

## **Additional Information to Quarterly Report of Fortis Bank Polska S.A. for the second quarter of 2006 (2Q)**

(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 June 30, 2006, i.e. PLN 4.0434; 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 June 30, 2005, which amounted to PLN 4.0401;

1.5.2. Particular items in the profit and loss account and cash flows as at the end of the second 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 June 2006, which amounted to PLN 3.8976, whereas particular items of the profit and loss account and cash flows for comparable data for as at the end of the second 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 June 2005, which amounted to PLN 4.0805;

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 April 2006 - EUR/PLN 3.8583
- rate as at the end of May 2006 -EUR/PLN 3.9472
- rate as at the end of June 2006 -EUR/PLN 4.0434
- 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
- rate as at the end of April 2005 - EUR/PLN 4.2756
- rate as at the end of May 2005 -EUR/PLN 4.1212
- rate as at the end of June 2005 - EUR/PLN 4.0401

1.6. The only controlled entity of the Bank is Fortis Private Investments Polska S.A. (formerly 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 June 2006, the total assets of Fortis Private Investments Polska S.A. constituted 0.2% of the Bank's total assets, FPI total income made up 0.01% of the Bank's total income, while FPI net profit accounted for 0.01% of the Bank's net profit.

2. A type of collateral used by the Bank is the transfer of a specified 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 June 30, 2006, the value of this type of collateral accepted by the Bank amounted to PLN 233,180 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 June 30, 2006, the deferred income tax assets amounted to PLN 34,603 thousand, and deferred income tax liability totalled PLN 11,132 thousand. As at June 30, 2005, the

corresponding amount of deferred income tax assets was PLN 31,538 thousand, and deferred tax liability amounted to PLN 10,236 thousand.

- 3.2. The value of FPI SA shares is measured by the equity method. As a result of valuation, the Bank reported an increase of FPI 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 461 thousand, and also in the balance-sheet as the revaluation reserve capital change by PLN 148 thousand.
- 3.3. In the second quarter of 2006, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 10,072 thousand and PLN 8,593 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 second quarter of 2006 the value of provisions created exceeded the value of provisions released by PLN 2,086 thousand.
4. **In the second quarter of 2006, the Bank introduced no changes to accounting principles.**
5. **In order to ensure data comparability, the data as at June 30, 2005 and as at December 31, 2005 have been transformed.** Details regarding changes are presented in the tables below:

**Balance sheet as at June 30, 2005 in PLN thousand**

Item	Data as at June 30, 2005 before reclassification	Change	Data as at June 30, 2005 made comparable	The change description
III. Receivables due from other financial institutions	1,232,063	145	1,232,208	Moving suspense transaction accounts from "Other assets – other" to "Receivables due from other financial institutions and Receivables due from customers"
1. Current	843,638	145	843,783	
IV. Receivables due from customers	3,755,022	120	3,755,142	
1. Current	789,606	120	789,726	
XII. Other securities and other financial assets	28,859	14,613	43,472	Presentation by sides of net result on not matured FX transactions, previously the item was recognized in the net value.
XV. Other assets	10,785	596	11,381	Change in the presentation of accounts regarding unsettled commissions, moving from item "Other prepayments and accrued income" to item "Other assets – other" – PLN 861 thousand; Moving suspense transaction accounts to "Receivables due from other financial institutions and Receivables due from customers" – amounts: (PLN 145 thousand), (PLN 120 thousand);
2. Other	10,780	861	11,376	
		(145)		
		(120)		
XVI. Prepayments and accrued income	35,950	(861)	35,089	
2. Other prepayments and accrued income	4,412	(861)	3,551	
<b>Total assets</b>	<b>5,542,192</b>	<b>14,613</b>	<b>5,556,805</b>	<b>X</b>
II. Due to other financial institutions	1,736,959	-	1,736,959	Change in the presentation of accounts regarding blockade accounts, moving from item "Current" to item "Term."
1. Current	493,025	(444)	492,581	
2. Term	1,243,934	444	1,244,378	

III. Due to customers	2,839,906	6,070	2,845,976	Change in the presentation of accounts regarding blockade accounts, moving from item "Current" to item "Term" – PLN 9,775 thousand; Moving suspense transaction accounts from "Special funds and other liabilities" – PLN 6,070 thousand to "Due to customers."
2. Others, including:	2,838,710	6,070	2,844,780	
a) current	1,463,843	6,070 (9,775)	1,460,138	
b) term	1,374,867	9,775	1,384,642	
VII. Other liabilities in respect of financial instruments	39,423	14,613	54,036	Presentation by sides of net result on not matured FX transactions, previously the item was recognized in the net value.
VIII. Special funds and other liabilities	74,544	(6,070)	68,474	Moving suspense customer transaction accounts to "Due to customers."
<b>Total liabilities</b>	<b>5,542,192</b>	<b>14,613</b>	<b>5,556,805</b>	<b>X</b>

As at June 30, 2005, the capital adequacy ratio slightly decreased by 0.01% after making it comparable, and amounted to 11.70%.

The above changes did not affect the Bank's financial result as at June 30, 2005.

#### Balance sheet as at December 31, 2005 in PLN thousand

Item	Data as at December 31, 2005 before reclassification	Change	Data as at December 31, 2005 made comparable	The change description
III. Receivables due from other financial institutions	1,310,948	306	1,311,254	Moving suspense transaction accounts from "Other assets – other" to "Receivables due from other financial institutions."
1. Current	571,533	306	571,839	
XV. Other assets	58,828	(306)	58,522	Moving suspense transaction accounts to "Receivables due from other financial institutions."
2. Other	58,823	(306)	58,517	
<b>Total assets</b>	<b>6,369,903</b>		<b>6,369,903</b>	<b>X</b>
III. Due to customers	3,144,691	3,908	3,148,599	Moving suspense transaction accounts from "Special funds and other liabilities" to "Due to customers".
2. Others, including:	3,143,120	3,908	3,147,028	
a) current	1,650,954	3,908	1,654,862	
VIII. Special funds and other liabilities	108,325	(3,908)	104,417	Moving suspense transaction accounts to "Due to customers."
<b>Total liabilities</b>	<b>6,369,903</b>		<b>6,369,903</b>	<b>X</b>

#### 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 over two quarters of 2006:

##### Balance sheet items

- ✓ over two quarters of 2006, growth of total assets by 15% was noted, from PLN 6.4 billion as at December 31, 2005 up to PLN 7.3 billion as at June 30, 2006.
- ✓ Growth of the credit portfolio from December 31, 2005 by about PLN 1,455 million i.e. 33 %;
- ✓ Improvement in the credit portfolio quality:

- the value of non-performing receivables net of watch loans was lower by 9% than as at the end of 2005,
- the share of non-performing loans in the entire credit portfolio diminished from 5.8% as at the end of December 2005 down to 4% as at the end of June 2006,
- ✓ balances on current accounts went up by 21%, and on term deposit accounts – by 11% since the end of December 2005,
- ✓ the book value per share rose by 7% from PLN 45.88 as at December 31, 2005 up to PLN 49.40 at the end of June 2006.

Changes in the selected items of the Profit&Loss account for two quarters of 2006 as compared to June 30, 2005:

- ✓ growth of net interest income by 13% ,
- ✓ growth of net result on FX differences by 58%,
- ✓ growth of result on banking activity by 20% ,
- ✓ growth of other operating income by 33%,
- ✓ growth of operating profit by 22%
- ✓ growth of Bank's general expenses by 29%,
- ✓ growth of net profit by 20%,

ROE increased from 15.74% as of June 30, 2005 to 18.05% as at the end of the second quarter of 2006.

The most important factors affecting the achieved net profit for Quarter II of 2006 in comparison to Quarter II of the previous year:

The net profit for Quarter II 2006 was PLN 27,843 thousand i.e. it was about 3% higher than the net profit generated for Quarter II of 2005,

The net interest income increased by 21% up to PLN 49,710 thousand in comparison to Quarter II of 2005.

A good FX result of PLN 25,487 thousand, i.e. by 55% higher than reported as at June 30, 2005.

Further, the result on banking activity reached PLN 97,052 thousand and was higher by 20% than the result generated in the corresponding period of 2005 which as at June 30, 2005 stood at PLN 80,866 thousand.

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

In the second 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 second 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 2006 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 second 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 period in question, 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>June 30, 2006 in PLN thousand</b>	<b>June 30, 2006 in PLN thousand</b>
<b>I. Contingent liabilities and assets</b>	<b>3,873,446</b>	<b>2,739,380</b>
<b>1. Contingent liabilities granted:</b>	<b>2,817,066</b>	<b>1,798,581</b>
a) lending commitments	2,213,888	1,368,763
b) guarantees	603,178	429,818
<b>2. Contingent assets received:</b>	<b>1,056,380</b>	<b>940,799</b>
a) lending commitments	925,603	726,274
b) guarantees	130,777	214,525