

Additional Information to Quarterly Report of Fortis Bank Polska S.A. for the third quarter of 2006 (3Q)

**(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:

Accounting Act dated September 29, 1994 (*Journal of Laws* No. 76, item 694, of 2002 as amended);

Financial Instrument Trading Act of July 29, 2005 (*Journal of Laws* No. 183 item 1538 of 2005);

Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Laws* No. 149 item 1673, of 2001 as amended);

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, of 2001 as amended);

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 of 2003);

Accounting principles are set out in the Accounting Policy (Order no. B/01/2005 of the President of the Board of Executives of Fortis Bank Polska S.A., dated January 11, 2005).

1.2. A detailed description of the accounting policies applied by the Bank was presented in the Introduction to the 2005 Semi-Annual Report published on September 27, 2005.

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, as amended*, 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 September 29, 2006, i.e. PLN 3.9835; 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 September 30, 2005, which amounted to PLN 3.9166;

1.5.2. Particular items in the profit and loss account and cash flows as at the end of the third 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 September 2006, which amounted to PLN 3.9508, whereas particular items of the profit and loss account and cash flows for comparable data for as at the end of the third 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 September 2005, which amounted to PLN 4.0140;

- 1.5.3. The following rates were applied in the currency conversion, according to the above mentioned rules:

EUR/PLN mid rates used for currency translation:		
	2006	2005
January	3.8285	4.0503
February	3.7726	3.9119
March	3.9357	4.0837
April	3.8583	4.2756
May	3.9472	4.1212
June	4.0434	4.0401
July	3.9321	4.0758
August	3.9369	4.0495
September	3.9835	3.9166

- 1.6. The only controlled entity of the Bank is Fortis Private Investments Polska S.A. 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 September 2006, the total assets of Fortis Private Investments Polska S.A. constituted 0.21% of the Bank's total assets, FPI total income made up 1% of the Bank's total income, while FPI net profit accounted for 1.09% 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 September 30, 2006, the value of this type of collateral accepted by the Bank amounted to PLN 350,605 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 September 30, 2006, the deferred income tax assets amounted to PLN 40,740 thousand, and deferred income tax liability totalled PLN 12,350 thousand. As at September 30, 2005, the corresponding amount of deferred income tax assets was PLN 32,344 thousand, and deferred tax liability amounted to PLN 11,602 thousand.
- 3.2. The value of Fortis Private Investments Polska SA (FPI) 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 848 thousand.
- 3.3. In the third quarter of 2006, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 15,116 thousand and PLN 1,090 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 third quarter of 2006 the value of provisions created exceeded the value of provisions released by PLN 7,406 thousand.

4. **In the third quarter of 2006, the Bank introduced no changes to accounting principles.**
5. **In the report as at September 30, 2006, there was no need to transform any financial data for the previous periods presented to ensure their comparability.**
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 three quarters of 2006:

Balance sheet items

- ✓ over three quarters of 2006, growth of total assets by 34% was noted, from PLN 6.4 billion as at December 31, 2005 up to PLN 8.6 billion as at September 30, 2006.
- ✓ Growth of the credit portfolio from December 31, 2005 by about PLN 2,093 million i.e. 48 %;
- ✓ improvement in the credit portfolio quality;
 - the value of non-performing receivables net of watch loans was lower by 21% 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 3.1% as at the end of September 2006,
- ✓ balances on current accounts went up by 35%, and on term deposit accounts – by 18% since the end of December 2005;
- ✓ the book value per share rose by 12% from PLN 45.88 as at December 31, 2005 up to PLN 51.32 at the end of September 2006.

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

- ✓ growth of net interest income by 21% ,
- ✓ growth of net commission and fee income by 10% ,
- ✓ growth of net result on FX differences by 51%,
- ✓ growth of result on banking activity by 25% ,
- ✓ growth of other operating income by 34%,
- ✓ growth of operating profit by 14%
- ✓ growth of Bank's general expenses by 38%,
- ✓ growth of net profit by 13%.

ROE increased from 22.60% as of September 30, 2005 to 23.83% as at the end of the third quarter of 2006.

The table below presents dynamics of items affecting the net profit achieved in Quarter III of 2006 in comparison to Quarter III of the previous year:

in PLN thousand	Qtr. III of 2006 July 1, 2006 – September 30, 2006	Qtr. III of 2005 July 1, 2005 – September 30, 2005	Dynamics of items (%)
Net interest income	55,757	40,370	38 %
Net commission and fee income	23,177	19,811	17 %
Net profit on financial operations	2,053	1,160	77 %
FX result	25,773	18,641	38 %
Result on banking activity	106,760	79,982	33 %
Other operating income	3,320	2,414	38 %
Surplus of provisions created over the provisions released	(8,476)	(4,642)	83 %
Gross profit	33,300	33,578	-1%
Net profit	27,955	27,676	1 %

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

In Quarter III, 2006, the Bank granted an export credit of EUR 24 million (which equals PLN 94,476 thousand) for 8.5 years. Fixed interest rate: EURIBOR of 3.64%. The export credit was granted in cooperation with KUKE (The Export Credit Insurance Corporation) and BGK. Under subsequent agreements concluded with this client, the total exposure of the Bank may increase up to EUR 192 million, however the agreement on a transfer of specified amount as collateral decreases the total Bank's exposure.

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.

The Extraordinary General Meeting of Shareholders held on October 26, 2006 adopted a resolution regarding increase of the Bank's share capital through issuance of series K shares with the exclusion of pre-emptive rights and then assimilating the series K shares with the remaining ones listed on the stock exchange market.

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 the Annual General 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 third 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:

	As at September 30, 2006 in PLN thousand	As at September 30, 2005 in PLN thousand
I. Contingent liabilities and assets	3,828,195	3,053,471
1. Contingent liabilities granted:	3,091,818	2,030,390
a) lending commitments	2,507,500	1,565,856
b) guarantees	584,318	464,534
2. Contingent assets received:	736,377	1,023,081
a) lending commitments	596,193	778,466
b) guarantees	140,184	244,615