TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's opinion and report from the audit of the financial statements of the above-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.
The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

Independent Registered Auditor's opinion

To the General Shareholders' Meeting and the Supervisory Board of Fortis Bank Polska S.A.

We have audited the attached financial statements of Fortis Bank Polska S.A. (hereinafter referred to as the Bank), Warsaw, ul. Postępu 15, which comprise:

(a) the introduction

(b) the balance sheet as at 31 December 2005, showing total assets and total equity and liabilities of PLN 6,369,903 thousand;

(c) the statement of off-balance-sheet items as at 31 December 2005, showing a total of PLN 14,446,430 thousand;

(d) the income statement for the financial year from 1 January to 31 December 2005, showing a net profit of PLN 101,499 thousand;

(e) the statement of changes in equity for the financial year from 1 January to 31 December 2005, showing an increase in equity of PLN 96,609 thousand;

(f) the cash flow statement for the financial year from 1 January to 31 December 2005, showing net inflows of PLN 107.423 thousand;

(g) the additional notes and explanations.

The Bank's Management Board is responsible for preparing the annual financial statements which comply with the applicable regulations. Our responsibility was to express an opinion on the annual financial statements based on our audit.

We conducted our audit in accordance with the following regulations applicable in the Republic of Poland:

(a) the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (*Journal of Laws* of 2002, No. 76, item 694 with subsequent amendments, hereinafter called *the Act*).

(b) the auditing standards issued by the National Council of Registered Auditors in Poland.

Independent Registered Auditor's opinion

To the General Shareholders' Meeting and the Supervisory Board of Fortis Bank Polska S.A. (cont.)

Our audit was planned and performed to obtain reasonable assurance that the annual financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the financial statements. The audit also included an assessment of the accounting policies applied by the Bank and significant estimates made in the preparation of the financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

The information included in the Bank's Directors' Report for the year ended 31 December 2005 takes into account the provisions of the Decree of the Finance Minister dated 19 October 2005 on current and periodical information submitted by issuers of securities ("the Decree"- Journal of Laws of 2005, No. 209, item 1744) and complies with the information included in the audited financial statements.

In our opinion, and in all material respects, the accompanying financial statements:

(a) have been prepared on the basis of properly maintained accounting records;

(b) comply in form and content with the relevant laws, including the provisions of the Decree and the Bank's Memorandum of Association;

(c) give a true and fair view of the Bank's financial position as at 31 December 2005 and of the results of its operations for the financial year then ended.

Without qualifying our opinion on the correctness and fairness of the audited financial statements, we would like to draw your attention to the fact that the Bank's financial statements for the year ended 31 March 2004 were audited by another Registered Auditor. While auditing the Company's financial statements for the year ended 31 December 2005, we reviewed the opening balances only to the extent necessary to enable us to issue an opinion on the financial statements for the year 2005. Therefore we do not express an opinion on the comparative data as at 31 December 2004 and for the year then ended.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o.:

Antoni F. Reczek
President of the Board
PricewaterhouseCoopers Sp. z o.o.

Registered Audit Company
No. 144

Registered Auditor
No. 90011

Warsaw, 7 April 2006

Fortis Bank Polska S.A.

Registered Auditor's Report on the financial statements as at and for the year ended 31 December 2005

TRANSLATION ONLY

Registered Auditor's Report on the financial statements to the General Shareholders' Meeting and the Supervisory Board of Fortis Bank Polska S.A.

This report has been prepared in connection with our audit of the annual financial statements of Fortis Bank Polska S.A. (hereinafter referred to as *the Bank*), with its registered office in Warsaw, ul. Postępu 15, which comprise:

(a) the introduction

(b) the balance sheet as at 31 December 2005, showing total assets and total equity and liabilities of PLN 6,369,903 thousand;

(c) the statement of off-balance-sheet items as at 31 December 2005, showing a total of PLN 14,446,430 thousand;

(d) the income statement for the financial year from 1 January to 31 December 2005, showing a net profit of PLN 101,499 thousand;

(e) the statement of changes in equity for the financial year from 1 January to 31 December 2005, showing an increase in equity of PLN 96,609 thousand;

(f) the cash flow statement for the financial year from 1 January to 31 December 2005, showing net outflows of PLN 107,423 thousand;

(g) the additional notes and explanations.

The financial statements were signed by the Bank's Management Board and the person responsible for maintaining the accounting records on 7 April 2006. This report should be read in conjunction with the Independent Registered Auditor's Opinion to the Shareholders and the Supervisory Board of Fortis Bank Polska S.A., signed on 7 April 2006, concerning the above-mentioned financial statements. The opinion is a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

This report contains 36 consecutively numbered pages and consists of:

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III.	The Bank's results and financial position	5
IV.	Discussion of the financial statements components	9
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Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o.:

Antoni F. Reczek President of the Board PricewaterhouseCoopers Sp. z o.o. Registered Auditor No. 90011	Registered Audit Company No. 144

Warsaw, 7 April 2006

I. General information about the Bank

(a) The Bank was formed on the basis of Decision No. 46 of the President of the National Bank of Poland dated 6 October 1990.

The Bank began operating in 1990. It was formed on the basis of a Notarial Deed drawn up at the Notary Public's Office of Grzegorz Iłowski in Kraków on 5 November 1990 and registered with Rep. No. A I 15847/90. On 17 April 2001, the Bank was entered into the Register of Businesses maintained by the District Court in Warsaw, 20th Business and Registration Department, with the reference number KRS 0000006421.

(b) On 21 December 2001 the Bank was assigned a tax identification number (NIP) 676-007-83-01. For statistical purposes the Bank was assigned a REGON number 003915970 on 26 November 2001.

(c) The Bank's share capital amounts to PLN 30,155,400 and consists of 15,077,700 ordinary shares of PLN 2 per value each.

(d) In the audited year, the Bank operated in accordance with the Business Activity Act, the Commercial Companies Code and the Banking Law. In the audited year, the Bank's operations comprised:

- granting bank loans and cash loans, including consumer loans and borrowings;
- conducting cash settlements, including those made with payment cards, and issuing payment cards;
- issuing and confirming bank guarantees, as well as opening and confirming letters of credit;
- concluding cheque transactions, bills of exchange transactions and dealing in warrants;
- safekeeping valuables and securities and making safe boxes available to clients;
- purchasing and selling foreign exchange instruments;
- intermediation on behalf of residents transferring cash abroad and settlements with non-residents in Poland;

(e) During the year, the following people were on the Bank's Management Board:

• Jan Bujak	- President of the Board – from 11 January 2005
• Ronald F.E. Richardson	- President of the Board – to 10 January 2005
• Alexander Paklons	- Vice-President of the Board – from 1 February 2005
• Jean-Luc Deguel	- Vice-President of the Board – from 1 June 1998
• Jaromir Pelczarski	- Vice-President of the Board - from 1 May 2003
• Koen Verhoeven	- Vice-President of the Board – from 1 March 2003
• Bartosz Chytła	- Vice-President of the Board - from 1 May 2004

I. General information about the Bank (cont.)

(f) The Bank has the following related entities:

Fortis Securities Polska S.A.	-	subsidiary
Fortis Bank S.A./N.V.	-	major shareholder

and members of the Parent Company's Group.

Pursuant to Art. 56 clause 3 of the Accounting Act of 29 September 1994, in connection with Art. 58 clause 1 item 1, the Bank does not prepare consolidated financial statements.

II. Information about the audit

a) PricewaterhouseCoopers Sp. z o.o. was appointed auditor to the Bank by Resolution no. 25/2005 of the Supervisory Board of Fortis Bank Polska S.A. dated 22 September 2005, in accordance with paragraph 15, item 3 point 8 of the Bank's Memorandum of Association.

b) PricewaterhouseCoopers Sp. z o.o. and the registered auditor conducting the audit are independent of the audited entity within the meaning of art. 66, item 2 of the Accounting Act.

c) The audit was performed on the basis of an agreement dated 13 March 2006 and conducted in the following periods:

- Interim audit from 28 November 2005 to 17 December 2005
- Final audit from 9 January 2006 to 7 April 2006

III. The Bank's results and financial position

The observations below are based on knowledge obtained during the audit of the financial statements.

The financial statements do not take account of the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (4.4% in 2004).

According to clauses 3 and 9 of par. 32a of the Decree of the Minister of Finance dated 10 December 2001 on specific accounting policies for banks (*Journal of Laws* of 2001, No. 149, item 1673 with subsequent amendments), until 31 December 2004 loans and borrowings and other financial liabilities which are not held for trading and which are not derivatives were stated at amounts due, including interest accrued on the amounts receivable/payable. In accordance with clauses 3 and 9 of par. 26 of the Decree, prospectively from 1 January 2005, the financial instruments mentioned above are stated at amortized cost using the effective interest rate method ("EIR").

The total effect of changing the accounting policies, in the amount of PLN 7,468 thousand, was recognized as at 1 January 2005 in retained earnings (decreasing the net result). Additionally, as a result of the changes in accounting policies, the following adjustments were made:

- Amounts due from the non-financial sector was decreased by PLN 9,220 thousand;
- Deferred tax assets were increased by PLN 1,752 thousand;

Therefore, while analyzing comparative data as at 31 December 2004, primarily with regard to amounts due to the Bank, deferred tax and deferred income, as well as analyzing interest income and expense, and commission income and expense for 2005 against the comparative data for the financial year 2004, it should be emphasized that the change to the accounting policies was made prospectively starting from 1 January 2005 and the comparative data in this regard have not been restated to ensure their comparability with the data as at the balance sheet date and for the audited year.

Additionally, the following factors had a significant impact on the Company's results of operations and financial position as at the balance sheet date:

- In the audited year, the Bank's total assets increased by PLN 961,110 thousand (i.e. 17.8%), mainly due to an increase in amounts due from the non-financial sector of PLN 912,040 thousand.

- The increase was a result of an increase in the volume of gross loans from the non-financial sector of PLN 901,320 thousand compared with the end of the prior financial year. As at the balance sheet date, they amounted to PLN 4,310,793 thousand and represented 67.7% of total assets (63.0% as at 31 December 2004).

- As at the balance sheet date, loans to the non-financial sector were the major component (97.7%) of the gross loan portfolio. Amounts due in respect of loans and borrowings granted, in gross terms, totalled PLN 4,401,180 thousand and were higher by PLN 941,967 thousand compared with the balance as at 31 December 2004.

III. The Bank's results and financial position (cont.)

- The quality of loans also improved. Non-performing loans and borrowings dropped by PLN 43,390 thousand as at the balance sheet date and represented 5.8% of the total loan portfolio (8.6% as at the end of 2004). At the same time, the coverage of non-performing loans with specific provisions went up to 59.0% (compared with 51.8% as at 31 December 2004). Data on the composition of the portfolio, its breakdown by sectors and quality analysis are presented in Note 2.

- As at 31 December 2005, free cash flows were placed primarily on the interbank market. The balance of long-term and current receivables in this respect was PLN 1,052,917 thousand and was at a similar level as at the end of 2004 (Note 2).

- The balance of debt securities decreased by PLN 35,077 thousand as at the balance sheet date. The balance comprised solely Treasury debt securities and NBP bonds (Note 3).

- As at the balance sheet date, the gross working assets amounted to PLN 6,072,163 thousand and their share in total gross assets was the same as at 31 December 2004.

- Funds in the form of cash in bank accounts and deposits of customers from the non-financial, public and financial sector (totalling PLN 4,067,648 thousand as at the balance sheet date), as well as loans and borrowing granted by Fortis Bank S.A./N.V and the European Bank for Reconstruction and Development (PLN 1,038,357 thousand and PLN 28,949 thousand as at 31 December 2005, respectively) were the main source of financing the Bank. As at 31 December 2005, the aggregate share of liabilities in the balance sheet total was 84.0%, which is similar to the balance at the end of the prior year.

- Compared with the end of 2004, total liabilities went up by PLN 773,947 thousand. The increase related primarily to current liabilities in PLN and accepted interbank placements (Note 10).

- As at the balance sheet date the Bank's liquidity ratios relating to periods of up to one month and up to three months were 0.61 and 0.49, respectively (in 2004 they amounted to 0.90 and 1.09), and were calculated based on actual maturities. Should debt securities and credit facilities received be included in the group of assets maturing within one month, the said ratios would be 1.07 and 1.08, respectively. The decrease of the liquidity ratios in comparison to prior year was the result of an increase as at the balance sheet date in current amounts due to non-financial sector and increase in bank placements (O/N, T/N).

- The net profit for 2004 amounting to PLN 74,553 thousand was fully retained to increase equity. As at the end of 2005, equity amounted to PLN 691,785 thousand and was PLN 96,609 thousand higher than as at 31 December 2004 (Note 15).

- The Bank's regulatory capital was PLN 560,404 thousand as at the end of 2005. The Bank's capital adequacy ratio was 11.11% (12.26% as at the end of 2004) and was calculated including adequacy requirements for the banking book and trading book.

III. The Bank's results and financial position (cont.)

- In the audited year the profit before tax increased by PLN 39,925 thousand (i.e. by 48.4%) up to PLN 122,392 thousand. This is mainly due to an increase in net commission and interest income of PLN 16,458 thousand in total, and to an increase in the foreign exchange result and the result on financial transactions of PLN 22,931 thousand in total. The increase in operating expenses of PLN 13,621 thousand was partly offset by a more favourable (by PLN 4,252 thousand) balance of provisions and impairment write-downs compared with the prior year.

- The Bank's net interest income amounted to PLN 164,914 thousand and increased by 6.5%, while the interest margin was maintained at 54.7% (calculated as a relation of net interest income to interest income). The increase in the net interest income was primarily due to the interest income from the non-financial sector being PLN 24,067 thousand higher and from the financial sector being PLN 10,552 thousand higher (Note16).

- Net commission income increased by PLN 6,447 thousand, which was mainly a result of income from commission on banking transactions being higher which was partly offset by the lower revenue related to commissions accounted for using the effective interest rate and commission expenses being lower due to terminating a contract with lending intermediaries (Note 17).

- In 2005, gain on financial transactions was PLN 5,328 thousand compared with a net loss of PLN 3,607 thousand in 2004. The increase was mainly due to a better result being achieved on trading in securities and derivatives compared with the prior year. The positive result was mainly due to premiums received from currency options. (Note 18).

- The Bank's overheads amounted to PLN 160,695 thousand in the audited year, which represents an increase of PLN 13,621 thousand compared with the prior year (PLN 147,074 thousand in 2004). Approximately 78% of this increase relates to a rise in wages and salaries, as well as other employment costs (of PLN 10,682 thousand). Due to, among other things, starting up 4 new branches, increasing expenditures on modernizing the Bank's IT infrastructure and expenses on promotion in 2005, running costs also increased. They amounted to PLN 74,461 thousand, which was an increase by PLN 3,180 thousand compared with 2004 (Note 20). Due to the dynamics of income in 2005, the cost to income ratio was low and more favourable than in 2004 and amounted to 34.2% (compared with 35.3% in 2004).

- Thanks to improvement in the quality of the loan portfolio as well as to an increase in the volume of the portfolio during 2005, the change in provisions and write-downs was PLN 9,705 thousand netter than in 2004 (27.8%). Yet the balance was still negative and amounted to PLN (25,178) thousand.

- The profit before tax was decreased by a tax charge of PLN 23,062 thousand. The charge was mainly caused by the income tax liability (92.7% of the balance). The effective tax rate amounted to 18.8% in 2005 (14.3% in 2004)

III. The Bank's results and financial position (cont.)

- As a result, the net profit for 2005 was PLN 101,499 thousand and was PLN 26,946 thousand higher compared with the net result for 2004.
- The increase in net profit had a positive impact on profitability ratios. The return on equity ratio (ROE) increased from 13% in 2004 to 16% in the audited year, the return on assets ratio (ROA) rose from 1.7% in 2004 to 2.1% in 2005, and earnings per share were PLN 6.73 (PLN 4.94 in the prior year).
- The book value per share was at PLN 45.88 (PLN 39.47 in 2004). The market price of one share quoted at the Warsaw Stock Exchange on 30 December 2005 was PLN 124. In analyzing those figures, the small number of those shares which are traded on the stock exchange should be taken into account.

The Bank's operations in the following financial years may be influenced by the improvement of IT system, starting up new branches and changing the accounting policies in 2007 resulting from the implementation of the International Financial Reporting Standards (which will result in a different credit risk model than the current one).

The financial statements for the audited year have been prepared according to the going concern principle.

IV. Discussion of financial statement components

BALANCE SHEET as at 31 December 2005

	Note	31.12.2005 PLN'000	31.12.2004 PLN'000	Change PLN'000	Change %	31.12.2005 Structure %	31.12.2004 Structure %
ASSETS							
Cash and balances with the Central Bank	1	231,374	146,381	84,993	58.1	3.6	2.7
Amounts due from the financial sector	2	1,310,948	1,298,936	12,012	0.9	20.6	24.0
Amounts due from the non-financial sector	2	4,293,623	3,381,583	912,040	27.0	67.4	62.5
Amounts due from the public sector	2	531	55	476	865.5	0.0	0.0
Debt securities	3	311,428	346,505	(35,077)	(10.1)	4.9	6.4
Shares in subsidiaries	4	15,360	62,582	(47,222)	(75.5)	0.3	1.2
Shares in other entities	4	43	45	(2)	(4.4)	0.0	0.0
Other securities and other financial assets	5	52,790	46,261	6,529	14.1	0.8	0.9
Intangible assets	6	14,522	10,380	4,142	39.9	0.2	0.2
Tangible fixed assets	7	47,454	44,509	2,945	6.6	0.8	0.8
Other assets	8	58,828	38,695	20,133	52.0	0.9	0.7
Prepayments and deferred income	9	33,002	32,861	141	0.4	0.5	0.6
Total		**6,369,903**	**5,408,793**	**961,110**	**17.8**	**100.0**	**100.0**

IV. Discussion of financial statement components

BALANCE SHEET as at 31 December 2005 (cont.)

	Note	31.12.2005 PLN'000	31.12.2004 PLN'000	Change PLN'000	Change %	31.12.2005 Structure %	31.12.2004 Structure %
EQUITY AND LIABILITIES							
Amounts due to the Central Bank		-	-	-	-	-	-
Amounts due to the financial sector	10	2,178,376	1,927,845	250,531	13.0	34.2	35.6
Amounts due to the non-financial sector	10	3,144,691	2,621,860	522,831	19.9	49.4	48.5
Amounts due to the public sector	10	26,042	25,457	585	2.3	0.4	0.5
Liabilities in respect of debt securities issued		-	-	-	-	-	-
Other liabilities in respect of financial instruments	11	51,939	51,136	803	1.6	0.8	0.9
Special funds and other liabilities	12	108,325	41,338	66,987	162.0	1.7	0.8
Accruals, deferred income and suspended income	13	135,258	122,550	12,708	10.4	2.1	2.3
Provisions	14	33,487	23,431	10,056	42.9	0.5	0.4
Share capital	15	30,155	30,155	-	-	0.5	0.5
Supplementary capital	15	349,539	349,539	-	-	5.5	6.5
Revaluation reserve	15	2,415	(163)	2,578	1.581.6	0.0	(0.0)
Other reserves	15	153,834	129,281	24,553	19.0	2.4	2.4
Retained earnings	15	54,343	11,811	42,532	360.1	0.9	0.2
Net profit	15	101,499	74,553	26,946	36.1	1.6	1.4
Total equity and liabilities		**6,369,903**	**5,408,793**	**961,110**	**17.8**	**100.0**	**100.0**

IV. Discussion of financial statement components (cont.)

INCOME STATEMENT for the financial year from 1 January to 31 December 2005

	Note	31.12.2005 PLN'000	31.12.2004 PLN'000	Change PLN'000	Change %	31.12.2005 Structure %	31.12.2004 Structure %
Interest income		301,694	279,935	21,759	7.8	59.8	61.8
Interest expense		(136,780)	(125,032)	(11,748)	9.4	35.8	33.8
Net interest income	16	**164,914**	**154,903**	**10,011**	**6.5**		
Commission income		87,531	84,924	2,607	3.1	17.3	18.8
Commission expense		(8,919)	(12,759)	3,840	(30.1)	2.3	3.4
Net commission income	17	**78,612**	**72,165**	**6,447**	**8.9**		
Result on financial transactions	18	5,328	(3,607)	8,935	(247.7)	1.1	1.0
Foreign exchange result		74,282	60,286	13,996	23.2	14.7	13.3
Profit on banking activities		**323,136**	**283,747**	**39,389**	**13.9**		
Other operating income	19	9,212	6,272	2,940	46.9	1.8	1.4
Other operating expenses	19	(2,954)	(3,866)	912	(23.6)	0.8	1.0
Bank's overheads	20	(160,695)	(147,074)	(13,621)	9.3	42.0	39.7
Depreciation and amortization		(21,129)	(21,729)	600	(2.8)	5.5	5.9
Provisions and write-downs		(51,875)	(56,127)	4,252	(7.6)	13.6	15.2
Release of provisions and reversal of write-downs		26,697	21,244	5,453	25.7	5.3	4.7
Net provisions and write-downs	21	(25,178)	(34,883)	9,705	(27.8)		
Operating profit		**122,392**	**82,467**	**39,925**	**48.4**		
Net extraordinary gains		-	-	-	-		
Profit before tax		**122,392**	**82,467**	**39,925**	**48.4**		
Corporate income tax	22	(23,062)	(11,784)	(11,278)	95.7		
Share in net profit of subordinated entities		2,169	3,870	(1,701)	(44.0)	0.4	0.9
Net profit		**101,499**	**74,553**	**49,502**	**66.4**		
Total income		504,744	452,661	52,083	11.5	100.0	100.0
Total costs		(382,352)	(370,194)	(12,158)	3.3	100.0	100.0
Profit before tax		**122,392**	**82,467**	**39,925**	**48.4**		

IV. Discussion of financial statement components (cont.)

The Bank's financial position and results

	31.12.2005	31.12.2004	31.12.2003
Profitability ratios			
Gross profitability (profit before tax/total income)	24%	18%	13%
ROE (net profit for the year /average net assets) (1)	16%	13%	7%
ROA (profit before tax / average assets) (1)	2.1%	1.7%	0.9%
Cost/Income ratio (Bank's overheads/ income)	34.2%	35.3%	40.5%
Profitability ratio on interest-bearing assets (interest income / average interest-bearing assets) (1)	5.4%	5.9%	5.5%
Liability ratios			
Cost of borrowings (interest expense/average deposits) (1)	5.0%	5.3%	4.6%
Equity to equity & liabilities (equity / total equity and liabilities)	10.9%	11.0%	11.3%
Asset ratios			
Loans to the Bank's assets (gross loans to the financial, non-financial and public sectors / total gross assets)	66.1%	60.8%	68.9%
Non-performing gross loans to total gross loans (gross non-performing loans to the financial, non-financial, and public sectors / total gross loans to the financial, non-financial and public sectors)	5.8%	8.6%	13.4%
Interest-bearing assets to total gross assets	91,2%	91,2%	89,8%
Liquidity ratios			
Liquidity I (assets due within 1 month / liabilities due within 1 month) (2)	0.61	0.90	0.29
Liquidity II (assets due within 3 months / liabilities due within 3 months) (2)	0.49	1.09	0.46
Capital market ratios			
Earnings per share	6.73	4.94	2.39
Carrying value per share	45.88	39.47	34.23
Other ratios			
Capital adequacy ratio according to KNB 4/2004 (in previous years according to KNB 5/2001)	11.11%	12.26%	12.78%
Total regulatory capital requirement according to KNB 4/2004 (in previous years according to KNB 5/2001)	407,231	292,449	264,310

(1) Average balances were calculated on the basis of the individual balances as at the beginning and the end of the current and previous year.
(2) In calculating the liquidity ratios, debt securities were taken into consideration according to their actual maturity dates.

Individual ratio levels may differ from those presented in the financial statements due a different method of calculation being applied.

IV. Discussion of financial statement components (cont.)

Balance sheet as at 31 December 2005

1. Cash and balances with the Central Bank

As at 31 December 2005, cash and balances with the Central Bank amounted to PLN 231,374 thousand (PLN 146,381 thousand as at the end of 2004). A detailed analysis of this balance is presented in Note 1 of the additional notes and explanations to the Bank's stand-alone financial statements.

The increase in cash and balances with the Central Bank of 58.1% compared with the end of 2004 resulted mainly from an increase in cash on hand and in treasuries as a result of an increasing number of branches and the scale of the Bank's operations.

As at the balance sheet date, the Bank calculated, transferred and maintained a mandatory reserve in accordance with Resolution No. 15/2004 of the Management Board of the National Bank of Poland dated 13 April 2004 on the terms and procedures for calculating and maintaining mandatory reserves by banks. The declared mandatory reserve with the NBP to be maintained from 30 November 2005 to 1 January 2006 went up compared with the previous year and amounted to PLN 106,482 thousand (PLN 93,658 thousand in December 2004).

IV. Discussion of financial statement components (cont.)

2. Amounts due from the financial, non-financial and the public sectors

	31.12.2005 PLN'000	31.12.2004 PLN'000
Financial institutions		
Gross loans	89,862	49,686
Interest	248	99
Specific provisions	(71)	(75)
Net loans	90,039	49,710
Bank placements and nostro accounts	1,052,917	1,086,966
Interest	1,415	2,912
Other	166,577	159,348
Other amounts due from the financial sector	**1,220,909**	**1,249,226**
Total amounts due from the financial sector (net)	**1,310,948**	**1,298,936**
Non-financial entities		
Gross loans	4,301,178	3,401,940
Other loans	9,615	7,533
Interest	125,239	118,132
Specific provisions	(155,562)	(159,483)
Other	13,153	13,461
Total amounts due from the non-financial sector (net)	**4,293,623**	**3,381,583**
Public sector		
Gross loans	525	54
Interest	3	-
Specific provisions	-	-
Other	3	1
Total amounts due from the public sector (net)	**531**	**55**
Total gross loans	**4,401,180**	**3,459,213**
Bank placements and nostro accounts	1,052,917	1,086,966
Total interest	126,905	121,143
Total specific provisions	(155,633)	(159,558)
Total other	179,733	172,810
Total net amounts due	**5,605,102**	**4,680,574**

Compared with the end of 2004, total gross loans went up by PLN 941,967 thousand. The increase was mainly due to a growth in loans to the non-financial sector (of PLN 899,238 thousand). This increase was caused mainly by the growth in mortgage loans for individual clients and amounts due from companies such as current accounts, investment loans and operational loans (i.e loans financing current activities).

IV. Discussion of financial statement components

2. Amounts due from the financial, non-financial and public sectors (cont.)

As at 31 December 2005 the interbank balances which refer to overnight and other placements as well as nostro accounts amounted to PLN 1,052,917 thousand and decreased by PLN 34.049 in comparison to the end of 2004

The share of net amounts due in total assets was 88.0%, which was an increase of 1.5 pp. compared to the end of 2004.

46.7% of total amounts due (gross) from the financial, non-financial and public sector were foreign currency amounts (a drop from 49.5% share as at the end of 2004).

A detailed list of those items is presented in Notes 2 – 4 of additional information and explanations to the Bank's financial statements.

As at 31 December 2005, the Bank did not exceed any concentration limits specified in Art. 71 clause 1 of the Banking Law Act of 29 August 1997 (Journal of Laws No. 140 item 938).

A comparative analysis of amounts due from the financial, non-financial and public sector as at the balance sheet date and as at the end of 2004, should consider the fact that the data as at 31 December 2004 does not take into account the change to the accounting policies which is described in Section III "The Bank's results and financial position".

IV. Discussion of financial statement components (cont.)

Loan portfolio analysis

a. Structure of the loan portfolio by type of loans

As at 31 December 2005, the structure of the total loan portfolio (comprising loans to the financial, non-financial and public sectors) was as follows:

	31.12.2005 PLN'000	31.12.2004 PLN'000	Structure 31.12.2005 %	Structure 31.12.2004 %
Overdrafts	882,315	794,377	20.0	23.0
Investment	1,568,060	1,216,390	35.6	35.2
Operational	1,213,182	977,044	27.6	28.2
Mortgages	617,559	371,808	14.0	10.7
Factoring	3,111	3,736	0.1	0.1
Guarantees paid	6,504	3,797	0.1	0.1
Other loans	121,016	92,061	2.7	2.7
Adjustment to EIR	(10,567)	-	(0.2)	-
Total loans (gross)	**4,401,180**	**3,459,213**	**100.0**	**100.0**
Interest	125,490	118,231		
Specific provision	(155,633)	(159,558)	(3.5)	(4.6)
Total loans (net)	**4,371,037**	**3,417,886**		

During 2005, the structure of the loan portfolio by type changed slightly. As at the balance sheet date, investment loans were the major component of the balance (35.6%). Compared with 31 December 2004, this component increased by PLN 351,670 thousand.

Operational loans also had a significant share in the loan portfolio (27.6%), and they increased by PLN 236,138 thousand compared with 31 December 2004. A significant percentage increase (66.1%) related to mortgage loans, whose balance increased by PLN 245,751 thousand compared with 31 December 2004.

As at 31 December the loan portfolio was composed of PLN 2,716,152 thousand of local currency loans and PLN 1,685,028 thousand of foreign currency loans (respectively PLN 1,996,695 thousand and PLN 1,462,518 thousand as at the end of 2004).

As at 31 December 2005, the Bank's exposure exceeding 10% of its own funds related to 16 clients and amounted to PLN 1,249,000 thousand in total, which was in accordance with requirements presented in Art. 71 of the Act from 29 August 1997, the Banking Law.

IV. Discussion of financial statement components (cont.)

Loan portfolio analysis

b. Structure of the loan portfolio by loan quality

The structure of the loan portfolio in terms of quality and the balance of provisions by risk categories as at 31 December 2005 are presented below.

	31.12.2005 PLN'000	31.12.2004 PLN'000	Structure 31.12.2005 %	Structure 31.12.2004 %
Normal	4,075,658	3,096,270	92.6	89.5
Watch	71,298	65,329	1.6	1.9
Non-performing	**254,224**	**297,614**	**5.8**	**8.6**
Substandard	54,474	28,155	1.2	0.8
Doubtful	46,809	85,451	1.1	2.5
Loss	152,941	184,008	3.5	5.3
Total	**4,401,180**	**3,459,213**	**100.0**	**100.0**

The share of non-performing loans in the total loan portfolio dropped from 8.6% as at 31 December 2004 to 5.8% as at 31 December 2005. The composition of non-performing loans also improved. The share of loans classified as loss loans decreased from 61.8% to 60.2%, and the share of doubtful loans decreased by 10.3 p.p. Those decreases were partly offset by a rise in the share of substandard loans (from 9.5% to 21.4%).

The structure of specific provisions as at the balance sheet date was as follows:

	31.12.2005 PLN'000	31.12.2004 PLN'000	Structure 31.12.2005 %	Structure 31.12.2004 %
Normal	4,941	4,803	3.2	3.0
Watch	660	584	0.4	0.4
Non-performing	**150,032**	**154,171**	**96.4**	**96.6**
Substandard	5,350	1,964	3.4	1.2
Doubtful	15,738	15,653	10.1	9.8
Loss	128,944	136,554	82.9	85.6
Total	**155,633**	**159,558**	**100.0**	**100.0**

In the audited year there was a drop in the coverage ratio of specific provisions to gross loans (from 4.6% to 3.5%) The coverage of non-performing loans with specific provisions was 59.0%, which was an increase of 7.2 p.p. compared with the prior year. This was due to an increase in the loan portfolio and a decrease in the portfolio of non-performing loans, and the Bank's policy of maintaining high provisions for non-performing loans being repaid.

IV. Discussion of financial statement components (cont.)

3. Debt securities

As at 31 December 2005, the balance of "Debt securities" amounted to PLN 311,428 thousand (PLN 346,505 thousand as at 31 December 2004 – a decrease of 10.1%) and represented 4.9% of the total assets as at that date (6.4% as at 31 December 2004).

The breakdown of the balance as at the balance sheet date is provided in the table below:

	31.12.2005 PLN'000	31.12.2004 PLN'000	Structure 31.12.2005 %	Structure 31.12.2004 %
Trading				
Treasury bonds	10,119	19,092	3.2	5.5
Total	**10,119**	**19,092**	**3.2**	**5.5**
Available for sale				
Treasury bonds	271,168	202,081	87.1	58.3
NBP bonds	26,277	26,214	8.4	7.6
Treasury bills	3,864	99,118	1.2	28.6
Total	**301,309**	**327,413**	**96.8**	**94.5**
Debt securities total	**311,428**	**346,505**	**100.0**	**100.0**

The Bank classified and valued its debt securities in accordance with the Decree of the Finance Minister of 12 December 2001 on the detailed rules for the recognition, valuation, disclosure, and presentation of financial instruments.

Treasury bonds with a carrying value of PLN 3,787 thousand as at the balance sheet date were blocked to the benefit of the Bank Guarantee Fund.

In respect of credit risk, the Bank applied the provisions of the Decree of the Minister of Finance dated 10 December 2003 on principles for setting up provisions for risks relating to banking activities. As at 31 December 2005, write-downs of debt securities were not necessary.

A detailed list of debt securities is presented in Note 6 of additional information and explanations to the Bank's financial statements. Additionally, a breakdown of financial assets by transferability is presented in Note 13 of additional information and explanations to the Bank's financial statements.

IV. Discussion of financial statement components (cont.)

4. Shares in subsidiaries and other entities

	31.12.2005 PLN'000	31.12.2004 PLN'000
Subsidiaries		
Fortis Securities Polska S.A. – at cost	18,196	68,196
Equity accounting method	(2,836)	(5,614)
Subsidiaries (net)	**15,360**	**62,582**
Other shares		
S.W.I.F.T. – gross	43	45
Impairment	-	-
Other shares (net)	**43**	**45**

In the audited year, shares in subsidiaries (gross) fell by PLN 47,222 thousand (75.5%), which was due to the resale of 82.9% of shares in the amount of PLN 50,000 thousand in Fortis Securities Polska S.A., which are to be redeemed. As at the balance sheet date, the Bank hold 100% voting rights at the General Shareholders' Meeting of the subsidiary.

The subsidiary is accounted for under the equity method in accordance with the Decree of the Finance Minister of 10 December 2001 on specific accounting policies for banks.

5. Other securities and other financial assets

As at the balance sheet date, the balance of other securities and other financial assets comprised the balance sheet valuation of derivatives held by the Bank:

	31.12.2005 PLN'000	31.12.2004 PLN'000
Currency and interests rate options	19,700	5,280
IRS (interest rate swap)	11,752	16,130
CIRS (currency interest rate swap)	1,333	-
FRA (forward rate agreement)	265	-
FX Forward (foreign exchange forward)	19,740	24,851
Other securities and other financial assets	**52,790**	**46,261**

IV. Discussion of financial statement components

5. Other securities and other financial assets (cont.)

During 2005 other securities and other financial assets increased by PLN 6,529 thousand compared with the prior year. The increase resulted from the Bank's increasing activity on the options market. The number and value of the aforesaid financial instruments increased, but this was partly offset by the lower value of interest rate swaps and forex transactions, determined by the level of interest rates and exchange rates.

Concluding options transactions with clients, the Bank offsets the option with another transaction of similar characteristics with the Parent Company (bank). Therefore, the valuation of options in assets and in liabilities is identical (see Note 10 to this Report).

Bank adopts hedge accounting at the fair value with regard to bond of nominal value of PLN 150,000 thousand which was purchased at the primary market from the financial institution. It is presented as an amount due from the financial sector. This transaction i is hedged by IRS (interest rate swap) with par value of PLN 150,000 thousand which is due at the same date as the bond At the balance sheet date the Bank estimated the effectiveness of the hedge at 96% which is in compliance with the Decree of the Finance Minister of 12 December 2001 on the detailed rules for the recognition, valuation, disclosure, and presentation of financial instruments.

6. Intangible assets

As at the balance sheet date, "Intangible Assets" increased by PLN 4,142 thousand, i.e. by 39.9% compared with the balance as at 31 December 2004.

The breakdown of intangible assets as at the balance sheet date is as follows:

	31.12.2005 PLN'000	31.12.2004 PLN'000
Gross value	55,307	46,638
Accumulated amortization	(40,786)	(36,258)
Net	**14,522**	**10,380**

As at the balance sheet date, gross intangible assets comprised computer software of PLN 47,760 thousand and capital expenditure of PLN 7,547 thousand incurred mainly on developing a system for loan processing and implementing a SSO project (a system of external reporting for the Accounting Department). In 2005 a system supporting recovery and monitoring activities was commissioned for use and an outsourcing project related to debit and charge cards was completed.

A detailed analysis of this balance is presented in Note 14 of the additional notes and explanations to the Bank's stand-alone financial statements.

IV. Discussion of financial statement components (cont.)

7. Tangible fixed assets

As at the balance sheet date, "Tangible Fixed Assets" increased by PLN 2,945 thousand, i.e. by 6.6% compared with the balance as at the end of the prior year.

The breakdown of tangible fixed assets as at the balance sheet date is as follows:

	31.12.2005 PLN'000	31.12.2004 PLN'000
Gross value	132,304	123,234
Fixed assets under construction and prepayments for fixed assets under construction	3,507	1,372
Accumulated depreciation	(88,357)	(80,097)
Net book value	**47,454**	**44,509**

The increase in tangible fixed assets (gross) of PLN 11,205 thousand was the result of asset purchases, clearing capital expenditure on computers, replacing vehicles and starting up new branches of the Bank. The new branches are being established mainly on leased office space adjusted to the Bank's purposes. Costs related to adaptation are capitalised.

The wear and tear of non-current assets, measured as the relation of accumulated depreciation to the gross value of tangible fixed assets as at 31 December 2005, increased by 2 percentage points and amounted to 66.8% (65.0% as at 31 December 2004).

A detailed analysis of this balance is presented in Note 15 of the additional notes and explanations to the Bank's stand-alone financial statements.

8. Other assets

As at 31 December 2005, "Other assets" amounted to PLN 58,828 thousand (PLN 38,695 thousand as at 31 December 2004). The increase in other assets of PLN 20,133 thousand was mainly the result of an increase in current amounts due, resulting from the resale of shares of Fortis Securities Polska S.A. (PLN 50,000 thousand) accompanied by a drop in interbank settlements (of PLN 31,038 thousand).

A detailed analysis of this balance is presented in Note 16 of the additional notes and explanations to the Bank's stand-alone financial statements.

IV. Discussion of financial statement components (cont.)

9. Prepayments and deferred costs

	31.12.2005 PLN'000	31.12.2004 PLN'000
Deferred tax assets	29,899	29,351
Other	3,103	3,510
	33,002	**32,861**

The increase in deferred tax assets of PLN 548 thousand was mainly due to higher deductible temporary differences, which is mainly the result of an increase in deferred commissions (see Note 22 to this Report)

10. Amounts due to the financial, non-financial and public sectors

As at 31 December 2005, amounts due to the financial, non-financial and public sectors totalled PLN 5,349,109 thousand (PLN 4,575,162 thousand as at 31 December 2004):

	31.12.2005 PLN'000	31.12.2004 PLN'000
Amounts due to the financial sector		
including:		
current accounts and deposits, including:	1,105,678	786,052
- bank placements	968,994	114,472
loans taken	1,067,306	1,136,162
other	1,218	828
interest	4,174	4,803
Total	**2,178,376**	**1,927,845**
Amounts due to the non-financial sector		
including:		
current accounts and deposits	2,936,109	2,395,064
other	204,052	220,152
interest	4,530	6,644
Total	**3,144,691**	**2,621,860**
Amounts due to the public sector		
including:		
current accounts and deposits	25,861	25,395
other	150	-
interest	31	62
Total	**26,042**	**25,457**
Total amounts due	**5,349,109**	**4,575,162**

The increase in liabilities of PLN 773,947 thousand resulted primarily from an increase in non-current liabilities and current account dues to the non-financial sector (of PLN 541,045 thousand), as well as an increase in interbank placements accepted (of PLN 854,522 thousand).

IV. Discussion of financial statement components

10. Amounts due to the financial, non-financial and public sectors (cont.)

As at the balance sheet date, 37.5% of the liabilities were denominated in foreign currencies. The ratio was similar as in the prior year.

As at 31 December 2005, loans from related entities – banks of the Fortis Group – were a material component of financing the Bank's activities, and they amounted to PLN 1,038,357 thousand (PLN 1,085,175 as at the end of 2004).

A detailed analysis of this balance is presented in Notes 20 and 22 of the additional notes and explanations to the Bank's stand-alone financial statements.

IV. Discussion of financial statement components (cont.)

11. Other liabilities in respect of financial instruments

The balance comprised solely the valuation of derivatives:

	31.12.2005 PLN'000	31.12.2004 PLN'000
Currency and interest rate options	19,700	5,280
IRS (interest rate swap)	11,873	19,325
CIRS (currency interest rate swap)	7,951	-
FRA (forward rate agreement)	128	118
FX forward (foreign exchange forward)	12,287	26,413
Other liabilities in respect of financial instruments	**51,939**	**51,136**

In 2005 liabilities in respect of financial instruments increased slightly, i.e. by PLN 803 thousand, compared with the prior year. However, the composition of liabilities changed. Due to increasing activity on the options market, the number and value of those financial instruments increased. However, this was offset by a lower valuation of interest rate swaps and forex transactions, in relation to the trends in interest and exchange rates (see Note 5 to this Report)

12. Special funds and other liabilities

	31.12.2005 PLN'000	31.12.2004 PLN'000
Sundry creditors	14,459	8,856
State budget settlements	23,496	8,392
Interbank settlements	56,981	21,474
Special funds	1,280	1,152
Other	12,109	1,464
Total	**108,325**	**41,338**

The increase in special funds and other liabilities (of PLN 66,987 thousand) resulted chiefly from liabilities in respect of interbank settlements being higher by PLN 35,507 thousand and tax payables being higher by PLN 15,104 thousand. Tax payables referred mainly to monthly CIT advance payments. As at 31 December 2005 tax payable balance amounted to PLN 19,891 thousand compared with PLN 4,882 thousand at the end of 2004.

A detailed analysis of this balance is presented in Note 25 of the additional notes and explanations to the Bank's stand-alone financial statements.

IV. Discussion of financial statement components (cont.)

13. Accruals, deferred income and suspended income

	31.12.2005 PLN'000	31.12.2004 PLN'000
Accruals	13,399	12,521
Qualified income	107,959	102,116
Other deferred income	13,900	7,913
Total	**135,258**	**122,550**

As at the balance sheet date the balance of accruals, deferred income and qualified income was PLN 135,258 thousand, and was PLN 12,708 thousand higher compared with the end of 2004.

The increase resulted from deferred income higher by PLN 5,987 thousand than in the prior year mainly due to an increase of deferred income related to deferred commissions as well as qualified income rising by PLN 5,843 thousand, which related primarily to "loss" amounts due from the non-financial sector.

A detailed analysis of this balance is presented in Note 26 of the additional notes and explanations to the Bank's stand-alone financial statements.

IV. Discussion of the financial statements components (cont.)

14. Provisions

As at 31 December 2005, the balance of provisions amounted to PLN 33,487 thousand (PLN 23,431 thousand as at the end of the prior year) and comprised the following: a deferred tax provision of PLN 10,854 thousand, a general risk provision of PLN 20,910 thousand, and a provision for future liabilities and off-balance sheet contingent liabilities, amounting to PLN 488 thousand and PLN 1,235 thousand, respectively.

	31.12.2005 PLN'000	31.12.2004 PLN'000
Deferred tax provision	10,854	9,778
Provision for future liabilities	488	477
Provision for off-balance sheet liabilities	1,235	1,176
General risk provision	20,910	12,000
Total	**33,487**	**23,431**

The increase in the balance of PLN 10,056 thousand was mainly due to a change in the general risk provision of PLN 8,910 thousand, that was recognised in accordance with , Art. 130 of the Act of 29 August 1997, the Banking Law.

A detailed analysis of this balance is presented in Note 27 of the additional notes and explanations to the Bank's financial statements.

15. Equity

	31.12.2004 published	Changes in accounting policies	1.01.2005 as adjusted	Appro-priation of profit	Net profit for the year	Other	31.12.2005
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Share capital	30,155		30,155				30,155
Supplementary capital	349,539		349,539				349,539
Revaluation reserve	(163)		(163)			2,578	2,415
Other reserves	129,281		129,281	24,553			153,834
Retained earnings	11,811	(7,468)	4,343	50,000			54,343
Net profit	74,553		74.553	(74,553)	101,499		101,499
Total	**595,176**	**(7,468)**	**587,708**	**-**	**101,499**	**2,578**	**691,785**

In the audited year, the share capital did not change.

IV. Discussion of financial statement components

15. Equity (cont.)

The adjustment relating to the change in the accounting policies resulted from the introduction, as of 1 January 2005, of the valuation of amounts due at amortized cost using the effective interest rate. This matter has been described in Chapter III - The Company's results and financial position.

A list of the adjustments is also presented in Note 33 of additional information and explanations to the Bank's financial statements.

In accordance with Resolution No. 8/2005 passed by the General Shareholders' Meeting on 24 May 2005, the net profit for 2004 in the amount of PLN 74,553 thousand was earmarked to increase the Bank's equity. PLN 24,553 thousand were transferred to the general risk reserve and PLN 50,000 were retained.

The change in the balance of the revaluation reserve is mainly the result of the valuation of financial instruments classified as available for sale.

The Bank's equity calculated in accordance with Resolution No. 4/2004 of the Banking Supervision Commission amounted to PLN 560,404 thousand as at 31 December 2005, and was PLN 153,173 thousand higher than the total regulatory capital requirement which amounted to PLN 407,231 thousand as at the balance sheet date. As a result, the Bank's capital adequacy ratio amounted to 11.11% (12.26% as at 31 December 2004).

IV. *Discussion of financial statement components (cont.)*

Income statement for the year ended 31 December 2005

16. Net interest income

The net interest income for the audited period was PLN 164,914 thousand (PLN 154,903 thousand in the prior year). The increase of PLN 10,011 thousand resulted from the Bank's increased lending activities and interbank transactions.

The Bank's interest margin (calculated as a ratio of net interest income to interest income) slightly dropped from 55.3% to 54.7% in comparison to prior year. Interest expense increased by PLN 11,748 thousand (9.4%), and interest income rose by PLN 21,759 thousand (7.8%). Lower interest margin resulted mainly from the decrease in income related to debt securities by 29.4% (result on interest rose by 6.5% in the same period)

Minimum and maximum average monthly interest rates for assets, calculated as a ratio of monthly interest income to average monthly assets which generate that income, were 4.8% and 6.5%, respectively. Interest rates for deposits, being the ratio of monthly interest expenses to average balances (in a given month) of liabilities which generate those expenses varied between 2.2% and 3.3%.

A detailed analysis of this balance is presented in Notes 38 and 39 of the additional notes and explanations to the Bank's stand-alone financial statements.

Analysing the net interest income for the audited year and 2004, the fact that the data for the year 2004 does not include the changes in the accounting policies described in Chapter III - The Company's results and financial position should be taken into account.

17. Net commission income

Net commission income for the audited period was PLN 78,612 thousand (PLN 72,165 thousand in the prior year). It increased by PLN 6,447 thousand compared with the prior year, mainly a result of an increase in commission income of PLN 2,607 thousand, to PLN 87,531 thousand in 2005, and a decrease in commission expense from PLN 12,759 thousand in 2004 to PLN 8,919 thousand in the audited year.

The increase in commission income was primarily due to an increase in commission on import orders of PLN 2,045 thousand and in commission on overdraft facilities of PLN 2,606 thousand, which was partly offset by the lower revenue related to commissions accounted for using the effective interests rate. The largest component of commission income comprised commission on loans which were not accounted for using the effective interest rate (due to the lack of repayment schedules - e.g. for overdraft facilities), which amounted to PLN 15,215 thousand in 2005, commission on import orders (PLN 7,922 thousand) and commission on servicing PLN accounts (PLN 6,246 thousand).

Commission income which is directly related to granting loans is recognized using the effective interest rate and accounted for as interest income over the loan period. Other commission is recognized on a straight-line basis or accounted for as income on a cash basis.

IV. Discussion of financial statement components

17. Net commission income (cont.)

Expenses were lower compared to 2004 among other due to terminating a contract with a lending intermediary in 2005. In 2005, 20% of commission expenses related to cash paid in and out in foreign currencies (10% in 2004), 13% of expenses related to lending intermediary (43% in 2004) and 13% to settlements in respect of payment cards (8% in 2004).

Analysing the net commission income for the audited year and 2004 the fact that the data for the year 2004 does not provide for the change in the accounting policies described in Chapter III - The Company's results and financial position should be taken into account.

18. Result on financial transactions

	12 months ended 31.12.2005 PLN'000	12 months ended 31.12.2004 PLN'000
Valuation of securities	4,895	2,472
Net loss on transactions in securities	(1,328)	(6,092)
Result on securities	**3,567**	**(3,620)**
Valuation of derivative financial instruments	(3,012)	(1,473)
Net income on transactions in derivative financial instruments	4,773	1,486
Result on derivative financial instruments	**1,761**	**13**
Result on financial transactions	**5,328**	**(3,607)**

In 2005, the Bank's loss on transactions in securities (mainly in respect of Treasury bonds) decreased compared with 2005. As a result of lower interest rates the net result on valuation of debt securities was also higher in 2005. The result on derivative instruments was generated mainly by the difference of premiums paid and received on currency options in the amount of PLN 4,260 thousand.

A detailed analysis of this balance is presented in Note 42 of the additional notes and explanations to the Bank's stand-alone financial statements.

19. Other operating income and expenses

Other operating income amounted to PLN 9,212 thousand in the audited year (PLN 6,272 thousand for the prior year). It was generated mainly on sub-rental and lease services (PLN 1,613 thousand), disposals of fixed assets (PLN 1,626 thousand) and financial services rendered through the Shared Service Center to other entities of the Fortis Group in the Central and Eastern European region (PLN 1,412 thousand). The increase in income of PLN 2,940 thousand was primarily due to income in respect of services rendered through the Shared Service Center, which had not been earned in the prior year.

Other operating expenses amounted to PLN 2,954 thousand in the audited year (PLN 3,866 thousand in the prior year). The balance includes among other write-downs of disputed amounts due of PLN 737 thousand, litigation costs (court and bailiff fees) of PLN 443 thousand.

IV. Discussion of financial statement components

19. Other operating income and expenses (cont.)

A detailed analysis of these balances is presented in Notes 43 and 44 of the additional notes and explanations to the Bank's stand-alone financial statements.

20. Bank's overheads

The Bank's overheads were PLN 160,695 thousand in 2005 (PLN 147,074 thousand in 2004) and they increased by PLN 13,621 thousand compared with the prior year.

58.9% of the increase may be attributed to an increase in wages and salaries of PLN 8,022 thousand. Remuneration charges and other employee-related costs also grew (due to increased employment in the Bank) – by PLN 2,660 thousand, similarly as the running cost (an increase of PLN 3,180 thousand). This resulted among other things from: 4 new branches being started up, higher expenditure on modernizing the Bank's IT infrastructure and expenses on promotion.

The cost to income ratio decreased slightly. In 2005 it amounted to 34.2% (35.3% in 2004).

The Bank's business effectiveness ratios are as follows:

	12 months ended 31.12.2005 PLN'000	**12 months ended 31.12.2004 PLN'000**
Bank's overheads	160,695	147,074
Average number of employees during the year (in persons)	944	880
Overheads per employee	170	167
Net profit per employee (yearly avarage)	108	85

IV. Discussion of financial statement components (cont.)

21. Net provisions and write-downs

Additional provisions set up and provisions released during the audited period are presented in the table below:

	12 months ended 31.12.2005 PLN'000	12 months ended 31.12.2004 PLN'000
Additional provisions		
Amounts due	38,068	39,850
Off-balance sheet liabilities	4,703	3,969
General banking risk	8,910	12,000
Other	194	308
Total	**51,875**	**56,127**
Release of provisions		
Amounts due	22,088	16,812
Off-balance sheet liabilities	4,609	4,368
Other	-	64
Total	**26,697**	**21,244**

In 2005 additional provisions decreased by PLN 4,252 thousand, to PLN 51,875 thousand. Due to the Bank's low exposure to the public sector and the nature of financial sector customers, comprising mainly banks, almost all the receivable write-downs related to amounts due from the non-financial sector.

The general risk provision of PLN 8,910 thousand was supplemented in line with the requirements specified in Art. 130 of the Act of 29 August 1997, the Banking Law.

In the audited year, provisions for off-balance sheet liabilities set up and reversed increased by PLN 734 thousand and PLN 241 thousand, respectively.

When setting up the provisions, the Bank complied with the provisions of the Finance Minister's Decree dated 10 December 2003 on the principles for creating provisions for risks associated with banking activities. In accordance with this Decree, the basis for calculating specific provisions may be reduced by the amount of collateral for a given loan.

A detailed analysis of these balances is presented in Notes 46 and 47 of the additional notes and explanations to the Bank's stand-alone financial statements.

IV. Discussion of financial statement components (cont.)

22. Corporate income tax

	12 months ended 31.12.2005 PLN'000	12 months ended 31.12.2004 PLN'000
Income tax due	(21,388)	18,632
Deferred income tax	(1,674)	(6,848)
Income tax charge	**(23,062)**	**11,784**

The effective tax rate was 18.8% (14.3% in 2004).

a) Income tax liabilities

In the audited year, income tax liabilities were calculated on the basis of the profit before tax determined in accordance with accounting regulations and adjusted for non-taxable income and non-deductible costs.

	12 months ended 31.12.2005 PLN'000	12 months ended 31.12.2004 PLN'000
Profit before tax	122,392	82,467
Amounts decreasing the tax base	66,267	126,751
- previous years' costs deductible in the current year	(372)	(593)
- non-taxable income	66,639	127,344
Amounts increasing the tax base	56,526	160,932
- non-deductible costs	54,357	157,062
- other	2,169	3,870
Tax base	**112,651**	**116,648**
Decreases, discontinuation, exemptions and allowances	(84)	(40)
Income tax refund	**-**	**3,523**
Income tax due (19%)	**21,388**	**18,632**

b) Deferred income tax

Deferred income tax was calculated on the basis of temporary differences between the book values of assets and liabilities and their tax bases, in accordance with the Accounting Act and tax regulations. As at 31 December 2005, the tax calculation showed a deferred tax asset of PLN 29,899 thousand and a deferred tax provision of PLN 10,854 thousand.

The Bank avails itself a right to a tax relief in accordance with Art 38a of Corporate Income Tax Act of 15 February 1992. and calculates deferred tax assets in respect of loan provisions which are not tax-deductible as at 31 December 2002, at 27%.

IV. Discussion of financial statement components

22. Corporate income tax (cont.)

The increase in deferred tax assets was mainly due to a growth in deductible temporary differences in respect of deferred commission, whereas the increase in deferred tax provision was chiefly a result of temporary differences which arose in 2005 on foreign exchange gains in the amount of PLN 7,453 thousand.

	31.12.2005 PLN'000	31.12.2004 PLN'000
Taxable temporary differences		
Deferred income	40,140	42,280
Non-depreciated fixed assets subject to investment relief	2,587	2,794
Difference between tax and accounting depreciation	1,231	3,730
Foreign exchange gains	7,453	-
Valuation increases on financial assets	3,359	2,371
Valuation increase on financial assets recognized in the revaluation reserve	2,357	286
Total taxable temporary differences	**57,127**	**51,461**
Deferred tax provision (19%)	**10,854**	**9,778**
Deductible temporary differences		
Non-deductible costs recognized in the income statement in the audited year	17,815	29,367
Foreign exchange losses on the valuation of currencies	-	1,562
Accrued running and personnel costs	13,404	12,689
Non-deductible bad debt provision	74,582	80,776
Valuation decrease on financial assets	23,213	17,277
Deferred commission	25,103	7,781
Valuation decrease on financial assets recognized in the revaluation reserve	5	1,118
Other	1,747	1,778
Total deductible temporary differences	**155,869**	**152,348**
including:		
Covered by a 19% rate	152,315	147,293
Provision for doubtful and loss loans in 2002 – tax relief (27%)	3,554	5,055
Deferred tax assets at 19%	28,939	27,986
Deferred tax assets at 27%	960	1,365
Total deferred tax assets	**29,899**	**29,351**

IV. Discussion of financial statement components

22. Corporate income tax (cont.)

Deferred tax charge in the income statement in 2005 amounted to:

	12 months ended 31.12.2005 PLN'000
Deferred tax net	(528)
Including tax through:	
- retained earnings (change of accounting principles)	(1.752)
- revaluation reserve	606
Deferred tax charge in income statement	**(1.764)**

23. Off-balance sheet items

As at the balance sheet date, "Off-balance sheet liabilities" amounted to PLN 14,446,430 thousand (PLN 10,040,983 thousand as at the end of the prior year).

The largest component of off-balance sheet liabilities comprised liabilities related to currency spot transactions, forward and FX swap, which were PLN 5,851,830 thousand as at the end of 2005 (PLN 4,284,187 thousand as at the end of 2004). Other off-balance sheet liabilities also increased (by PLN 2,424,744 thousand) in comparison to prior year, which was mainly due to increasing activity on the derivatives financial instruments market (mainly options market).

A detailed analysis of these balances is presented in Notes 36 and 37 of the additional notes and explanations to the Bank's stand-alone financial statements.

V. The registered auditor's statement

a) The Management Board of the Bank provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post-balance-sheet events which occurred up to the date on which that letter was signed.

b) The scope of the audit was not limited.

c) The Bank has up-to-date documentation of its accounting policies, approved by the Management Board. The Bank's accounting policies were tailored to its needs and ensured the specification of all the events material to the assessment of its financial position and results, taking into consideration the prudence principle. Changes in accounting policies were correctly disclosed in the additional notes and explanations.

d) The closing balances as at the end of the prior year were correctly brought forward as the opening balances of the current financial year in all material respects.

e) We have assessed the operation of the accounting system and related internal control system. Our assessment covered in particular:

- the accuracy of the documentation relating to business transactions;
- the fairness, accuracy and verifiability of the accounting records, including computerized accounting records;
- the methods used for controlling access to data and computerized data processing systems;
- the safeguarding of accounting documentation, accounting records and the financial statements;

Based on the above assessment, together with our verification of individual items of the financial statements, we concluded that the accounting system and the related internal control system are a basis for expressing a general, comprehensive and unqualified opinion on the truth and fairness of these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said systems.

f) The introduction and additional notes and explanations present all the significant information specified in the Decree of the Finance Minister dated 18 October 2005 on the scope of information disclosed in the financial statements and consolidated financial statements required in the prospectuses of issuers resident in the territory of the Republic of Poland who prepare their accounts in accordance with the Polish accounting regulations.

V. The registered auditor's statement (cont.)

g) The Directors' Report of Fortis Bank Polska S.A. includes the issues required by the regulations of the Decree of the Finance Minister dated 19 October 2005 on current and periodical information submitted by issuers of securities. The information included therein is consistent with the information presented in the financial statements.

h) Counts of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and their results were included in the accounting records for the audited year.

i) No significant violations of the law affecting the financial statements or significant violations of the Bank's Memorandum of Association have been noted in the course of the audit.

j) The financial statements for the prior year were audited by another registered auditor. The registered auditor issued an unqualified opinion.

k) The total regulatory requirement, together with the requirement concerning the risk of excessive capital exposure, amounted to PLN 407,231 thousand as at the balance sheet date. The capital adequacy ratio as at 31 December 2005 amounted to 11.11%. As at the balance sheet date, the Bank complied with the prudence principle in all material respects.

l) The financial statements of the Bank as at and for the year ended 31 December 2004 were approved by Resolution no. 4 passed by the General Shareholders' Meeting on 24 May 2005, filed with the National Court Register in Warsaw on 13 June 2005 and published in *Monitor Polski* B, No. 1503, item 10822 on 29 September 2005.