 2005 - EUR/PLN 3.9119
  - rate as at the end of March 2005 - EUR/PLN 4.0837
- 1.6. The only controlled entity of the Bank is Fortis Securities Polska S.A. (FSP). Pursuant to Art. 58 of the Accounting Act, the Bank is not obligated to prepare consolidated financial statements, as the financial data of this subsidiary are immaterial for a reliable and transparent presentation of the property and financial situation and financial result of the Bank. As at the end of March 2006, the total assets of Fortis Securities Polska S.A. constituted 0.3% of the Bank's total assets, FSP total income made up 0.6% of the Bank's total income, while FSP net profit accounted for 1.1% of the Bank's net profit.
2. A type of collateral used by the Bank is the transfer of a specific amount to the Bank's account, whereas the Bank undertakes to return this amount upon repayment of the debt along with interests and fees due. This form of collateral is provided for in Art. 102 of the Banking Law Act dated August 29, 1997. As at March 31, 2006, the value of this type of collateral accepted by the Bank amounted to PLN 202,586 thousand and was recognized as "Due to the financial sector," "Due to the non-financial sector" and "Due to the budget sector" items of the balance sheet, which is a part of this quarterly report.
3. **The information about adjustments made on account of provisions, including deferred tax assets and liabilities, referred to in the Accounting Act:**
  - 3.1. As at March 31, 2006, the deferred income tax assets amounted to PLN 32,107 thousand, and deferred income tax liability totaled PLN 12,243 thousand. As at March 31, 2005, the corresponding amount of deferred income tax assets was PLN 31,703 thousand, and deferred tax liability amounted to PLN 12,480 thousand.
  - 3.2. The value of FSP SA shares is measured by the equity method. As a result of valuation, the Bank reported an increase of FSP share value, which was recognized in the profit and loss account as a 'share in a net profit/loss of subsidiaries measured by equity method' amounting to PLN 315 thousand, and also in the balance-sheet as the revaluation reserve capital increase by PLN 117 thousand.
  - 3.3. In the period from January through March 2005, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 5,199 thousand and PLN 495 thousand of the general risk reserve, to cover risks related to banking activity, including especially the credit activity. The creation of the general risk reserve is one of the stages of the Bank's preparation for the implementation of reporting compliant with the International Financial

Reporting Standards. Excluding the general risk reserve, at the end of the first quarter of 2006 the value of provisions created exceeded the value of provisions released by PLN 981 thousand.

4. In the first quarter of 2006, the Bank introduced no changes to accounting principles.
5. In order to ensure data comparability, the data as at March 31, 2005 have been transformed. Details regarding changes are presented in the table below:

**Balance sheet in PLN thousand**

Item	Data as at March 31, 2005 before reclassification	Change	Data as at March 31, 2005 made comparable	The change description
III. Receivables due from other financial institutions	1,212,178	(81)	1,212,097	Moving the effective commission value from item "Other accruals and deferred income".
2. Term	287,820	(81)	287,739	
IV. Receivables due from customers	3,626,899	(9,899)	3,617,000	
2. Term	2,679,625	(9,899)	2,669,726	
XII. Other securities and other financial assets	41,969	15,700	57,669	Presentation by sides of net result on not matured FX transactions, previously the item was recognized in the net value.
XV. Other assets	13,197	856	14,053	Change in the presentation of accounts regarding unsettled commissions, moving from item "Other prepayments and accrued income" to item "Other assets – other."
2. Other	13,192	856	14,048	
XVI. Prepayments and accrued income	36,640	(856)	35,784	
2. Other prepayments and accrued income	4,937	(856)	4,081	
<b>Total assets</b>	<b>5,528,631</b>	<b>5,720</b>	<b>5,534,351</b>	<b>X</b>
II. Due to other financial institutions	1,957,492	-	1,957,492	Change in the presentation of accounts regarding blockade accounts, moving from item "Current" to item "Term."
1. Current	644,112	(96)	644,016	
2. Term	1,313,380	96	1,313,476	
III. Due to customers	2,642,238	-	2,642,238	Change in the presentation of accounts regarding blockade accounts, moving from item "Current" to item "Term."
2. Others, including:	2,641,223	-	2,641,223	
a) current	1,306,177	(4,484)	1,301,693	
b) term	1,335,046	4,484	1,339,530	
VII. Other liabilities in respect of financial instruments	38,672	15,700	54,372	Presentation by sides of net result on not matured FX transactions, previously the item was recognized in the net value.
IX. Accruals and deferred income	135,082	(9,980)	125,102	Moving the effective commission value to receivables item: PLN 81 thousand to receivables due from other financial institutions; and PLN 9,899 thousand to receivables due from customers, accordingly.
3. Other accruals and deferred income	126,053	(9,980)	116,073	
<b>Total liabilities</b>	<b>5,528,631</b>	<b>5,720</b>	<b>5,534,351</b>	<b>X</b>

As at March 31, 2005, the capital adequacy ratio slightly decreased by 0.01% after making it comparable, and amounted to 12.06%.

The above changes did not affect the Bank's financial result as at March 31, 2005.

6. A brief description of the issuer's material accomplishments or failures occurred in the reporting period, with the specification of the most significant related events.

The main Bank's achievements in the first quarter of 2006:

Balance sheet items

- ✓ Growth of the credit portfolio from December 31, 2005 by about PLN 880 million i.e. 20 %;
- ✓ Improvement in the credit portfolio quality:
  - the value of non-performing receivables net of watch loans was lower by 12% than in the first quarter of 2005,
  - the share of non-performing loans in the entire credit portfolio diminished from 7.8% as at the end of March 2005 down to 4.8% as at the end of March 2006,
- ✓ balances on current accounts went up by 28%, and on term deposit accounts – by 31% since the end of March 2005,
- ✓ the book value per share rose by 7% from PLN 40.60 as at March 31, 2005 up to PLN 47.96 at the end of March 2006.

Changes in the selected items of the profit&loss account as compared to March 31, 2005:

- ✓ growth of net result on FX differences by 62%,
- ✓ growth of net result on financial transactions by 59%,
- ✓ growth of result on banking activity by 20% ,
- ✓ growth of other operating income by 61%,
- ✓ growth of operating profit by 42%
- ✓ growth of Bank's general expenses by 32%,
- ✓ growth of net profit by 41%,

ROE increased from 15.78% as at March 31, 2005 to 18.66% at the end of March 2006.

The most important factors affecting the achieved net profit for Quarter I of 2006.

The net profit for the first quarter of 2006 amounted to PLN 30,580 thousand and was higher by about 41% than the result earned in the first quarter of 2005. The result on banking activity grew by PLN 15,573 thousand, i.e. by 20% as compared to the first quarter of 2005 and amounted to PLN 91,776 thousand.

A good net profit on financial transactions of PLN 2,883 thousand, i.e. by 59% higher than reported as at March 31, 2005, was earned on transactions in derivatives.

In the first quarter of 2006, the net result on FX differences reached PLN 24,495 thousand and was higher by 62% than the result generated in the corresponding period of 2005 which as at March 31, 2005 stood at PLN 15,155 thousand.

**7. Description of factors and events, especially atypical ones, having a material effect on the financial results generated.**

In the first quarter of 2006, no atypical factors or events occurred in the Bank's activity that affected its financial results.

**8. Explanations regarding seasonal or periodical nature of the issuer's business in the reporting period.**

In the Bank's activity, there are no material seasonal or periodical events.

**9. Information regarding the issue, redemption and reimbursement of debt and capital securities.**

In the first quarter of 2006, there were no such transactions.

**10. Information regarding the dividend paid (or declared), in total and per one share, broken by ordinary and preference shares.**

The Board of Executives intends to recommend that Shareholders' Meeting should pay no dividend and allocate the entire 2005 net profit to increase the Bank's equity funds.

**11. Events that occurred following the date as of which the abbreviated quarterly financial**

statements were made, which were not included in such statements and which could have a material effect on the issuer's future results.

In the first quarter of 2006, no such events occurred.

**12. Results of changes in the structure of a business unit, including changes following a merger of business units, takeover or sale of capital group units, long-term investments, division, restructuring or discontinuation of business.**

In the first quarter of 2005, no such changes occurred.

**13. Information on changes to contingent liabilities or assets occurred in the period from the close of the last fiscal year.**

Changes to contingent liabilities and assets are presented in the table below:

	<b>31.03.2006</b> in PLN thousand	<b>31.12.2005</b> in PLN thousand
<b>I. Contingent liabilities and assets</b>	<b>3 607 708</b>	<b>3 414 158</b>
<b>1. Contingent liabilities granted:</b>	<b>2,695,779</b>	<b>2,519,246</b>
a) lending commitments	2,125,634	1,966,069
b) guarantees	570,145	553,177
<b>2. Contingent assets received:</b>	<b>911,929</b>	<b>894,912</b>
a) lending commitments	769,550	737,016
b) guarantees	142,379	157,896