INTRODUCTION

Fortis Bank Polska SA
Centrala

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1. **BUSINESS NAME AND REGISTERED OFFICE: Fortis Bank Polska S.A.**, with its registered office in Warsaw, ul. Postępu 15,

   Register Court and Entry Number: The register court competent for the Bank is the District Court for the capital city of Warsaw, XIII Commercial and Registration Department of the National Court Register, ul. Barska 28/30, 02-315 Warsaw, KRS entry no. 6421.

   Issuer's Principal Line of Business: The scope of the business of Fortis Bank Polska S.A. covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality. The core business of the Bank according to Polish Business Classification is 'other banking activity' (PKD 6512A), whereas according to the classification adopted by the regulated market, the sector is defined as 'Financial institutions and banks'.

   The scope of the Bank's business include:

   - accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
   - maintaining the other bank accounts,
   - granting credits and loans, including consumer credits and loans,
   - carrying out pecuniary settlements, including payment card settlements, likewise payment card issuance,
   - issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
   - issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
   - participating in trading in securities, including maintaining securities custody accounts,
   - conducting operations on money and FX markets including forward and derivative instrument transactions,
   - conducting check and bill-of-exchange operations and warrant transactions,
   - purchasing and selling cash debts,
   - purchasing and selling foreign currencies,
   - safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
   - providing the following financial services:
     - consulting services in financial matters,
     - custody services,
     - leasing services,
     - brokerage activity,
   - conducting commission sale in favour of open pension funds and safekeeping pension funds' assets,
   - providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets.
   - providing agency services related to property insurance.
   - intermediating within the scope of personal insurance, including life insurance,
   - rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
   - acting as an agent in making money transfers and FX settlements,
   - issuance of electronic money instrument.

2. **DURATION OF THE ISSUER'S BUSINESS, IF DEFINITE**

   Fortis Bank Polska S.A. is a company with an indefinite period of operation.

3. **TIME PERIODS COVERED BY THE FINANCIAL STATEMENTS AND BY COMPARATIVE FINANCIAL DATA**

The financial statements present financial data for the period from January 1, 2006 through December 31, 2006 and comparative data for the period from January 1, 2005 through December 31, 2005.

4. COMPOSITION OF THE ISSUER'S BOARD OF EXECUTIVES AND SUPERVISORY BOARD

As at December 31, 2006, the Board of Executives' composition was as follows:

surname	*function*
Jan Bujak	President of the Board of Executives
Alexander Paklons	Senior Vice-President of the Board of Executives
Bartosz Chytła	Vice-President of the Board of Executives
Jean – Luc Deguel	Vice-President of the Board of Executives
Jaromir Pelczarski	Vice-President of the Board of Executives
Koen Verhoeven	Vice-President of the Board of Executives

In 2006, no changes as regards the Board of Executives' composition occurred.

As at December 31, 2006, the Supervisory Board's composition was as follows:

surname	*function*
Jos Clijsters	Chairman
Werner Claes	Deputy Chairman
Antoni Potocki	Deputy Chairman
Zbigniew Dresler	Supervisory Board Member
Didier Giblet	Supervisory Board Member
Bernard Levie	Supervisory Board Member
Thierry Schuman	Supervisory Board Member
Peter James Ullmann	Supervisory Board Member

The Annual General Meeting of Fortis Bank Polska SA held on June 2, 2006 in Warsaw approved changes in the Supervisory Board's composition.

In connection with the resignation of Mr. Paul Dor from the function of the Supervisory Board Deputy Chairman, Mr. Werner Claes took up the position of the Deputy Chairman effective June 2, 2006. Moreover, Mr. Roland Saintrond submitted his resignation from the function in the Board.

Effective June 3, 2006; the composition of the Supervisory Board of Fortis Bank Polska is the following: Mr. Jos Clijsters, Mr. Werner Claes, Mr. Antoni Potocki, Mr. Zbigniew Dresler, Mr. Didier Giblet, Mr. Bernard Levie, Mr. Thierry Schuman and Mr. Peter Ullmann.

5. INFORMATION WHETHER THE FINANCIAL STATEMENTS AND COMPARABLE FINANCIAL DATA CONTAIN JOINT DATA

Within the enterprise of Fortis Bank Polska S.A., there are no internal organizational units that would make their own financial statements.

6. INDICATION WHETHER THE ISSUER IS A DOMINANT ENTITY OR A SIGNIFICANT INVESTOR AND WHETHER THE ISSUER MAKES CONSOLIDATED FINANCIAL STATEMENTS

The only controlled entity of the Bank is Fortis Private Investments Polska S.A. (FPIP). Pursuant to Art 58 section 1 item 1 of the Accounting Act, the Bank is not required to prepare consolidated statements, as the financial data of this subsidiary are immaterial for a reliable and transparent presentation of the property, financial situation and financial result of the Bank. As at the end of December 2006, the total assets of FPIP constituted 0.2% of the Bank's total assets, FPIP total income made up 0.7% of the Bank's total income, while its net profit accounted for 1% of the Bank's net profit.

7. In 2006, there was no merger of Fortis Bank Polska S.A. with any other business entity.

8. The financial statements of Fortis Bank Polska S.A. have been prepared with the assumption that its business will be continued in the foreseeable future; the Board of Executives has no knowledge whatsoever of any circumstances that may disrupt the Bank's operations.

9. In comparison to the 2005 report, in the 2006 report the following 2005 financial data were transformed to ensure their comparability.

<table>
<tr><th>Item</th><th>As at December 31, 2005 data presented in the 2005 annual report</th><th>Change</th><th>As at December 31, 2005 comparable data</th><th colspan="2">The change description</th></tr>
<tr><td colspan="6">ASSETS</td></tr>
<tr><td>III. Due from other financial institutions</td><td>1,310,948</td><td>1,450</td><td>1,312,398</td><td colspan="2"></td></tr>
<tr><td rowspan="2">1. Current</td><td rowspan="2">571,533</td><td rowspan="2">309</td><td rowspan="2">571,842</td><td>3</td><td>In 2006, the business sector of three entities changed from the non-financial into financial sector</td></tr>
<tr><td>306</td><td>Moving suspense transaction accounts from “Other assets - other.”</td></tr>
<tr><td>2. Term</td><td>739,415</td><td>1,141</td><td>740,556</td><td colspan="2">In 2006, the business sector of three entities changed from the non-financial into financial sector</td></tr>
<tr><td>IV. Due from customers</td><td>4,293,623</td><td>-1,144</td><td>4,292,479</td><td colspan="2"></td></tr>
<tr><td>1. Current</td><td>883,962</td><td>-3</td><td>883,959</td><td colspan="2" rowspan="2">In 2006, the business sector of three entities changed from the non-financial into financial sector</td></tr>
<tr><td>2. Term</td><td>3,409,661</td><td>-1,141</td><td>3,408,520</td></tr>
<tr><td>XV. Other assets</td><td>58,828</td><td>-306</td><td>58,522</td><td colspan="2" rowspan="2">Moving suspense transaction accounts to “Receivables in the current account due from other financial institutions.”</td></tr>
<tr><td>2. Other</td><td>58,823</td><td>-306</td><td>58,517</td></tr>
<tr><td>TOTAL ASSETS</td><td>6,369,903</td><td></td><td>6,369,903</td><td colspan="2"></td></tr>
<tr><td colspan="6">LIABILITIES</td></tr>
<tr><td>II. Due to other financial institutions</td><td>2,178,376</td><td>32</td><td>2,178,408</td><td colspan="2" rowspan="2">In 2006, the business sector of three entities changed from the non-financial into financial sector</td></tr>
<tr><td>1. Current</td><td>710,967</td><td>32</td><td>710,999</td></tr>
<tr><td>II. Due to customers</td><td>3,144,691</td><td>3,876</td><td>3,148,567</td><td>3,908</td><td>Moving suspense transaction accounts from “Special funds and other liabilities.”</td></tr>
<tr><td>2. Other, including:</td><td>3,143,120</td><td>3,876</td><td>3,146,996</td><td rowspan="2">-32</td><td rowspan="2">In 2006, the business sector of three entities changed from the non-financial into financial sector</td></tr>
<tr><td>a) current</td><td>1,650,954</td><td>3,876</td><td>1,654,830</td></tr>
<tr><td>VIII. Special funds and other liabilities</td><td>108,325</td><td>-3,908</td><td>104,417</td><td colspan="2">Moving suspense transaction accounts to “Due to customers.”</td></tr>
<tr><td>TOTAL LIABILITIES</td><td>6,369,903</td><td></td><td>6,369,903</td><td colspan="2"></td></tr>
</table>

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

10. No adjustments resulting from any qualifications in opinions of auditors authorized to audit financial statements for previous years have been made to either this financial statement for 2006 or the comparative financial data for 2005.

11. DESCRIPTION OF ACCOUNTING RULES (POLICY) ADOPTED

As at December 31, 2006 Fortis Bank Polska S.A. maintains 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); 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).

The Bank applies the generally accepted accounting principles defined in the Accounting Act, and in particular, the following:

consistency concept

The Bank applies the adopted accounting standards consistently. Thus in subsequent financial years it follows the same rules for grouping of transactions on accounts, valuation of assets, including depreciation (amortization) charges, and liabilities, determination of the financial result and preparation of financial statements so that data for the subsequent years shown in such statements could be compared. The Bank may, with effect from the first day of a financial year, regardless of the day of taking such a decision, supersede the applied to-date solutions with others provided in relevant regulations. In such a case, in the financial statements for the financial year during which such changes occurred, the Bank explains reasons of the changes and determines their numerical impact on the profit/loss.

continuity concept

In the valuation of assets and liabilities and in determination of the financial result, the Bank assumes that it will continue in business in the foreseeable future within a scope that has not been materially changed and that no bankruptcy or winding-off proceedings will be instituted against the Bank, unless actual or legal circumstances suggest otherwise.

accrual basis and matching concept

In its books and in the financial result, the Bank records all income earned and due to the Bank and related costs incurred in a given financial year, irrespective of the date of their payment. In order to ensure that income and related costs are matched, the Bank recognizes, in assets or liabilities related to a given financial year, costs or income referring to future reporting periods and costs referring to the current reporting period which have not yet been incurred.

prudence (conservatism) concept

The Bank measures individual assets and liabilities at the actual cost of their acquisition. In particular, in the financial result, regardless of its amount, the Bank recognizes:

- reductions in the useful or commercial value of assets, including depreciation (amortization) write-offs,
- only unquestionable other operating income and extraordinary profits,
- only unquestionable other operating income and extraordinary profits,
- provisions for risk identified by the entity, impending losses and effects of other events.

no-offset principle

The value of particular assets and liabilities, income and related costs, as well as profits and extraordinary losses are determined separately. Values of different-in-kind assets and liabilities, income and related costs as well as profits and extraordinary losses are not offset with each other by the Bank.

materiality concept

When applying accounting standards, the Bank may accept certain simplifications, unless they have a significant adverse impact on the principle of true and fair view of the Bank's property and financial situation and the financial result. Information is deemed material if its omission or misrepresentation may have an effect on economic decisions taken by users based on financial statements. The materiality of information depends on the amount of an item or error assessed in the given circumstances.

substance over form principle

Events, including economic transactions, should be included in the Bank's books of accounts and shown in the financial statement in accordance with their substance and economic reality.

11.1. The Bank's books of accounts are maintained in compliance with Polish laws using the computerized system "Equation" developed by the British company Misys International Banking Systems Ltd., London. The Equation system was approved by the Bank's Board of Executives' President in Order dated August 1, 1994, on the implementation of the Equation system.

11.2. The Bank's financial reporting is prepared pursuant to Enclosure No. 2 to Accounting Act dated September, 29, 1994 (Journal of Laws no 76, Item 694, of 2002 as amended). 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).

11.3. The Bank has documentation describing the adopted accounting principles regarding, without limitation, methods of measurement of assets and liabilities and determination of financial result. The Chart of Accounts includes a list of accounts and a set of parameters used to mark the accounts in the Equation system. Commentary to the Chart of Accounts comprises a description of accounts and indexes of typical accounting entries.

11.4. Tangible and intangible fixed assets are measured as at the end of each reporting period at the acquisition price less their depreciation. In addition, the Bank recognizes revaluation conducted according to valid regulations as well as impairment losses.

11.5. The acquisition price of fixed tangible and intangible assets purchased in foreign currency is converted into Polish zloty at the NBP mid-rate applied on the day of payment.

11.6. Fixed tangible and intangible assets are depreciated based on the valid depreciation schedule determined by the Bank. The depreciation schedule includes depreciation rates specified in a separate document, i.e., the "Valuation Rules of the Bank". Depreciation periods and annual depreciation rates are determined taking into account the period of economic usefulness of a fixed asset. Therefore, balance sheet depreciation rates can be different from tax depreciation rates. Depreciation on fixed tangible and intangible assets is calculated monthly on a straight line basis.

11.7. Fixed assets not exceeding PLN 3,500 are charged to costs as one-time expenses in the month they are made available for use. In 2006, the Bank incurred the respective costs in the amount of PLN 3,379 thousand.

11.8. The Bank classifies its financial assets and liabilities on the day of their purchase or origination into the following categories:

a) Financial assets or liabilities held for trading - financial assets or liabilities which were purchased in order to obtain economic gains as a result of short-term price changes and fluctuations of other market factors; in particular, this category includes derivatives.

b) Credits and loans granted by the Bank and other own receivables of the Bank - loans and credit facilities granted by the Bank (financial assets which originated as a result of giving cash earmarked for a specific purpose directly to the other party to a contract), and other own receivables except for loans and credit facilities which were granted with the intention of immediate or fast sale, included into financial assets held for trading.

c) Financial assets held to maturity – financial assets purchased for investment purposes, which the Bank intends to hold to maturity, i.e. until the date of their repurchase by the issuer.

Either as at December 31, 2006 or at December 31, 2005, the Bank's portfolio included no financial assets held to maturity.

d) Financial assets available for sale – other financial assets that are not classified into categories enumerated in letters a), b) or c) above.

e) Financial liabilities that are not held for trading and are not derivative instruments, are measured at amortized cost using the effective interest rate.

11.9. Financial instruments - securities

a) Debt securities have been classified to the following categories:

- held for trading

  These are debt securities which have been purchased in order to obtain gains as a result of short-term price fluctuations. At the balance-sheet date debt securities held for trading are measured to market value, whereas assets which have no existing active market – at fair value estimated using valuation models and the valuation effect is included in the financial operations result.

- available for sale

  These are debt securities not classified to the "securities held for trading" category or the "debt securities held to maturity". They are measured at fair value and the valuation effect is included into the revaluation reserve

- Loans and credit facilities

  Debt securities purchased on the primary market for which no active market exists are also classified to loans and credit facilities granted. Loans and credit facilities granted are measured at amortized cost using the effective interest rate method and taking into account regulations governing the creation of provisions for risk related to banking activity. The measurement at amortized cost using the effective interest rate method is applied to these loans and credit facilities where terms and amounts of future cash flows have been determined, that is, which have repayment schedule set out.

Under the accounting policy applied by the Bank, securities cannot be classified into the "held-to-maturity" portfolio.

Securities transactions entered into by the Bank include repurchase agreements (repo). Under repurchase agreement one of the parties, i.e. the seller, agrees to transfer to the other party (i.e. the buyer), on the purchase date, the ownership title to negotiable securities (sell-buy-back transactions, when the Bank is the seller, or buy-sell-back transactions -when the Bank is the buyer) or to only put a hold on such securities in favour of the buyer (repo – when the Bank is the seller, or reverse repo - when the Bank is the buyer) in exchange for the purchase price paid by the buyer. At the same time, the buyer agrees to return to the seller the received funds and seller agrees to transfer back the ownership of the securities (in the case of sell-buy-back / buy-sell-back transactions) or to release the hold from the securities (repo / reverse repo transactions). Repurchase transactions are of a placement and deposit nature (a placement at the buyer's and a deposit at the seller's). The Bank records receivables and liabilities resulting from interest on such transactions on an on-going basis.

The Bank does not exclude the securities that are the underlying instruments of sell-buy-back / repo transactions from the balance sheet, as their exclusion conditions are not met.

The Bank does not recognize the securities that are the underlying instruments of buy-sell-back / reverse repo transactions in the balance sheet, as their recognition conditions are not met.

b) Shares and interest in subsidiaries are measured by equity method. The effect of valuation of these assets is shown in the profit and loss account as a share in the net profit (loss) of subsidiaries measured by equity method, whereas the effect of changes in the subsidiary's own funds not presented in its profit and loss account is shown by the Bank as the revaluation reserve.

   Other shares and interests recognized as fixed assets are valued at the acquisition price, taking into account write-downs for impairment losses.

11.10. Financial instruments - Amounts receivable and payable on account of loans, credit facilities and other debts Amounts receivable and payable on account of loans, credit facilities and other debts are recognized at the amount of the payment due, which also includes the value adjustment on the account of the effective commission settlement, the interest due, taking into account specific provisions created according to the Ordinance of the Finance Minister of December 10, 2003, regarding the rules for creation of provisions for risk related to banking activity (Journal of Laws no. 218, Item 2147). The required provisions are built at the end of each reporting period. Receivables and provisions for receivables

denominated in foreign currencies are converted into zlotys. In some specifically defined cases, the Bank writes credit exposures to specific provisions under the binding provisions.
When classifying credit exposures into risk categories, the Bank applies two independent criteria:

- punctuality of a loan principal or interest repayment
- economic and financial standing of the borrower.

Following the regulations on creating specific provisions for risk related to banking activity, the Bank, when classifying credit exposures into risk categories, may take into account the type of collateral which secure those exposures.

Detailed criteria of credit exposures classification and reclassification are defined by separate internal regulations.

Specific provisions are created with regard to credit exposures classified into the following risk categories:

- "performing" – with regard to credit exposures arising from retail loans and credit facilities,
- "watch" category,
- "non-performing" – including exposures classified into "substandard", "doubtful" or "lost" categories".

Specific provisions for risk related to credit exposures classified into the above categories are created on the basis of individual assessment of a given exposure risk, however at least in the required provision amount, which constitutes:

- 1.5% of the basis for specific provision creation – for the "watch" category,
- 20% of the basis for specific provision creation – for the "substandard" category,
- 50% of the basis for specific provision creation – for the "doubtful" category,
- 100% of the basis for specific provision creation – for the "lost" category,

The Bank reduces the basis for making specific provisions for receivables classified into watch, substandard, doubtful and lost categories by the value of collateral, pursuant to the Finance Minister's Ordinance on rules for creating provisions for risks related to banking activity.

For irrevocable off-balance-sheet receivables bearing the non-performing customer risk, specific provisions are made in compliance with the binding regulations.

11.11. Financial instruments – derivative instruments

The Bank includes the following transactions to derivative instruments:

- FX Forward - consists in a purchase / sale of a specific currency amount for zlotys (or a foreign currency) at a predetermined date in the future at the exchange forward rate established on the transaction conclusion date.

- FX Swap are foreign exchange transactions of purchase or sale of a specific currency at a current exchange rate and a simultaneous sale or purchase of the same amount of the currency at a forward rate.

- FRA – obligation to pay or receive interest on the amount of a contractual deposit on a specified date in the future at an agreed interest rate in exchange for the receipt or payment of interest on the deposit calculated at a market rate. At the transaction settlement, the amount resulting from the difference between the market interest rate and the interest rate agreed upon in the agreement is offset.

- IRS contracts – an exchange of interest payments based on a variable market interest rate for interest accrued at a fixed rate agreed upon in the contract. At the interest payment dates the parties may offset their mutual payments, depending on the relation between interest rate market values on which the payments to be exchanged are based, or the gross interest amount under the contract may be paid.

- OIS contracts – consist in an exchange of interest payments based on a fixed contractual interest rate for interest payments based on a variable interest rate. The variable interest rate is determined on the basis of a rate compounded of WIBOR Overnight indexes or based on POLONIA rates determined every business day during the interest period. Such contracts are entered into for the period up to one year. The instrument is measured by discounted cash flow model based on the market yield curve. The purpose of the contract is to hedge against interest rate risk.

- CIRS contracts – consist in the exchange of fixed interest payment into variable ones, or vice versa, in two different currencies. The transaction settlement method is similar to the one used for IRS contracts,
- FX futures contracts are standardized stock exchange contracts for foreign currency exchange. The essence of a contract is a daily stock exchange market valuation and related cash flows. The contracts may be settled through a physical delivery of currencies or though transferring the difference between the contract rate of exchange and the market price on the settlement date,
- Options – contracts under which a party purchases the right to buy (call option) or sell (put option) underlying assets at a predetermined price and date. The option holder has the right to exercise the option, i.e. to buy (in the case of a call option) or to sell (put option). The other party of the transaction is the option writer. In the event the holder applies for exercising the option, the option writer shall buy or sell it depending on the contract terms and conditions.

External costs of a derivative transaction are not taken into account when entering the financial instrument into the Bank's books. Their value is considered immaterial.

The Bank measures derivative instruments to their fair value and the valuation results are recognized in the profit and loss account.

11.12. The Bank settles deferred expenses if such expenses relate to months that follow the month in which they were incurred.

The Bank settles accrued expenses in an amount referring to the current reporting period, arising in particular from:

- obligations towards employees, in particular, for rights acquired by the employees involving unused vacation leave, bonuses and other variable portions of remuneration, etc.,
- obligations related to the Bank's day-to-day operations, in particular, obligations towards audit firms, for legal service, telecommunications costs, rent, office materials, etc.

Deferred and accrued expenses are written off in relation to the lapse of time or the amount of payments. The time and manner of settlement depends on the nature of settled costs, according to the prudence (conservatism) concept.

Expected, however, not yet incurred expenses recognized in accrued expenses reduce current expenses in the reporting period in which it was determined that such liabilities did not arise.

Deferred income includes, in particular:

- payments received or due from counterparties for services to be performed in future reporting periods,
- interest on non-performing receivables – until their receipt (payment) or write-off.

11.13. The Bank creates provisions for future liabilities whose:

- amount or the time when they arise is not certain,
- arising is certain or very likely, which means that they result from past events involving a payment obligation; as a consequence, the present or future assets of the unit will be used;
- reliable assessment of the liability amount is possible.

Furthermore, the Bank creates provisions for economic transactions that result in losses. The Bank includes agreements regarding office space sublease at prices lower than those agreed in lease agreements into such transactions.

Provisions are created in the amount of the actual or estimate costs that the Bank is not able to avoid.

The Bank also creates provisions for other future liabilities, and in particular, for the outcomes of pending judicial proceedings and long-term liabilities due to employees (including severance pay related to retirement and jubilee awards).. The created provisions for future liabilities are charged to other operating costs. Provisions for long-term employee benefits are estimated using an actuarial method.

If liabilities for which provisions have already been created arise, they will decrease the amount of the created provisions. If the risk for which a provision has been created is reduced or eliminated, such unused provision will increase the balance of other operating income or financial income on the date on which it is no longer required.

11.14. Due to temporary differences between the value of assets and liabilities shown in the books of accounts and their tax value and the tax loss deductible in the future, at the end of each reporting period the Bank establishes the amount of deferred tax liability and deferred tax assets.

Deferred tax assets are determined in an amount anticipated to be tax deductible in the future, due to negative temporary differences, which in the future will result in reducing the tax base and deductible tax loss determined according to the prudence (conservatism) concept.

Deferred tax liability reserve is established in the amount of the income tax that will have to be paid in the future, due to positive temporary differences, i.e., differences which will result in increasing the tax base in the future.

Under Article 38a of Corporate Income Tax Law dated February 15, 1992 (Journal of Laws 00.54.654 as amended), the Bank includes receivables due from the Tax Office in the books in the amount of 8% of the value of specific provisions for receivables on account of loans classified by banks into the lost or doubtful risk categories, that were made by the Bank but were not recognized as tax deductible as at December 31, 2002.

11.15. The Bank measures the equity (except for revaluation reserve) in the nominal value.

11.16. The net financial result includes: net operating result, net extraordinary gains/losses, and mandatory charges to the financial result on account of income tax. The net operating result includes the banking activity result adjusted for the difference between other operating revenues and other operating costs, cost of the activity, depreciation of fixed assets and intangible assets, net charges to/release of provisions and revaluation. Result on banking activity includes: interest and fee income, income from shares, holdings and other securities, result on financial transactions and FX result.

11.17. The Bank includes the following items into its interest income at the end of a reporting period:

- income not received in the reporting period arising from:
  - interest due to the Bank, including discount and capitalized interest on receivables classified as performing or watch,
  - interest income, including discount, received in the previous reporting period referring to the current reporting period;
- current interest income referring to the reporting period;
- commissions and fees on performing, watch and at-risk receivables, referring to the reporting period and settled using the effective interest rate,
- costs on account of matured and not matured interest on the Bank’s liabilities referring to the reporting period.

The Bank does not include the following items in its interest income:

- matured and not matured interest due, including capitalized interest – on “at-risk” receivables which are treated as deferred income until they are collected or written off,
- discount and interest collected in advance referring to future reporting periods.

11.18. Commissions that adjust the effective interest rate (interest income) on performing, watch and at-risk receivables, are included into the Bank’s income. Unsettled commissions and fees referring to future reporting periods decrease the value of a loan or credit facility in the Bank’s balance sheet. Commissions and fees settled in time using the effective interest rate are considered interest income while the commissions and fees settled using the straight-line method are considered commission and fee income. In order to calculate the specific provisions, the Bank does not decrease the value of non-performing loans and credit facilities by commissions and fees settled in time using either the straight-line method or effective interest rate method. Provisions for non-performing loans are calculated based on the nominal value of non-performing loans.

11.19. The Bank evaluates daily FC positions (with reference to the NBP mid-rate). The result from the above-mentioned operations is recorded as expense or income related to FX transactions and revaluation, accordingly. The FX transaction result is calculated on a daily basis and recorded as expense or income related to FX transactions and revaluation, respectively. Both accounts are presented in the profit and loss account in the position “Net result of FX differences”.

The result on forward transactions whose maturity does not fall prior to the end of the reporting period is included, with a future value date, in the FX financial result of that reporting period. The result is calculated according to the following rule:

- result on current FX spot transactions, FX swaps, futures and forward transactions is calculated by comparing the transaction rate with the market rate applicable to similar transactions at the end of the reporting period, if the difference between the value date and the current date exceeds two days. In other cases, the NBP mid-rate is the reference rate.

11.20. The Bank determines the amount of income tax on the basis of the gross financial result adjusted for permanent differences between tax income and financial income. The amount of tax resulting from temporary differences, due to the fact that particular items were recognized in income or costs for taxation and accounting purposes at different dates is shown as deferred tax assets or deferred tax provision. The amount of deferred tax provision and deferred tax assets is determined according to income tax rates applied during the fiscal year when the tax liability arises.

Specific provisions created by the Bank excluded from the assessment of corporate income tax liability have been recognized in temporary differences for the purpose of assessing the amount of deferred income tax.

11.21. The Bank applies hedge accounting to a limited extent. Out of the existing three types of hedging relations, i.e. fair value hedging, cash flow hedging and net investment hedging, the Bank applies only the fair value hedging. The hedge accounting consists in a symmetrical recognition of the impact exercised by changes in a hedging item and the hedged asset on financial result. The fair value is hedged to limit a risk that fair value changes resulting from a specific risk related to financial assets and liabilities or a specific part thereof entered into accounting books may affect the financial result. The Bank applies hedge accounting with respect to hedging against the risk of fair value changes as a result of interest rate alterations. A specific hedge item can be applied to hedge more than one risk type, provided that:

- types of hedged risk can be determined,
- hedge effectiveness can be proved,
- it is possible to ensure that a hedging item can be assigned to hedge against different types of risk.

Hedge effectiveness can be assessed by comparing the change in the value of the hedging instrument or the resulting cash flow to the change in the value of the hedged asset or the resulting cash flow.

A hedge can be considered effective if during the period of its use the changes in the hedged item’s fair value or the resulting cash flow changes are set off in 80% up to 125% by the change in the hedging item’s fair value or the resulting cash flow changes.

The Bank ceases to apply a fair value hedge accounting should one of the following events arise:

1) a hedging item expires, gets sold, its use comes to an end or it is carried out;
2) a hedge ceases to comply with the applicable hedge accounting criteria, as defined in detailed accounting regulations.

11.22. Financial data included in the annual report have been prepared using valuation rules applicable to assets and liabilities, and the calculation of the net financial profit/loss established 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.

12. AVERAGE EUR/PLN EXCHANGE RATES

Below, there are presented mid EUR/PLN rates set by the National Bank of Poland for 2006 and comparative data for 2005, applied to translate selected balance sheet, profit and loss account and cash flow statement items, and specifically:

- As at 31 December 2006, the mid EUR rate published by the NBP on 29 December 2006 was PLN 3.8312;
- As at 31 December 2005, the mid EUR rate published by the NBP on 30 December 2005 was PLN 3.8598;
- The EUR/PLN mid rate calculated as a simple average of mid rates set by the National Bank of Poland on the last days of the months from January to December 2006, was PLN 3.8978; the mid

rate calculated as a simple average of mid rates set by the National Bank of Poland on the last days of the months from January to December 2005, was PLN 4.0233;

- in 2006, the highest mid EUR rate of PLN 4.1065 was published by the NBP on June 26, 2006; and the lowest mid EUR rate of PLN 3.7565 was published by the NBP on February 20, 2006;
- in 2005, the highest mid EUR rate of PLN 4.2756 was published by the NBP on April 29, 2005; and the lowest mid EUR rate of PLN 3.8223 was published by the NBP on December 13, 2005;

13. KEY ITEMS IN THE BALANCE SHEET, PROFIT AND LOSS ACCOUNT AND CASH FLOW STATEMENT in EUR THOUSAND

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2006 and the corresponding financial figures for 2005 displayed on the cover page of the annual report have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet as at the end of 2006 have been converted into EUR at the mid-rate applied on December 31, 2006, published by the National Bank of Poland, i.e. PLN 3.8312; comparative financial data as at the end of December 2005 have been converted into EUR at the mid-rate published on December 31, 2005, i.e., PLN 3.8598, published by the National Bank of Poland;
- particular items in the profits and loss account and cash flow statement for 2006 have been converted into EUR at a rate which is a simple average of mid rates set by the National Bank of Poland for the last days of the months from January to December 2006, i.e. 3.8978; comparative data for 2005 have been converted into EUR at a rate which is a simple average of mid rates set by the National Bank of Poland for the last days of the months from January to December 2005, i.e., 4,0233;

KEY FINANCIAL DATA (in EUR thousand)	**1.01.2006-31.12.2006**	**1.01.2005-31.12.2005**
Interest income	98,270	74,987
Commission and fee income	25,719	21,756
Result on banking activity	104,661	80,316
Net operating income	33,799	30,421
Gross profit (loss)	33,799	30,421
Net profit (loss)	27,776	25,228
Total assets	2,728,835	1,650,319
Due from other financial institutions	537,401	340,017
Due from customers and the public sector	1,837,045	1,112,236
Due to the central bank	83,525	-
Due to other financial institutions	1,161,691	564,384
Due to customers and the public sector	1,108,970	822,480
Equity, of which:	208,431	179,228
- Share capital	118,065	7,813
Net cash flow from operating activity	(88,334)	20,597
Net cash flow from investing activity	(100,640)	16,281
Net cash flow from financial activity	408,329	(10,177)
Total net cash flow	219,355	26,700

14. ESSENTIAL DIFFERENCES IN VALUES AND APPLIED ACCOUNTING RULES (POLICY) BETWEEN THE POLISH ACCOUNTING PRINCIPLES (PAP) AND THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Bank continues preparations for making financial statements in accordance with the International

Financial Reporting Standards (IFRS). Currently, the implementation of IT tools is in progress to enable detailed identification and measurement of credit portfolio's impairment loss.

Information regarding transformation, in terms of values, of this report into a report pursuant to the IFRS will be presented in the first annual report developed in accordance with the IFRS. Differences are presented below in a descriptive form.

Between the financial statements of Fortis Bank Polska S.A. prepared as at December 31, 2006, in accordance with the Polish Accounting Principles (PAP), and statements that would have been prepared according to the International Financial Reporting Standards (IFRS) there would be differences with respect to the valuation of specific provisions and the measurement of the Bank's shares in its subsidiary.

- The Bank makes specific provisions for impairment of receivables due on account of loans, credit facilities and other receivables reported in the financial statement prepared according to the Polish Accounting Principles set by the Finance Minister's Ordinance dated December 10, 2003 on rules for creating provisions for risks related to banking activity. As provided for in IAS 39, a write-down amount shall be established as the difference between the receivable balance-sheet value and the discounted value of the receivable future cash flows, by applying the effective interest rate.
- The Bank's shares in the subsidiary (FPIP) are measured by equity method, whereas in the financial statements according to the IFRS the valuation would be made at the acquisition costs (taking into account write-downs for impairment loss) or at the fair value according to IAS 39.

Apart from the above, there are no material differences between the Bank's financial statements prepared as at December 31, 2006 in compliance with the Polish Accounting Principles and statements that would be prepared under the International Financial Reporting Standards.