FORTIS BANK

Solidni w partnerstwie, elastyczni w działaniu

Board of Executives Report on Fortis Bank Polska S.A. Activity in the first half-year 2005

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I. SUMMARY OF THE BANK'S ACTIVITY IN THE FIRST HALF-YEAR 2005

A. Introduction

In the first half-year 2005, Fortis Bank Polska S.A. generated net profit of PLN 48,7 million, i.e. by 28% higher than in the first half-year 2004, when it totalled PLN 38 million.

The result on banking activity amounting to PLN 157 million was higher by 13% compared to the first half-year 2004. The increase of interest result is on the mark of PLN 83 million after the first half-year 2005, i.e. by 9% more than in the first half-year 2004; the increase of commission and fee result up to PLN 38,5 million in the first half-year 2005, i.e. by 16% more compared to the first half-year 2004 and the increase of FX differences result up to PLN 31,6 million, i.e. by 7% more compared to the first half-year 2004. Thanks to a stable expense level, the Bank has obtained 33% increase of gross profit to the mark of PLN 58,2 million compared to PLN 43,7 million for the first half-year 2004.

As compared to the situation at the end of June 2004, total assets have grown by 7%. The Bank recorded a 10.6% growth of the credit portfolio and 10.7 % growth of non-financial sector customer deposits.

The Bank's ROE amounted to 15.7%.

During the first half-year 2005, the Bank continued to develop its offer by new both Polish and foreign investment fund units.

B. Key factors that affected the Bank's financial performance in the first half-year 2005:

- Loan portfolio of non-financial sector customers increased by 10.6% as compared to June 2004, i.e. up to PLN 3,755 million as at June 30, 2005. Portfolio of PLN loans increased by 28%.
- The share of non-performing loans in the total credit portfolio is steadily going down and as at the end of June 2005 it accounted for 8.9% (including 1.6% - watch list loans) as compared to over 11% at the end of June 2004 (including: 1.6% watch list loans).
- As compared to June 2004, the deposit balance of non-financial sector customers increased by 8.3%. As at the end of June 2005, the deposit balance amounted to PLN 2,840 million. The balance of PLN deposits grew up by 19%.
- Commission and fee income increased by 10%, which resulted mainly from non-credit commissions. Credit commission income was by 3% lower than in the first half-year 2004 due to the fact that since January 1, 2005, commissions and fees accounted for in time, by using an effective interest rate, are recognized as interest income.
- Net interest income amounting to PLN 83 million was higher than in June 2004 by over PLN 7 million, i.e. by 9%.
- FX result reached PLN 31,6 million and was higher by 6.7% as compared to June 2004.
- The Bank reported a profit of PLN 3.6 million on financial operations compared to loss of PLN (0,2) million in the first half-year 2004.
- Bank operating costs amounted to PLN 76,5 million and were by 4.6% higher than in the first half-year, when they amounted to PLN 73 million.
- The balance of provisions made versus provisions released equalled PLN 15,5 million, whereas in the first half-year 2004, this difference amounted to PLN 11,3 million.

C. Outside Factors which Influence the Operation and Development of the Bank

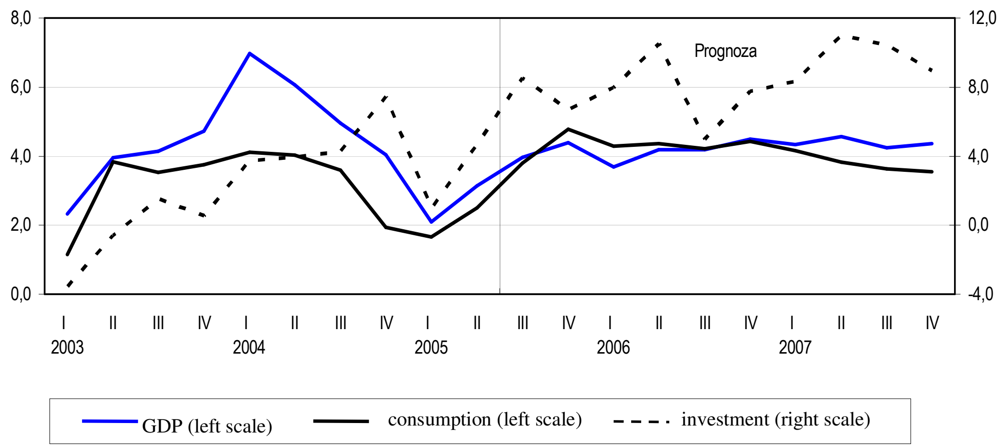
/source: Center for Social and Economic Research /

Polish Economy in the first half-year 2005

Economic growth pace in the first half-year 2005 visibly slowed down. GDP growth in the first quarter of 2005 was equal to 2.1% year-to-year [estimates by the Central Office of Statistics (GUS)] and 3.1% in the second quarter (estimates by CASE) as compared to 4.0% in the fourth quarter of 2004 and 5.4% during 2004. Weak economic results in the first half-year 2005 year-to year resulted partly from statistical effect of a high base observed in previous year i.e. during the period of a revived economic activity straight before and after EU accession. It turns out though that economic revival associated with the EU accession is rather a short-time trend and for the moment this short-term revival period does not indicate a lasting increase in growth rate.

Economic slow-down resulted from a decline in investment growth: increase by 1.0% was observed in the first quarter and accordingly by 4.7% in the second quarter (estimates by CASE). Investment results are very hard to foresee also by statistics. Given that enterprise performance over 2004 and in the first quarter of 2005 (gross profitability of 5.1%) was promising, EU projects started off with a great part made up by infrastructural investments, not to mention that growth forecast for the second half-year 2005 and 2006 is moderately positive, we should believe that a year-start investment demand slow-down is only temporary.

Chart 1. Growth of Gross Domestic Product, consumption and investment, 2003-2007



Growth in consumption of households was slightly slower (1.7% in the first quarter, 2.5 in the second quarter) which resulted from a real decrease of social securities (there was no indexation this year) and probably from a sluggish reconstruction of savings rate (share of savings growth, including investments by individuals, in current income). Payroll budget is slowly improving – in the first half of 2005 the rate of the employed in a company sector reached 1.7% year-to-year, and since May we have returned to a real wage increase (during the whole half-year, however, an average real salary dropped by 0.2%). A new income constituent derived from direct payments to farmers (almost PLN 4 billion in the first half-year 2005), even though this is a very small amount (over 1%) compared to total earnings of individuals. Euro export receipts continued to grow dynamically (by 18% year-to-year in total over the first half-year), however, due to a continuous PLN annual appreciation year-to-year, PLN income remained generally at the same level as last year income, which may impair a financial situation of companies. Import development in Euro currency was almost half-poorer, which made foreign trade to maintain a positive contribution in economic growth.

Poor demand was conducive to the fall in inflation. Fall in price dynamics down to 1.3% (year-to-year) reported in June was mainly the result of coming to an end of supply factors, which appeared after EU accession (mainly a significant arbitrage for food prices).

Services continued to be the main growth factor in the real sphere, especially services related to company and real estate maintenance as well as financial services. Industry production sold raised in the first half-year just by 1.5%, while construction-and-assembly related production – by 8.5%, both values are disrupted by a high previous-year base (in the case of industry) and high fluctuations of dynamics that occurred last year (in the case of construction industry).

Situation in the banking sector in the first half-year 2005

Over the first half-year 2005, bank assets increased by 6.4% (up to PLN 616,5 billion) and in comparison with a corresponding period of 2004 they were moderately growing to reach 10.9% year-to-year. Banking services saturation level (assets/GDP) raised from 65% at the end of 2004 up to 67.5% as at June 30, 2005. It is still much below the EU level.

Increase in assets was mainly financed by increased money deposits of financial institutions (approximately by 21% year-to-year in the first half-year) and then by central budget (by 13%). Other entities showed a dynamic accumulation of company deposits (approximately by 19%, the most rapidly accumulation of current deposits) associated with good financial results of companies. However, such dynamics is worse than in 2004; this may be the result of a slower growth rate of company income on the one hand, and a sluggish reconstruction of investment demand on the other hand. Individual sector deposits were moderately growing by 4% only; this arises from a still weak growth in household income, much better, however, compared to 2004, when such deposits were on the decrease.

Increase in assets was, to a large extent, the result of high foreign asset dynamics in the banking system (approximately by 39% year-to-year in the first half-year of 2005). Banks were intensively raising their investments (approximately over 60% year-to-year); they also increased their investments in securities issued by monetary financial institutions (NBP monetary bills). Although NBP interest rate cuts were expected (they were cut from January to June by 150 base points) the engagement of banks in governmental securities grew very slowly, and during a year the contribution of this item in total assets went down to 15.2% by 1 p.p. (to compare, in mid-year 2003 this value accounted for 16.8%).

At the same time credit facilities for households were dynamically growing (approximately by 15%) which reflected the boom in housing loans (increase by 20% year-to year was observed). Apparently, a stable PLN currency (stronger than last year) encourages consumers to take housing loans in foreign currencies as their rate has started to outrun PLN loans since May. Improved situation in labour market also seems to encourage for financing consumption (increase by 18% year-to-year in June).

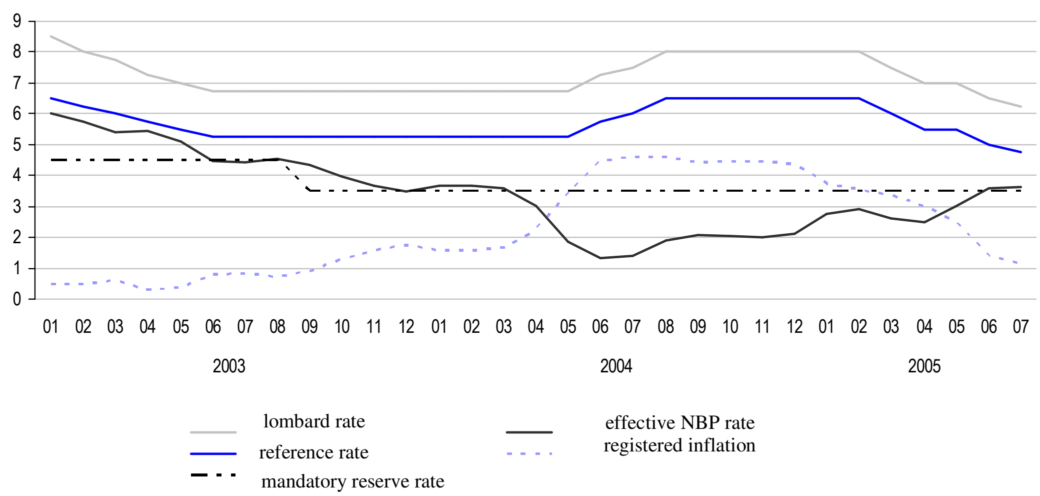
Investment demand is being revived without participation of a banking sector. Loans for companies are still on the decrease (approximately by 4% year-to-year in the first half-year 2005) and companies, apparently, are using their own funds. An absurd situation persists when increases the role of companies as a source of fund accumulation in the banking sector and such funds are more and more often used up by households. Relation between deposits made by individuals and companies dropped from 2.5 in 2004 mid-year up to 2.3 in 2005 mid-year, and a parallel relation for loans increased from 0.87 to 1.0 respectively (loans for individuals were equal to loans for companies).

Over the first half-year improved at-risk receivables ratios which went down both for households (from 9.4% in December last year to 8.7% in June 2005) and for companies (from 18.9% to 16.5%).

According to available data obtained from GUS for the first quarter of this year the banks developed high gross profit (26% year-to-year) which allowed them to obtain gross profitability at the level of

11% (8.6% net profitability). Such income structure comprises an increased portion of: interest (increase from 57.4% to 58.3%), FX transactions (increase from 10% to 12.9%) as well as stock proceeds, shares and other securities (increase from 1.1 % to 3.1%) and a decreased portion of: commissions and fees (from 27.8% to 24.4%) and financial operations (from 3.7% to 1.3%).

Chart 2. Monetary policy instruments (%), 2003-2005



II. SHAREHOLDERS, CAPITAL AND FUNDS

A. Share capital

As at June 30, 2005, the Bank's share capital amounted to PLN 30,155,400 and was divided into 15,077,700 common bearer shares of PLN 2 nominal value each. In the first half-year 2005, no changes as regards the share capital occurred.

B. Changes in the ownership structure in the first half-year 2005

As at June 30, 2005 shareholders' structure specifying the major shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

Shareholder	Number of shares owned		Number of votes at the AGM	
Fortis Bank*	14,941,807	99.10%	11,308,275	75%
Others	135,893	0.90%	135,893	0.90%
Total:	**15,077,700**	**100%**		

**As of June 28, 2001 i.e. after share capital increase as a result of Series J shares issue, Fortis Bank S.A./N.V. in Brussels has held 99.10% of the Bank's shares, however, under Art. 26 of the Banking Law Act of 29.08.1997 (Dz. U /Journal of Laws/ No. 140, Item. 939 as amended) and according to Resolution No. 159/KNB/99 of the Banking Supervision Commission dated 16.08.1999 regarding the permission to acquire the Bank's shares by Fortis Bank S.A./N.V. – Fortis Bank S.A./N.V. may exercise not more than 75% of the total voting rights at the Annual General Meeting of Shareholders.*

The latest significant change that was made to ownership structure of the Bank occurred after the registration on 28 June 2001 of an increased share capital of the Bank resulting from the issuance of J shares up to PLN 30,155,400.

The Bank has not been informed of any agreements that may result in changes in the number of shares held by the present shareholders in the future.

C. Equity

As at June 30, 2005, the equity capital of Fortis Bank Polska SA amounted to PLN 641,656 thousand, i.e. by 17.4% more as compared to June 30, 2004 (PLN 546,736 thousand).

On May 24, 2005, the Annual General Meeting of Fortis Bank Polska SA resolved to allocate the total net profit of PLN 74,553 thousand to increase the Bank's equity capital: PLN 24,553 thousand for the general risk fund and PLN 50,000 thousand as retained earnings.

The Bank's equity as a category calculated for the needs of capital adequacy ratio amounted to PLN 516,683 thousand as at June 30, 2005 and exceeded the capital level required to secure the Bank's business, which was PLN 354,676 thousand as at the end of June 2005.

In accordance with regulatory requirements concerning capital adequacy and exposure, the Bank deducted PLN 64,515 thousand from equity with regard to its net capital exposure in shares of Fortis Securities Polska SA (FSP) and PLN 11,756 thousand representing 100% of net intangible fixed assets.

The equity structure as of June 30, 2005, compared to June 30, 2004 for the purpose of capital adequacy ratio calculation was the following:

Category	**June 30, 2005 PLN thousand**	**December 31, 2005 PLN thousand**	**June 30, 2004 PLN thousand**
Share capital	30,155	30,155	30,155
Additional capital	349,539	349,539	349,539
Reserve capital	17,018	17,018	17,018
General risk fund	136,816	112,262	112,263
Fixed assets revaluation reserve fund	510	511	511
Financial assets revaluation reserve fund	4,573	(353)	(1,845)
Retained earnings	54,343	11,811	11,811
Capital exposure relating to FSP	(64,515)	(62,582)	(59,272)
100% of net intangible assets – 2004	(11,756)	(10,380)	(9,621)
Total equity for the purpose of calculating the capital adequacy ratio	**516,683**	**447,982**	**450,559**

III. FINANCIAL RESULTS

A. Profit and loss account

1. Income on banking activity

Interest income amounting to PLN 157,448 thousand remained the principal component of the banking activity income structure.

The interest income consists mainly of the following items:

- interest on loans: PLN 118,252 thousand as compared to PLN 99,237 thousand in the first half-year 2004,
- interest on inter-bank placements: PLN 22,740 thousand versus 17,798 thousand in 2004,
- interest on securities: PLN 11,609 thousand versus PLN 6,555 thousand in the first half-year 2004,
- interest on IRS contract: PLN 4,847 thousand.

The Bank recorded a 10% increase in fee and commission income up to PLN 42,831 thousand in the first half-year 2005 as compared to the amount of PLN 38,932 thousand earned in the first half-year 2004.

In the first half-year 2005, the Bank's FX result reached PLN 31,616 thousand, which was higher by 6.7% than in 2004 when it amounted to PLN 29,633 thousand.

Income on securities operations amounted to PLN 64,825 thousand and was by 14% higher than in the first half-year 2004, when it amounted to PLN 56,669 thousand. Costs of securities operations amounted to PLN 61,188 thousand and the result on securities operations amounted to PLN 3,637 thousand as compared to PLN (240) thousand of loss in the first half-year 2004.

2. Banking activity costs

Interest expenses reached PLN 74,141 thousand and were higher by 42.1% than in the first half-year 2004, when they totalled 52,176 thousand.

The interest expenses include the following items:

- interest on customer deposits: PLN 48,819 thousand (PLN 33,296 thousand in the first half-year 2004),
- interest on inter-bank deposits: PLN 16,341 thousand (PLN 7,835 thousand in the first half-year 2004),
- interest on credits and loans: PLN 8,981 thousand (PLN 10,625 thousand in the first half-year 2004).

In the first half-year 2005, commission and fee expenses amounted to PLN 4,322 thousand and were lower by 25% than in the previous year when they equalled PLN 5,769 thousand.

Structure of result on banking activity in the first half-year of 2005 and 2004

	The first half-year 2005	The first half-year 2004
- on interest	53.04%	54.93%
- on commission and fee	24.52%	23.89%
- on FX difference	20.13%	21.35%
- on financial operations	2.32%	(0.17%)

3. Other income and expenses

The balance of other operating income and expenses was positive and amounted to PLN 2,251 thousand. Among other operating income, which grew by 29.6% compared to the first half-year 2004, income on account of customer acquisition intermediary services amounted to PLN 1,179 thousand as the main item. Other operating expenses went down by 3.8% as compared to the first half-year 2004.

In the first half-year 2005, operating expenses reached PLN 76,496 thousand and were higher by 4.6% compared to the first half-year 2004, when they amounted to PLN 73,112 thousand.

Depreciation of fixed and intangible assets amounted to PLN 9,123 thousand in the first half-year 2005 and was by 23.4% lower than these costs in the first half-year 2004.

In the first half-year 2005, costs on account of creating provisions, including general risk reserve, amounted to PLN 27,901 thousand and were higher by 39.3% than in the first half-year 2004. Without this reserve, specific provision creating expenses amounted to PLN 18,991 thousand, i.e. were lower by 5.2% in relation to the first half-year 2005, which reflects improvement of the credit portfolio quality. On the other hand, provision release income was established at the level of PLN 12,419 thousand.

In the first half-year 2005, the balance of provisions made versus provisions released equalled PLN 15,482 thousand, whereas in the first half-year 2004, this difference amounted to PLN 11,320 thousand.

Provisions for at risk receivables constituted the largest item affecting the provisioning level. At the end of the first half-year 2005, the level of provisions for receivables at risk amounted to PLN 12,719 thousand, as compared to PLN 14,511 thousand in 2004. In the first half-year 2005, the Bank released provisions in the amount of PLN 12,419 thousand, whereas in the first half-year 2004 the level of provisions released reached PLN 8,720 thousand.

Furthermore, in the first half-year 2005, the Bank created a general risk reserve of PLN 8,909 thousand.

4. Profit

In the first half-year 2005, the Bank generated a pre-tax gross profit of PLN 58,219 thousand higher by 33.2% compared to the first half-year 2004. The mandatory reductions of gross profit amounted to PLN 10,969 thousand.

The Bank's net profit (after tax) amounted to PLN 48,702 thousand and was higher by PLN 10,652 thousand i.e. by 28% compared to the first half-year 2004.

Dynamics of selected P&L account items (PLN thousand)

Profit & Loss Account (in thousands)	01.01.2005 -30.06.2005 in PLN thousand	01.01.2004 -30.06.2004 in PLN thousand	Dynamics I half-year 2005 - I half-year 2004
Net interest income	83,307	76,243	109,3
Net fee and commission income	38,509	33,163	116,1
FX result	31,616	29,633	106,7
Result on banking activity	157,069	138,799	113,2
Net operating income	58,219	43,703	133,2
Gross profit	58,219	43,703	133,2
Income tax	10,969	7,705	142,4
Net profit	**48,702**	**38,050**	**128**

B. Balance sheet

1. Total assets

Total assets of Fortis Bank Polska S.A. as at June 30, 2005 amounted to PLN 5,542,192 thousand, which represents an increase by PLN 380,356 thousand i.e. 7.4% compared to June 30, 2004.

Structure and dynamics of selected balance-sheet items (PLN thousand)

Balance-sheet item	June 30, 2005	Share in total assets	December 31, 2004	Share in total assets	June 30, 2004	Share in total assets	Change 1HY 2005-2004
Cash and Central Bank balances	77,862	1.4%	146,381	3%	70,185	1.4%	111
Due from financial institutions	1,232,063	22.2%	1,298,936	24%	898,998	17.4%	137
Due from customers and the public sector	3,755,592	67.8%	3,381,638	63%	3,396,542	65.8%	110,6
Debt securities	277,435	5%	346,505	6%	617,671	12%	(44,9)
Due to financial institutions	1,736,959	31.3%	1,927,845	36%	1,813,187	35.1%	(95,8)
Due to customers and the public sector	2,881,207	52%	2,647,317	49%	2,604,315	50.5%	110,6
Equity (including net profit)	641,656	11.6%	595,176	11%	546,736	11%	117,4
Retained earnings	54,343	1%	11,811	0.2%	11,811	0.2%	460,1
Share capital	30,155	0.5%	30,155	0.6%	30,155	0.6%	--
Total assets	**5,542,192**		**5,383,942**		**5,161,836**		**107,4**

2. Assets

Receivables due from customers and public sector (net, after non-performing loan provisions) constituted the principal component of the Bank's assets and accounted for 67.8% of total assets as at 30 June 2005 as compared to 65.8% as at 30 June 2004. The net portfolio of loans granted to the above customers increased by PLN 342,160 thousand up to PLN 3,768,172 thousand (a 10% increase versus June 30, 2004). Provisions for non-performing loans amounted to PLN 159,913 thousand as at June 30, 2005. The share of non-performing receivables due from customers in the amount of PLN 278,653 (excluding the watch category) stood at approximately 8.7%.

As at June 30, 2005, the value of debt securities amounted to PLN 277,435 thousand. Their share in the assets dropped from 12% as at June 30, 2004 to 5% as at June 30, 2005.

As at June 30, 2005, the securities portfolio consisted of securities issued by the Polish State Treasury and the NBP. The composition of the portfolio was as follows:

- State Treasury bonds: PLN 211,772 thousand,
- Treasury bills issued by the Ministry of Finance: PLN 40,164 thousand,

The Bank also holds NBP bonds issued due to the reduction of the mandatory reserve rate: PLN 25,499 thousand.

As at June 30, 2005, the share of cash and the National Bank of Poland account balances in total assets remained at the same level as it was at the end of half-year 2004. As at June 30, 2005, it amounted to PLN 77,862 thousand, which made up 1.4% of asset; and as at June 30, 2004, it amounted to PLN 70,185 thousand, what also presented 1.4% of total assets.

Receivables due from the financial sector, including placements with other banks, accounted for 22% of total assets at June 30, 2005 and were higher as compared to June 30, 2004 when they made up 17.4% of total assets.

As at June 30, 2005, the following items are included:

- PLN receivables: PLN 870,737 thousand
- foreign currency receivables: PLN 361,400 thousand;

In comparison to the end of June 2004, the value of fixed assets increased by PLN 1,070 thousand. The fixed assets primarily include:

- computer hardware: PLN 8,920 thousand,
- leasehold improvements (on rented office space): PLN 4,944 thousand.

Intangible fixed assets as at June 30, 2005 amounted to PLN 11,756 thousand, i.e. by 22% more than as at June 30, 2004. This item included computer software.

Other assets accounted for 0.2% of total assets. The most important items in this group include inter-bank settlements amounting to PLN 3,227 thousand.

Bank's commitment concentration structure data including main geographical regions of the country and specific sectors have been presented in Additional Notes, item 1. Detailed data on financial assets, their description and measurement are presented in Additional Notes in Section 4.2.

3. Liabilities

Liabilities towards a non-financial and public sector on account of funds deposited on current accounts and term deposits make up the main item in the structure of liabilities. As at June 30, 2005 deposits from customers and the public sector reached PLN 2,881,207 thousand and increased by PLN 276,892 thousand as compared to June 2004. They represented 52% of total liabilities versus 50.5% in 2004. The major part of these deposits was denominated in zlotys and amounted to PLN 2,267,785 thousand, representing 78.7% of all customer deposits. Foreign currency deposits reached PLN 613,422 thousand as at June 30, 2005.

As at mid-year 2005, the share of deposits placed by the financial sector decreased. As at June 30, 2005, it accounted for 31% of total liabilities, compared to 35% the year before.

Special funds and other liabilities accounted for 1.4% of total liabilities as at June 30, 2005. The main item (55%) concerns inter-bank settlements amounting to PLN 40,935 thousand.

Other provisions item increased from PLN 3,620 thousand as at the end of June 2004 to PLN 25,728 thousand as at June 30, 2005 and included general risk reserve (PLN 20,910 thousand), provisions for contingent liabilities (PLN 4,341 thousand), and provision for future liabilities (PLN 477 thousand).

4. Off-balance sheet items

As at June 30, 2005, off-balance sheet items stood at approximately PLN 9,671,593 thousand and were higher by PLN 3,191,945 thousand as compared to June 2004 (i.e. by 49%).

Off-balance sheet items consist of:

- Off-balance sheet items relating to commitments of the Bank:
  - items related to financing: PLN 1,368,763 thousand (up by 37.2%),
  - guarantees: PLN 429,818 thousand (up by 94.5%).
- Off-balance sheet items relating to commitments in favour of the Bank:
  - items related to financing: PLN 726,274 thousand (down by 32%),
  - guarantees: PLN 214 525 thousand (down by 59.7%).
- Commitments related to the carrying out foreign currency exchange transactions, which were concluded before year-end but not yet mature as at June 30, 2005, amounted to PLN 3,311,394 thousand, i.e. increased by 44.6% as compared to June 30, 2004, when they amounted to PLN 2,289,612 thousand.

In connection with the extension of the Bank's offering by a wide range of derivative instruments, their value grew more than 2.5 times from PLN 1,371,653 thousand as at June 30, 2004 up to PLN 3,620,819 thousand.

Derivatives include:

- hedging IRS contracts: PLN 150,000 thousand
- speculative IRS contracts: PLN 290,000 thousand
- speculative FX forward contracts: PLN 927,283 thousand
- speculative FX swap contracts: PLN 546,534 thousand
- speculative CIRS contracts: PLN 69,796 thousand
- speculative FRA contracts: PLN 20,077 thousand
- options: PLN 1,274,894 thousand.

C. Performance indicators

Indicators	30.06.2005	31.12.2004	30.06.2004
Return on assets (ROA)	1.6%	1.5%	1.2%
Return on equity (ROE)	15.7%	13.4%	11.8%
Net interest margin	3.09%	3.09%	3.0%
Profit per share	5.65	4.94	3.77
Book value per share	42.56	39.47	36.26

Note: all values have been rounded up.

These indicators were calculated as follows:

Return on assets (ROA)	Net profit earned for the last 12 months to average annual balance of total assets
Return on equity (ROE)	Net profit earned for the last 12 months to average annual balance of equity
Net interest margin	Net interest income to average balance of assets
Profit per share	Net profit earned for the last 12 months to average weighted number of shares issued
Book value per share	Book value to the number of shares issued

D. Management of funds

1. Sources of funding, credits, loans, guarantees and sureties

Deposits, both from business entities and individuals, constitute the most important source of financing of the Bank's credit activity.

In the first half-year 2005, the structure of the Bank's inter-bank deposits and funding from other banks did not substantially change. Similarly to the previous years, Fortis Bank Polska S.A. used two credit lines from Fortis Bank (Nederland) N.V.: one facility up to EUR 200 million for 101 months to finance current operating business of the Bank, and the other one up to EUR 200 million for 27 months.

As at June 30, 2005, the total outstanding balance on account of credit lines granted by Fortis Bank (Nederland) N.V. equalled PLN 1,086 million as compared to PLN 1,223 million as at June 30, 2004 (on account of previous agreements).

Data on fund acquisition and utilization sources, with a breakdown into the main geographical regions of the country and specific sectors, have been shown in Additional Notes in Section 2.

E. Interest rate

Basic variable interest rates applied to loans by the Bank are based on LIBOR/EURIBOR rates for foreign currency loans, and WIBOR rate for PLN loans. Fixed interest rates, which are not subject to change before expiry of the loan agreement, are also applied.

In the first half-year 2005, the Monetary Policy Council reduced the level of official NBP interest rates by 100 base points. In July 2005, interest rates were cut again by subsequent 25 p.p.

In response to the situation at a money market, the Bank modified interest rate on deposits and loans in EUR and USD accordingly.

In the first half-year 2005, the average interest rate calculated based on actual costs incurred and interest proceeds obtained assumed the following values:

1. PLN loans – 8.01%
2. Foreign currency loans – 4.05%
3. PLN deposits – 4.17%
4. Foreign currency deposits – 0.77%.

IV. DESCRIPTION OF BASIC RISKS AND THREATS

A. Risk types and risk management

1. Liquidity risk, interest rate risk, FX risk

The Bank defines liquidity risk as the risk of losing its ability to: attend its payment commitments when due, acquire funds which are alternative to currently held funds, generate a positive cash flow balance within a specified time interval. Defective liquidity management processes are one of the main factors that generate liquidity risk.

Interest rate risk is a transaction-related interest rate risk and a market interest rate risk. Transaction-related interest rate risk is related to entering by the Bank into IR transactions on unfavourable conditions differing from market conditions (transaction risk). Market interest rate risk is related to unfavourable changes in the Bank's financial result or the Bank's equity amount, which arises from one of the following reasons: i) a different way of making dependent interest rate of the Bank's assets and liabilities financing such assets on market rates (mismatch risk); ii) changes in market interest rates that have influence on fair value of the Bank's open positions (interest rate volatility risk) or iii) effecting by customers options built in the bank product which may be made as a result of changes to market interest rates (customer option risk). The Bank believes that a significant factor, which generates interest rate risk, is related to defects and flaws of the risk management system and related processes. Such disadvantages may result in: late or incorrect recognition by the Bank of an actual interest rate risk position and, consequently, exposure to uncontrollable market interest rate risk; bank's failure to properly respond to a high market interest rate risk and then again exposure to risk exceeding an acceptable risk profile; bank's failure to properly respond to growing financial and capital losses which result from the Bank's interest rate risk position and adverse changes in market interest rates. This may cause losses jeopardizing the Bank's financial goal or even threatening its financial stability, and result in concluding transactions susceptible to market interest rate changes, on conditions which are not convenient for the Bank and differ from market conditions.

FX risk comprises market FX risk and foreign currency transaction risk. Market FX risk is linked to adverse changes to the Bank's financial result caused by changes in market Forex SPOT rates. Foreign currency transaction risk is linked to adverse changes to the Bank's financial result arising from concluding by the Bank a foreign currency transaction on conditions, which are not convenient for the Bank and differ from market conditions. The Bank believes that a significant factor, which generates FX risk, is linked to defects and flaws of the risk management system and related processes. Such disadvantages may result in: late or incorrect recognition by the Bank of an actual FX position and, consequently, exposure to uncontrollable market FX risk; bank's failure to properly respond to a high market FX risk and consequently exposure to risk exceeding an acceptable profile; bank's failure to properly respond to growing losses which jeopardize the achievement of financial goal by the Bank or even threaten safety of its capital and equity funds, and result in concluding FX transactions on conditions which are not convenient for the Bank and differ from market conditions (foreign currency transaction risk).

Assets and Liabilities Committee (ALCO) plays a vital role as far as market risk management is concerned, including interest rate risk, liquidity risk and FX risk. In particular, the Assets and Liabilities Committee defines risk management strategies to be approved by the Board of Executives and Supervisory Board of the Bank, and controls, on a regular basis, how such strategies are pursued.

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of the multidimensional system of limits and reports. ALCO reviews such limits and reporting techniques once a year at least. The Bank's Board of Executives may decide any time to change applicable limits at the ALCO request.

2. Operational risk and Legal risk

For the needs of operational risk management, Fortis Bank Polska S.A. has adopted the definition of risk proposed by the Basel Committee for Banking Supervision: „The operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events".

For the needs of operational risk monitoring and the future capital requirement determination on account of this risk, the operational risk includes also legal risk.

The Risk Management Department supervises market risk and operational risk, independently of business activity. To reduce operational risk, the Bank uses the system for operational risk monitoring and management which is based on databases containing information on existing operational losses. The Bank attaches special importance to reducing operational risk by the process of improving internal procedures and mitigating operational risk, which accompanies the introduction of new products and services.

Yet, to secure business processes is a key objective of the comprehensive Fortis Bank Polska S.A. Security Policy. The purpose of the Bank's Security Policy - which covers both a physical and technical safety, the safety of data and information systems - is to provide the customers and employees of the Bank with a maximum level of protection, i.e. by providing the basics for a safe management of the Bank's activity and directing attention to mitigating risks to the level regarded by the Board of Executives as acceptable.

The following programs are in force at Fortis Bank Polska S.A.; "Money Laundering Counteracting Program", "Terrorism Finance Counteracting Program" and „Know Your Customer Program". The Program Coordinator appointed by the Board of Executives of the Bank is responsible for the performance of task and obligations laid down in the Money Laundering Counteracting Program. Besides, coordinators responsible for the performance of the Program at the level of a respective unit have been appointed in each branch and the units of the Bank's Head Office. Each employee of the Bank is obliged to comply with both programs.

The legal basis of the Money Laundering Counteracting Program is the Act of 16 November 2000 on counteracting the bringing into financial circulation any asset values originating from illegal or undisclosed sources, likewise on counteracting the financing of terrorism. Upon accepting by the Bank any customer order or instruction with a view to effecting a transaction whose circumstances indicate that funds may originate from illegal or undisclosed sources, such transaction is recorded by the Bank in the bank register and the General Inspector for Financial Information (GIIF) is immediately informed of the fact in writing.

When the Bank accepts a customer order or instruction to effect a transaction whose Polish equivalent exceeds EUR 15.000, the Bank's employee identifies the customer who places such an order or instruction and records a transaction in the bank register. Following 1 July, 2004, all data on transactions recorded in the Bank's register are reported by Fortis Bank Polska to the General Inspector for Financial Information (GIIF).

Fortis Bank Polska S.A. does not cooperate with any virtual banks without a registered office.

3. Credit risk

Credit risk is assessed on the basis of the Bank's internal standards, taking into account national credit regulations in force as well as standards binding in the Fortis Bank group.

Credit risk management is the main responsibility of the Credit Risk Management Department. Credit risk analysis is carried out based on a standard credit assessment methodology applied by the Bank. Subject to analysis are both a specific credit product related risk and the Bank's total exposure risk towards an entity, including all credit facilities granted and financial products that convey such risks. The Bank's system applied to analyze credit applications and make credit decisions has several levels. This is to ensure a maximum objectivity in the assessment of a credit request and reduce the Bank's credit exposure risk.

In order to limit operational risk, the Bank applies internal procedures for the granting and monitoring of loans. In the first half-year 2005, the Bank introduced the new regulations on credit decision-making process adjusted to the rules applicable at Fortis Bank. The new credit decision-making model includes the following criteria: total exposure towards a customer, assignment to a business line, internal rating, and credit risk category. At the same time, the Bank introduced principles of setting up and monitoring sector exposure concentration limits.

In the credit process applied by the Bank, functions related to customer acquisition and sale of credit products as well as credit risk assessment are distributed organizationally. Customers are being acquired and credit products sold by business lines such as Retail Banking and Commercial Banking, while risk is assessed by Credits. Credits supervise credit activity of the Bank as far as credit risk analysis and monitoring is concerned, with respect to defining credit standards and procedures, credit administration, keeping credit files and observing debt recovery procedures.

As part of tasks with a view to adjusting Fortis Bank Group to the requirements of the New Basel Accord, the Bank partakes actively in work on the introduction of credit risk assessment methods for the needs of determining the required regulatory capital.In the first half-year 2005 Fortis Masterscale rating principles were introduced to be applied to economic entities using loans.

The Bank uses internal IT tools to standardize the process of credit portfolio risk monitoring and classification process and to archive data for the needs of risk assessment models.

The Bank uses a separate IT system, i.e. WIND implemented in 2004, to monitor and carry out debt recovery procedures with respect to past due receivables.

The Bank participates in the Inter-bank Economic Information system – a banking register whose data administrator is the Polish Bank Association (ZBP) and the Credit Bureau system. The participation in the information exchange systems as regards credit customers allows the banks to more thoroughly assess credit risk and accelerates the process of analyzing credit applications and making credit decisions.

Commencing 2004, under way are the projects aiming at further improving of credit processes, e.g. implementing the tools to support the process of granting mortgage loans and assessing credit risks related to granting such loans to individuals, including scoring. Work is carried out on implementation of the information system to provide assessment process for credit applications, credit decisions as well as entering into credit agreements.

Centralized credit commercial customer database is being developed by the Bank.

In the first half-year 2005, there was implemented a credit policy for financing of real estates, lending funds to small enterprises and granting mortgage loans.

A detailed description of financial risk management objectives and financial instruments held in the Bank's portfolio has been presented in Additional Notes Section 4.2.14.

4. Capital adequacy ratio

The capital adequacy ratio was 11.71% at the end of June 2005, compared to 12.89% at the end of June 2004. This indicator represents the relationship between the Bank's equity and risk-weighted assets and off-balance sheet items increased by capital requirements related to specific risks. The scope and detailed rules of capital requirements related to specific risks calculation and capital adequacy ratio calculation is defined in *Resolution No. 4/2004 dated Sept 8, 2004* issued by the Banking Supervision Commission.

The Bank's equity increased by 15% versus June 2004, while risk-weighted assets and off-balance sheet items increased by 26% in the corresponding period.

Capital adequacy ratio and its determinants

Indicator	June 30, 2005	December 31, 2004	June 30, 2004
Risk-weighted assets	4,045,167	3,348,050	3,291,699
Risk-weighted off-balance sheet items	354,914	285,359	190,454
Net equity for the purpose of capital adequacy calculation	516,683,	447,982	450,559
Short-term capital	2,670	1,776	2,789
Credit risk	352,006	290,673	278,572
Interest rate risk	576	514	1,805
Delivery settlement and counterparty risk	2,094	1,262	984
Total capital requirement	354 676	292 449	281 361
Capital adequacy ratio	**11,71%**	**12,30%**	**12,89%**

*Capital adequacy ratio has been calculated in the following way: net equity/total capital requirement *12,5*

V. OPERATING ACTIVITY

A. Credit activity

Credit activity is one of the Bank's main sources of income.

The Bank offers the following credit products:

a. Loans for enterprises:

- overdrafts
- working capital and investment loans (PLN and FC)

Since December 20, 2004 the offer for small and medium-size enterprises has been extended by investment loan for the purchase/construction of real estate for commercial purposes. The loan advantages include a long term of financing (up to 15 years) and the option to negotiate terms and conditions of financing.

b. Retail credit granted within product Packages for private individuals:

- debit limit
- fast loan
- mortgage loans

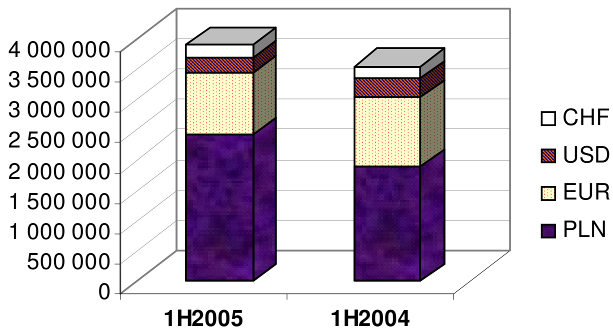
The Bank also issues PLN and FC guarantees, opens import letters of credit, advises and confirms export letters of credit.

1. Characteristics of non-financial sector credit portfolio

In comparison with the end of June 2004, the gross value of the credit portfolio (including interest, without provisions) totalled PLN 5,147,668 thousand and was by 15.5% higher than at the end of half-year 2004. As at the end of June 2004, the value of outstanding loans portfolio (with interest) due from customers totalled PLN 3,555,756 thousand, and rose to PLN 3,914,935 thousand at the end of June 2005 (i.e. by 10%).

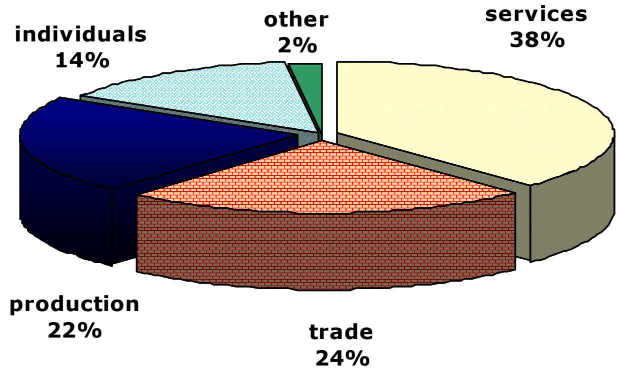
The value of the PLN loan portfolio (without interest) at the end of June 2005 totaled PLN 2,414,118 thousand and was by 28% higher as compared to June 2004. Whereas, the value of the EUR portfolio stood at PLN 1,043,069 thousand at the end of June 2005, which (converted to PLN) represented a 9% decrease as compared to June 2004. The balance of USD loans fell by 24% from June 2004 and amounted to PLN 242,592 thousand as of June 30, 2005. The volume of CHF loans at the end of the first half-year 2005 totalled PLN 214,505 thousand, and increased by 10% in comparison with 2004.

Chart 3. Currency structure of the credit portfolio (with interest) as at June 30, 2005.



The Bank's exposure focuses on the sectors of services, trade and production and it amounts to 38%, 24% and 22% of the credit portfolio value respectively, as at the end of June 2005. As far as all other sectors are concerned, the exposure is relatively low. As compared to June 30, 2004, the Bank increased its exposure in production whereas the services sector exposure went down. Motor vehicle sector has noticed maximal change – exposure decrease by 81%.

Chart 4. Credit portfolio economic sector structure – June 30, 2005



Information on the structure of the Bank's exposure in the specific economic sectors is presented in the additional notes (item 1.1.)

In terms of original maturities, at the end of June 2005, the structure of receivables from the non-financial sector was as follows: 20% represented overdrafts (decrease of 1% versus the first half-year 2004), 23% - with a maturity of maximum 1 month (increase by 21% as compared to June 2004), 6% - with a maturity of 1-3 months (increase by 5% versus 2004), 3% - with a maturity of 3 months to 1 year (17% decrease), 11% - with a maturity of 1-5 years (decrease by 7% as compared to the first half-year 2004) and 33% - with a maturity exceeding 5 years (1.5% decrease).

2. Non-performing loans

As at June 30, 2005, the value of non-performing loans (without interest) due from non-financial entities (excluding the watch category) decreased by 18% to the amount of PLN 278 653 thousand, comparing with June 30, 2004, and made up 7% of the total loan balance in that sector. Non-performing loans made up 5.4% of the total loan portfolio, of which PLN 53 736 thousand represented substandard loans (i.e. 1.4% of the portfolio value), PLN 51 147 thousand – doubtful receivables (i.e. 1.3% of the portfolio value) and PLN 173 770 thousand – lost loans (i.e. 4.4% of the portfolio value).

3. Enforcement titles

In the first half-year 2005, 44 enforcement titles for the total amount of PLN 3 709 thousand were issued with respect to the Bank's receivables, as compared to 91 titles of the total of PLN 24 454 thousand in the first half-year 2004.

B. Issued guarantees and letters of credit

As of the end of June 2005, the amount of guarantees issued by the Bank reached PLN 369,739 thousand, which represents a 100% increase in comparison to the end of June 2004, when it equalled PLN 184 472 thousand.

Total value of existing sureties or guarantees issued to a single entity (subsidiaries included) exceeded 10% of the Bank's equity. Total amount of issued guarantees to this clients amounted to PLN 52,825 thousand, two guarantees were extended for an indefinite period, the others until August 31, 2006 and December 20, 2007 accordingly. Financial conditions of the transaction do not differ from market conditions. The client is not affiliated to Fortis Bank Polska S.A.

As at the June 30, 2005, 10% of the Bank's equity capital amounted to PLN 51,668 thousand.

Detailed information on guarantees issued by the Bank with a breakdown into currencies is shown in the additional notes (Section 9.)

As at the end of June 2005, the Bank's commitments under opened import letters of credit totaled (in the PLN equivalent) PLN 104,893 thousand, i.e. by 32.5% higher than at the end of June 2004, when they totaled PLN 79,180 thousand. Moreover, the Bank has on its books confirmed export LCs in the PLN equivalent of 23,353 thousand.

Sections no. 8 and 9 of the Additional notes include data regarding LCs opened by the Bank.

C. Deposits

As at the end of June 2005, the balance of funds deposited by customers of non-financial and budgetary sector likewise financial sector (banks excluded) totalled PLN 3,042,183 thousand, and was by 14% higher as compared to the end of June 2004, when deposits amounted to PLN 2,674,930 thousand. Customers may make deposit also in foreign currencies, however the majority of deposits are held in PLN (78%).

Deposit-related activity is conducted through the Bank's branches, Business Centers, Treasury Department and e-banking systems.

The Bank offers current and auxiliary accounts, FC accounts, PLN or FC accounts for non-residents, Silver, Gold, Platinum accounts, PLN and FC fixed and variable interest deposits with different maturity dates, including deposits with negotiated interest rates (depending on the deposit amount, term and the situation on the interbank market), and collective accounts for non-residents. Institutional clients are also offered deposits priced based on interest rates on the interbank market. As soon as the Act on Individual Pension Accounts became effective, the Bank launched open savings individual pension accounts (IKE) in the second half-year of 2004.

The Bank offers three basic packages of services to its individual customers: Silver, Gold and Platinum. These packages enable an effective and safe management of funds deposited on savings and checking accounts. Within the packages the Bank offers deposit and loan products, payment cards, investment services and e-banking services. The Bank also offers VISA Electron cards, Pl@net Internet banking system as well as the e-Package based on the electronic banking system.

D. Custody services

The Bank offers services related to custody and transaction settlement with respect to securities traded on the Polish regulated and non-regulated markets and acts as an agent in transactions concluded on international markets. In the first half-year 2005 the value of assets accumulated on the securities accounts maintained for the customers went up by 27.03%.

Under the Decision issued by the Securities and Exchange Commission of July 14, 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure.

At the beginning of 2005, the Bank started to act as a Depositary for two sub-funds under open investment fund, FORTIS FIO, founded by Towarzystwo Funduszy Inwestycyjnych Skarbiec S.A. In its capacity as Depositary, the Bank is particularly responsible for calculating the value of net fund assets, estimating the value of participation unit and controlling whether operation of funds is compliant with law.

In its capacity as Paying Agent, the Bank also monitors the distribution of participation units in foreign investment funds from operational perspective. As at the end of the first half-year 2005, 12 sub-funds were offered under Luxembourg Fortis L Fund managed by Fortis Investment Management in Luxembourg.

E. Money market and debt securities operations

The Bank's activity on the money market and the market of debt securities may be differentiated into the following categories:

- activity related to liquidity management,
- activity related to the management of interest rate risk,
- activity related to the Bank's investment policy concerning equity funds.

The Treasury Department is responsible for the Bank's liquidity and interest rate risk. This involves ensuring funding sources for the Bank's assets and investment of financial surpluses. To this end, the Treasury Department makes placements and deposits on the interbank market, FX swap transactions and investments in State Treasury bills and bonds and NBP bills.

The Bank's investment policy is established by the Asset and Liability Committee (*ALCO*). Capital is first of all invested in debt securities issues by the State Treasury or NBP.

F. Clearing activity

With regard to domestic and foreign settlements, the Bank's business customers are offered the following services:

- cross-border transfers: handling incoming and outgoing payment orders in convertible currencies and PLN
- domestic transfers
- direct debit
- day-to-day foreign exchange transactions
- forward transactions
- securities accounts
- documentary import and export letters of credit
- discount of export letters of credit
- collection of checks of other banks
- collection of checks drawn on foreign banks
- documentary collection

Outgoing PLN payments to domestic banks are now settled electronically only through the ELIXIR and SORBNET systems.

As of 7 March 2005, EuroELIXIR and SORBNET-Euro systems were introduced in Poland for domestic Euro payments. As of 30 May, 2005, their functionality was extended by cross-border instructions. From the beginning i.e. since March 2005, the Bank has participated in EuroELIXIR system for handling domestic transfer orders. The Bank handles incoming orders via SORBNET-Euro system, while to clear cross-border transactions the Bank participates in the STEP2 system since August 2004.

Within the development of electronic banking products, in December 2004 the Bank started to offer the new service, that is RPI (Remote Payment Initiation) enabling customers to manage their bank accounts held with other banks (both domestic and foreign ones) through one electronic system. Cross-border Notional Pooling is one more step towards development of electronic banking.

Since July 2005, there is a Shared Service Center in the Operations Department of Fortis Bank Polska which has been operating as a back-office for foreign East Central European outlets of Brussels-based Fortis Bank SA/NV. Now the Shared Service Center effects and clears local and international payments for the newly opened Business Centers located in Prague, Budapest and Vienna.

The Bank offers derivative transactions to secure against interest rate risk and FX risk such as Forward Rate Agreement (FRA), Interest Rate Swap (IRS), Overnight Interest Swap (OIS) as well as foreign exchange options and European interest rate options. The Bank's offer is developing dynamically especially as far as option transactions are concerned. In 2005, the following options have been introduced into the Bank's offer: American FX options, barrier options, and Asian options such as Average Rate Options. Such transactions are offered to customers running business activity and entered into by the Bank on the interbank market.

G. Co-operation with international financial institutions

The Bank co-operates with foreign banks in the area of foreign exchange, placement/deposit transactions, securities and banknote transactions. The Bank holds accounts in first-rate banks operating in the major world financial centers, and maintains PLN *Loro* accounts for foreign banks. Co-operation with Fortis group and other leading banks enables the Bank to effectively handle payments made by its customers and to carry out instructions received from abroad.

The Bank is a member of the SWIFT international interbank network, which enables faster payment processing, facilitates contact with foreign banks and enables the implementation of new products related to international transactions. Furthermore, the Bank established cooperation with the EBA (European Banking Association) and joined the European clearing system (STEP 2) on August 9, 2004.

H. Development of banking services

In the first half-year 2005, the Bank continued to implement the project: *In the European Union with Fortis Bank,* which was started in mid-year 2003; the Bank added some new aspects to the program. In cooperation with j4b, the leading European supplier of information on different types of support for companies, the Bank developed the EU subsidy database available at www.dotacje.fortisbank.com.pl. The database contains all company support types, existing in Poland and Europe, co-financed by European Union.

With institutional customers in view, as of January 2005, the Bank started offering investment loans for companies for a purchase or construction of real property or refinancing expenditure incurred. The loan is characterized by a long financing period up to 15 years and a wide range of purposes it may be designated for, e.g. purchase or construction of a real property for lease, refinancing of investment expenditure or loan repayment in another bank.

Fortis Bank Polska SA extended its offer also by new investment products. Over the period from February to April 2005, the Bank was selling participation units in the closed fund, Torrus Merrill Lynch Protected Global Index (MLPGI), owned by Merrill Lynch – one of the largest investment banks worldwide. In May 2005, Securities and Exchange Commission registered Fortis L Fund, a foreign investment fund offered by Fortis Investments, Fortis affiliated company, upon submitting a notification by the Bank of the Bank's intention to sell participation units of the Fund on the territory of Poland. Consequently, since June there have been 12 foreign sub-funds offered by the Bank; they have been adjusted to the investor's profile in terms of differentiated risk level and rate of return. For example, the offer encompasses a dynamic higher-risk subfund, or – for the customers interested in more stable options – classic subfund of minimized risk is offered where, however, expected return on investment is also lower.

I. Charity

For a few years now the Bank has been co-operating with the United Way Poland foundation. The Bank employees voluntarily deduct a portion of their salaries and donate it to the disabled, terminally ill and poor. Since 2003, the Bank management has added one zloty to each zloty contributed by an employee, so as to double the amount of funds donated to the *United Way Poland.*

J. Investments in Information Technology

In the first half-year 2005, projects supporting operational activity of the Bank were continued. Orlando system was customized to handle other types of options offered by the Bank; Notional Pooling facility was extended by Cross-Border Notional Pooling. Task with a view to implementing the SWOK card service system for Visa cards have been started, whereas some work related to card maintenance has been outsourced to PolCard. Work on introducing credit cards is under way.

A big challenge, also in terms of Information Technology, was to launch the Shared Service Center.

In the first half-year 2005, the Bank continued to work on improvement of the loan maintenance management system and customization of the "Equation" banking system to provide for credit assessment facility with use of effective interest rate. SPIDER system was implemented for external reporting purposes including obligatory reporting to NBP and Bank Guarantee Fund (BFG).

K. Agreements significant for the Bank's activity

1. Credit Agreements of January 30, 2004 signed with Fortis Bank based in Brussels and Fortis Bank (Nederland) N.V. based in Rotterdam

On January 30, 2004, the Bank signed two credit agreements with Fortis Bank SA/NV with the office registered in Brussels and Fortis Bank (Nederland) NV based in Rotterdam:

- Credit agreement with Fortis Bank (Nederland) NV regarding the Bank's credit line with the limit of EUR 200 million for the period of 101 months in order to finance the Bank's operating activity. Under this credit line the Bank can draw down advance payments in EUR, USD, CHF, JPY within 76 months of the agreement conclusion. Interest rate: 1, 3, 6 or 12-month; IBOR depending on the currency and interest rate term for specific advances. The commitment fee is 0.125% p.a. on the unused credit limit.
- Credit agreement on the Bank's credit line with Fortis Bank (Nederland) N.V. with the limit up to EUR 200 million for the period of 27 months with option to extend, in order to finance the Bank's current operating activity. Under this credit line, the Bank can draw down advance payments in EUR, USD, CHF and JPY within 2 months of the agreement conclusion. Interest rate: 1, 3, 6 or 12 month IBOR depending on the currency and interest rate term for specific advances. Commission: 0.125% p.a. on the unused credit limit amount.

On March 29, 2004, Annexes to the above Agreements were signed. The annexes stipulate that the English language version of the Agreements shall be binding.

2. Co-operation agreement of 7 January made with Fortis Securities Polska S.A.

The subject of the Agreement of January 7, 2000 (including annexes thereto) is cooperation between the Bank and FSP with respect to customer service outlets (POKs) and information desks (PI) of FSP located in the Bank's branches and financial intermediary of the Bank in selling FSP products.

On 28 December 2005, Annex no. 5 was signed, aimed to further develop co-operation in agency services for the sale of FORTIS FIO products.

3. Co-operation Agreements made with Fortis Lease Polska Sp. z o.o.

a. Cooperation agreement of January 2, 2002

b. Cooperation agreement of February 17, 2005

According to these agreements, the Bank informs its customers that financing is available under leasing at Fortis Lease Polska (FLP). For each lease agreement signed by a customer introduced by the Bank, the Bank receives an agency commission.

A further co-operation agreement was signed on February 17, 2005 providing details of the cooperation and settlements with the Retail Banking Business Line. In performance of this agreement, the Bank entered into guarantee agreement with FLP Sp. for 50% of respective FLP receivables arising from leasing agreements made through the Bank.

Agreements regarding transactions with parent entities and subsidiaries are presented in Sections 16.1 and 2 of the Additional Notes.

4. Loan Agreements concluded with the European Bank for Reconstruction and Development (EBRD)

The European Bank for Reconstruction and Development granted 2 credit lines to the Bank in 2000 and 2001 – up to EUR 10 million and EUR 20 million respectively for the period of 5 years (starting from 2000) to be used for financing small and mid-sized enterprises.

In 2003, the Bank discontinued granting new loans from EBRD funds under the above mentioned agreements; however, it still provides services for already granted credit facilities until they are paid off. Outstanding debt balance amounted to PLN 40,401 thousand (EUR 10 million) as at June 30, 2005 compared to PLN 68,133 thousand as at June 30, 2004.

5. Agreements with the NBP

a. **Bank account agreement of June 23, 2000**. Under this Agreement, the NBP maintains a current account for the Bank in the SORBNET system. On February 3, 2004, Annex no. 14 was signed to this Agreement.

b. **Agreement stipulating the terms and conditions for opening and maintaining RTGS account in the SORBNET system, dated 3 March 2005.** Under this Agreement, the NBP maintains the account for effecting domestic and cross-border transactions in Euro currency.

c. **Agreement on the Bank's PLN term deposit account of December 27, 2001.**

d. **Agreement on the maintenance of securities deposit account in the Securities Register on October 9, 2003.**

e. **Agreement on extension of a technical credit facility and transfer of rights under State Treasury securities of October 13, 2003.**

f. **Agreement on extension of a lombard credit facility and a provision of a pledge securing such facility of October 21, 2003.**

6. Card Agreements

a. **Agreement for membership and licence of the trademark made with VISA International Service Association.** In 2001, the Bank was awarded the status of a Principal and Plus Member allowing the Bank to issue, maintain and settle payment cards: VISA Classic and VISA Business. Now, the Bank is the VISA Europe Limited member.

b. **Insurance agreement regarding payment cards issued by Fortis Bank Polska S.A. of October 6, 2003, concluded with the insurance and reinsurance company**

Cigna Stu S.A. The Agreement sets out risk insurance conditions in the case of financial losses resulting from transactions effected with VISA Electron and Charge cards issued by the Bank. Valid until October 31, 2005.

c. **Insurance agreement for holders and users of payments cards issued by Fortis Bank Polska SA of October 6, 2003, concluded with the insurance and reinsurance company Cigna Stu S.A.** This Agreement provides for insurance coverage for holders and users of VISA Classic, Gold, Business, Business Gold and VISA Electron and Business Electron cards against unauthorized use of payments cards, robbery or theft of cash withdrawn from an ATM using a card and, depending on the type of card, an accident insurance package (NNW). Valid until October 31, 2005.

7. Bank insurance policies

a. **Insurance policy with Allianz Polska S.A. insurance company, from October 1, 2003 until September 30, 2005**

The insurance covers banking risks, likewise electronic and computer crime.

b. **Insurance Policy with Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A. from October 1, 2003 until September 30, 2005**

All-risk insurance against loss or damage of property – insurance of property, electronic equipment and civil liability.

8. Agreements concluded with Towarzystwo Ubezpieczeniowe Europa S.A. for housing loans

a. **General Agreement for housing loan insurance signed with Towarzystwo Ubezpieczeniowe Europa S.A. on August 20, 2004.**

TU Europa S.A. provides the Bank with insurance protection for housing loans for individuals until such loans are secured in the form of legally valid mortgage entries.

b. **General Agreement for insuring a low down payment for housing loans, dated August 20, 2004**

TU Europa S.A. provides the Bank with insurance protection for housing loans for individuals. On February 1, 2005 Annex No 1 thereto was signed.

9. Agreements concluded with Credit Suisse Life & Pensions

a. **Cooperation agreement of February 20, 2003 for promoting and offering banking and insurance products**

b. **Agreement of June 12, 2003, signed with Credit Suisse Life &Pensions Towarzystwo Ubezpieczeń na Życie S.A.**

Under this Agreement (and annexes thereto), the Bank customers – personal account holders - may purchase at the Bank branches: the Better Tomorrow for Your Child endowment life insurance with insurance capital fund, one year life insurance policy called "Czysty Zysk" (*pure profit*) which combines the features of an insurance policy and an investment product. Borrowers are offered an individual life insurance.

c. **Agreement of September 12, 2003 r. signed with Credit Suisse Life&Pensions Services Sp. z o.o.**

This Agreement provides for the agency services of Credit Suisse in offering banking products (housing loans) of Fortis Bank Polska S.A. for individual customers.

10. Agreement with Merrill Lynch International of February 15, 2005

This agreement regards distribution of participation units in Torrus Funds sub-funds on the territory of Poland.

11. General Co-operation Agreement with Fundusz Górnosląski SA dated August 24, 2004

The agreement sets general rules of co-operation between Fundusz Górnośląski (Fund) and the Bank, in particular as regards providing financial support to SME operating in the area of the Śląskie Voivodship by offering the loans granted by the Bank and credit facilities granted by the Fund.

12. Distribution Agreement with Górnośląskie Towarzystwo Funduszy Inwestycyjnych SA (investment fund company) dated June 2, 2004.

The Agreement sets rules of the Bank's agency services as regards distribution and redemption of GTFI funds participation units. The Bank was granted a license by the Securities and Exchange Commission (KPWiG) for agency services in distribution and redemption of investment fund participation units (Resolution no. 517 passed by KPWiG on July 13, 2004).

13. Agreements with Bank Gospodarstwa Krajowego (BGK)

a. **Co-Operation agreement No. 21/DC/2002 signed with Bank Gospodarstwa Krajowego on January 24, 2003**

   This agreement concerns suretyships/guarantees for companies issued by BGK from the funds of the National Credit Guarantee Fund (Krajowy Fundusz Poręczeń Kredytowych) established under Act on guarantees issued by the State Treasury and some legal entities (Dz.U. 79 item 484 as amended). On February 2, 2005, Annex No 4 thereto was signed.

b. **Co-Operation agreement No. 31/FPU/2004 signed with Bank Gospodarstwa Krajowego on July 22, 2004**

   Under this agreement the Bank undertakes to grant loans and credit facilities secured by sureties and guarantees issued from the funds of the European Union Guarantee Fund established in Bank Gospodarstwa Krajowego under the Act dated April 16, 2004. On July 27, 2005, Annex No 3 thereto was signed.

c. **Loan portfolio guarantee agreement no 8/FPU/2004 of 15 November 2004**

   Under this agreement BGK undertakes to issue a loan portfolio guarantee to the maximum amount not exceeding PLN 20 million from the funds of EU guarantee Fund. On April 26, 2005, Annex No 1 thereto was signed.

14. Co-Operation agreement on providing information signed with Biuro Informacji Kredytowej SA (credit information bureau) on November 16, 2004.

The agreements sets out rules of co-operation between BIK SA and the Bank in gathering and providing the Bank, under Article 105 section 4 of the Banking Law Act, with the information subject to the bank's secrecy to the extent such information is necessary for the performance of banking activities, and also providing other products and services by BIK SA.

15. Agreement on participation and co-operation rules in exchanging information in the Interbank Business Information system – Bank Register of February 26, 2004, concluded with the Polish Bankers' Association (ZBP)

The Agreement provides for the terms and conditions of participation and co-operation in exchanging information between the parties under the Interbank Business Information system – the Bank Register of Unreliable Customers (MIG-BR) operating under Article 105 section 1 and section 4 of the Banking Law Act.

16. Agreements related to stock-exchange maintenance

a. Agreement of November 3, 2000, with CA IB Securities S.A. on the performance of tasks of WSE Member – Issuer's Market Maker,

b. Agreement of April 22, 1994, concluded with CDM Pekao SA on the performance of tasks as the issue sponsor,

17. Agreements concluded with the National Clearing Chamber

a. **Agreement of participation in the ELIXIR system clearing PLN payment orders, maintained by the National Clearing Chamber (Krajowa Izba Rozliczeniowa S.A.) of September 27, 2004.** The Bank participates in the clearing through ELIXIR system.

b. **Agreement of participation in the Euro ELIXIR system clearing EUR payment orders, maintained by the National Clearing Chamber (Krajowa Izba Rozliczeniowa S.A.) of February 2, 2004.** The Bank participates in the clearing through EuroELIXIR system.

18. Framework Agreement signed with SWIFT international interbank network on May 22, 1998.

The Bank joined SWIFT under the terms and conditions specified in the Agreement. The Participating Banks guarantee, on a bilateral basis, that Operations are carried out according to the Agreement standards and the relevant List of services.

19. Significant loan agreements

As at June 30, 2005, the Bank did not exceed a maximum exposure limit towards one client or capital group as stipulated under the Banking Law. The Bank's exposure exceeded 10% of capital equity towards 18 customers, and totaled PLN 1,355 million. To compare, as at June 30, 2004, the Bank's exposure exceeded that level in the case of 10 customers and totaled PLN 670 million.

L. Information on the agreement concluded with Auditor

Under §15, item 3i) of the Statute of Fortis Bank Polska S.A., Supervisory Board decided, at the request of the Board of Executives, to choose KPMG Audyt Sp. z o. o., with its registered office in Warsaw, as an entity reviewing financial statements of the Bank for the first half-year 2005 (Resolution of the Supervisory Board Nr 14/2004 of September 24, 2004). The agreement for reviewing financial statements was entered into between the Bank and KPMG Audyt Sp. z o. o. on June 23, 2005.

VI. ORGANIZATIONAL AND CAPITAL ASSOCIATIONS WITH OTHER ENTITIES

A. Description of the Shareholder holding over 5% of votes at the General Shareholders Meeting

Fortis Bank, with its registered office in Brussels, holds 99.10% shares of Fortis Bank Polska S.A.

Fortis is an international financial services provider active in the fields of banking and insurance. With a market capitalization of EUR 29.8 billion and 51,000 employees over the world, Fortis ranks in the top 20 of European financial institutions. As at June 30, 2005, Fortis had total assets of almost EUR 694 billion (by over EUR 131 billion, i.e. 23% more than at the end of June 2004 when it totaled EUR 563 billion).

In its key home market, the Benelux countries, Fortis occupies a leading position and offers a broad range of financial services to individuals, companies and the public sector. In its international strategy, Fortis focuses on selected market segments.

With a view to pursuing its strategic plan to achieve 30% net profit on activity conducted outside the Benelux countries by 2009 – in the first mid-year 2005, Fortis continued to develop the network of outlets, among other things opening 3 new Business Centers in successive countries – in Prague, Budapest and Vienna; Fortis took over the Turkish Dişbank and informed that Dryden was taken over in Great Britain.

Fortis is listed on the exchanges of Amsterdam, Brussels and Luxembourg and has a sponsored ADR program in the United States.

Fortis published its financial statements for the first half-year 2005, prepared for the first time according to International Financial Reporting Standards (IFRS). Fortis prepared pro-forma statement for the first half-year 2004 so that data are comparable.

Net profit generated (before divestment) of EUR 2,100 million was by 34% higher than in the first half-year 2004 when it amounted to EUR 1,571 million. Operating performance continued to improve thanks to higher results on every kind of activity – banking, security and other. Net profit increased by 18% to the amount of EUR 2,543 million compared with very good results obtained in the first half-year 2004.

Net profit on banking activity (before divestment) increased significantly by 37% from EUR 1,082 million in the first half-year 2004 to EUR 1,482 million in the first half-year 2005. Income increased by 9% to the level of EUR 4,589 million but expenses remained at a stable level of EUR 2,568 million. Reserves were lower by EUR 37 million, i.e. by 66%.

Fortis maintains a high level of net core capital of EUR 21,6 billion, which exceeds the threshold required by prudential standards by EUR 10,3 billion (i.e. 90%) and the threshold adopted by Fortis by 20%.

Key financial data:

All data in EUR million	first half-year 2005	first half-year 2004 (pro-forma)	2005/2004 change
Net profit (before divestments), including	**2,100**	**1,571**	**34%**
- banking	1,482	1,082	37%
- insurance	684	564	21%
- other	(66)	(75)	(13%)
Results on divestments	**443**	**585**	**(24%)**
Net profit	**2,543**	**2,156**	**18%**

Banking	first half-year 2005	first half-year 2004 (pro-forma)	2005/2004 change
Total incomes	4,589	4,191	9%
Net operating profit (after movements in specific provisions on depreciation of receivables on credit and loan)	4,552	4,080.7	12%
Total expenses	2,568	2,562	0%
Profit before taxation	1,984	1,518	31%
Net profit	**1,482**	**1,100**	**35%**
Result on divestment	-	18	
Net profit	**1,482**	**1,082**	**37%**

Fortis has been awarded excelled long-term ratings by independent international rating agencies (Standard & Poor’s: AA-; Moody’s: Aa3, Fitch: AA-).

B. Fortis Securities Polska S.A.

Fortis Securities Polska S.A. (FSP), owned in 100% by Fortis Bank Polska SA, conducts its business activity within:

- Management of third party’s securities portfolio on request,
- Accepting purchase or redemption orders for participation units in investment funds,
- Trading in shares and bonds not admitted to public trading.

At the end of the first half-year 2005, assets under management of Fortis Securities Polska S.A. totaled PLN 455.5 million as compared to PLN 376.7 million at the end of 2004 and almost PLN 495 million as at June 30, 2004.

FSP offers share, debt securities and balanced portfolios.

FSP provides management of investment portfolios of GTFI (Górnośląskie Towarzystwo Funduszy Inwestycyjnych S.A.).

In 2004 Fortis Securities Polska S.A. in cooperation with SKARBIEC TFI S.A. launched the new investment fund on the Polish market - Fortis Open Investment Fund (Fortis FIO). Fortis FIO is the first umbrella fund on the Polish market with the separated subfunds. The Fund comprises two subfunds: Fortis share subfund and stable growth subfund. Fortis FIO also maintains Individual Pension Accounts, IKE Fortis FIO.

The description of transactions related to the banking services rendered to the affiliated entities is presented in the additional explanatory notes (Section 16.1 and 2.)

VII. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

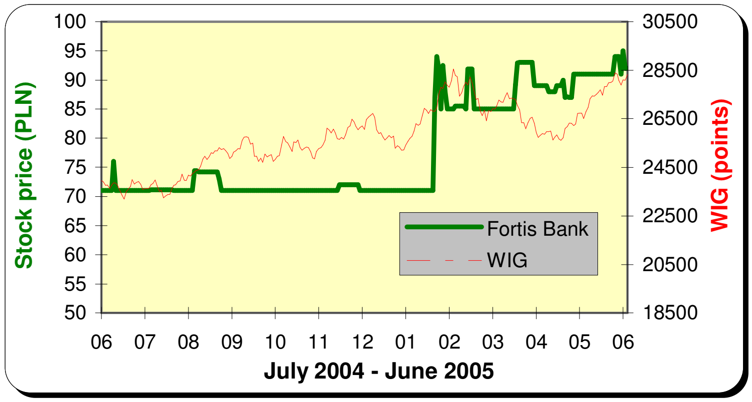
The Bank’s shares have been quoted on the primary market of the Warsaw Stock Exchange since November 7, 1994. From April 18, 2001 to January 18, 2004 the Bank’s shares were quoted in a two-fixing system. Under the Resolution of the Management Board of the Warsaw Stock Exchange, as of January 19, 2004, the existing trading system of the Bank’s shares was replaced by a continuous trading system.

Since 1999, i.e. after the acquisition of over 98% of the Bank’s shares by Fortis Bank based in Brussels, the liquidity of shares has been maintaining at a rather low level. At present all the other shareholders hold only 135,893 shares, i.e. 0.90% of the total number of the shares.

At the first session in January 2005, the share price amounted to PLN 71.00. The price of the Bank’s shares rose to PLN 92.00 as of June 30, 2005, i.e., by 29.58%. The average turnover in the Bank’s shares in the first half-year 2005 was 46 shares per session in comparison to 257 shares per session in the first half-year 2004. Given such a small number of shares, the relative growth in the turnover and price was on the one hand due to the general recovery on the Stock Exchange following the accession of Poland to the EU, and on the other hand very good financial results of the Bank.

In the first half-year 2005, the WIG index rose from 23,949.32 as at June 30, 2004 to 28,332.05 as at June 30, 2005 (change by 18.3%) and WIG-banks, a sector sub-index, grew from 30,687.59 as at June 30, 2004 to 38,333.66 as at June 30, 2005 (change by 24.92%). Due to the slight liquidity the Bank’s shares are not classified to any of the indices.

Chart 7. Trading in Fortis Bank shares and the WIG index from June 30, 2004 to June 30, 2005



Below are market indices for the shares of Fortis Bank Polska S.A.

Indices	June 30, 2005	December 31, 2004	June 30, 2004
EPS ratio	5.65	4.94	3.77
P/E ratio	16.28	14.36	18.84
BVPS ratio	42.56	39.47	36.26
P/BV ratio	2.16	1.80	1.96

The book value per share is PLN 42.56. For proper calculation, the share capital, reserve capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the net profit for the fiscal year were included in equity capital.

VIII. CORPORATE GOVERNANCE

Under §27 items 2 and 3 of the Warsaw Stock Exchange Regulations and Resolution No 44/1062/2004 of the Warsaw Stock Exchange Management of December 15, 2004, and Resolution No 445/2004 of the Warsaw Stock Exchange Supervisory Board, the Bank's Board of Executives, in compliance with the intention of the Shareholders expressed at the General Shareholders Meeting and in compliance with the intention of the Supervisory Board, adopted the *Best Practices in Public Companies in 2005.* An up-to-date declaration of the Board of Executives that include information on the extent of application of the Best Practices in Public Companies by the authorities of Fortis Bank Polska SA was attached to the current report no 8/2005 of May 25, 2005. In the first half-year 2005, no breach of the adopted rules was reported.

IX. DEVELOPMENT PROSPECTS FOR BUSINESS ACTIVITY

The strategy of Fortis Bank Polska SA is interwoven with the overall strategy of Fortis group. In February 2005, the new CEO of Fortis, Jean Paul Votron announced Fortis development strategy for 2005-2009.

"Fortis back to growth" is the generic theme of the strategy update and the ambition of Fortis is to grow from the leadership position in Benelux into a strategic position in Europe. The growth will be measured by the double-digit growth of Net Operating Profit before capital gains (NOP BCG). Geographically, the focus on profitable growth means that Fortis will grow further in its home markets, focus on the enlarged (by new EU countries) Europe and selectively grow in Asia and North America.

Acquisitions will be considered to accelerate the organic growth and penetrate new markets. By 2009, at least 30% of NOP BCG will come from outside the Benelux (compared to 15% now).

The following elements should contribute to achieving these goals:

1) Focus on the customer, i.e. to gear the products and distribution channels to the needs of the customers. To this end Fortis will invest in innovation, sales and service provision. The success indicators will be reduction of complaints and increased customer satisfaction.
2) Growing market share, through development of existing distribution channels in Benelux and increase of the potential through selective acquisitions and partnerships. Strengthening of sales capacity in Commercial Banking & Private Banking and Merchant Banking is planned. On the new European markets, new Business Centres will be opened and Commercial Banking with Private Banking will cooperate more closely in the new organizational structure. Insurance will accelerate its international growth thanks to innovation, cost control and better service at branches and through intermediaries. Also bancassurance in Europe and Asia will be developed. To increase market share, Fortis plans to use the Fortis brand for the main businesses within 2 years and increase Fortis visibility.
3) New commercially oriented organization structure, where the winning spirit will become embedded in the corporate structure. Fortis will invest in management development and mobility, with clear accountability and be able to reward outstanding performance. Cross-business and cross-border cooperation is essential in implementing the new growth acceleration strategy. Further harmonization of insurance and banking distribution systems and products under one brand is of paramount importance. Commercial Banking and Private Banking will be the 'backbone' of pan-European expansion and becoming the leading, integrated solution provider for 'Enterprise and the Entrepreneur'.

Fortis Bank Polska plans to implement Fortis group strategy by leveraging regional opportunities. As employer the Bank intents to provide an exciting and motivating working environment, caring for the staff and development of their competences. For its clients the Bank will provide top quality, flexible financial services adjusted to their needs. Offering professional advisory services and individual solutions the Bank wants to build long-term partnerships and thus to enable customers to develop and strengthen their market position.

Continuing its policy from previous years, the Board of Executives of Fortis Bank Polska will not publish any financial forecasts public for 2005.

In the coming years, the Bank will pursue it strategy aiming at growth of the high-net-worth customer portfolio and SME portfolio. The strict control of costs and efficient use of capital should result in a further improvement of the financial performance. The Bank will seek to secure sufficient assets and deposits to finance its credit portfolio, and will also conclude credit agreements with its main shareholders in order to ensure supplemental funding for its assets in FC.

Thanks to the support of the Fortis group, both in financial and organizational terms, the Bank has acquired important customers, improved efficiency of lending procedures and different risk management and expanded the Bank's activity on financial markets. In 2005 FBP intends to broaden its cooperation with other financial institutions from Fortis group in terms of providing shared services to them, including clearing and other financial services.

Considering the possibility of offering investment fund units by foreign investment funds on the local market, which has appeared since Poland joined the European Union, FBP entered into cooperation with Fortis Investments as regards the introduction into the Bank's offer tha sale of participation units in umbrella investment funds - Fortis L-Fund and Fortis L-Fix.

Through the Global Markets business line (*GMK*), which corresponds to the Global Markets BL in the Fortis group structure, the Bank intends to increase its activity in the financial market and the trade in securities. The development of the Global Markets BL is based on a customer driven strategy. The Bank intends to expand its offer of derivatives.

The Commercial Banking (*CB*) business line focuses, through its business center concept, on servicing its customers, in a way that will bring added value to them and the Bank. The strategy of the CB business line in Poland, assumes, in particular:

- focus on internationally active customers, be it either multilocal (active in several countries) or having cross-border business (significant imports or exports).
- offering products through a cohesive network of business centers supported by professionals providing specialist financial products. In contact with a customer, electronic delivery channels are preferred.
- offering solutions and not merely marketing/sale of products and services,
- further development of skills, including specialization in international trade finance
- close cooperation with Global Markets BL to offer the customers financial market products (money market transactions and derivatives),

The mission of Retail Banking is to perfectly and in a long-term manner satisfy financial needs of small enterprises and individual affluent clients thanks to professional counseling and our offering of individual solutions in the scope of financing and assets management, including, thanks to engagement and skills of our employees. Through traditional (branch network) and electronic distribution channels the Retail Banking business line (RB) will seek to increase its market share in selected market segments. In 2005, there were opened 4 new sales outlets without providing the maintenance of cash transactions in the Polish towns where the Bank did not have a branch until now. The plan is that in 2006 sale outlets will further develop.

It is a big challenge for the Bank's management to adjust internal policies and operating procedures to changes in the Polish legislation after Poland's accession to the European Union. A particular attention and organizational effort are needed for implementing the requirements set out in the New Basle Capital Accord and the International Financial Reporting Standards, likewise with respect to the Banking Law amendments and automation of the NBP reporting.

Under the Fortis Bank group's preparations to adjust to the requirements of the New Basle Capital Accord, the Bank takes an active part in projects that aim at implementing credit risk assessment methods to establish the required regulatory capital.

The Bank's management plans further improvement of operating standards and strengthening of risk management and internal controls in line with Fortis guidelines and the recommendations of the General Inspectorate of Banking Supervision (GINB). In particular the Bank will update its policies and procedures as regards liquidity and operating risk management is concerned.

X. ORGANIZATIONAL STRUCTURE

A. Bank authorities

According to the Statute, the Bank's authorities consist of:

- General Meeting of Shareholders,
- Supervisory Board,
- Board of Executives.

The following permanent and temporary committees act as advisory and decision-making bodies:

- Assets and Liabilities Committee (ALCO)
- Credit Committee
- Problem Assets Committee

- Business Continuity Committee
- Projects and User Applications Steering Committee.

The Credit Committee and the Problem Assets Committee act in accordance with the regulations approved by the Supervisory Board. Credit decisions are made according to the internal regulations approved by the Bank's Supervisory Board and the Board of Executives.

The Assets and Liabilities Committee (*ALCO*) is an advisory and decision-making body supporting the Board of Executives in effective management of the Bank's assets and liabilities by setting the main assumptions for the policy and the management of the balance sheet structure, setting minimal margins of the bank for specific products, approval of assumptions for the internal transfer price system and issuance of opinions on the introduction of new products that affect the structure of the balance sheet. In specific matters, in particular, as far as liquidity and market risk management is concerned, ALCO can take the necessary decisions. The scope, the organization and the tasks of ALCO are defined in the Regulations approved by the Board of Executives.

The Business Continuity Committee plans and coordinates actions to be undertaken in an emergency to ensure continuity of the Bank's operations.

The Projects and User Applications Steering Committee was set up to improve project management processes. Also, the committee coordinates development of IT solutions for the needs of specific organizational units of the Bank.

B. Business lines and sales outlets

The Bank's organization is structured along business lines providing comprehensive service to specific customer and/or service market segments. In particular:

a) Retail Banking (*RB*) business line – (small enterprises and individual customers) providing service through a network of branches and personal banking sub-branches. The difference between individual customers and Personal Banking customers lies in the level of their income or financial assets. FBP individual customers, apart from depositing funds, do not use other services offered by the Bank. The customers of the Personal Banking sub-segment, with a higher income (and thus generating a higher profit), are provided both standard banking products and specific solutions.

b) Commercial Banking (*CB*) business line (medium and corporate enterprises) provides services through the network of Business Centers, targeting customers with a turnover in the PLN equivalent of EUR 2.5 - 250 million. In particular, the Bank renders services to Polish companies with import and export operations, or foreign companies (mainly from Western Europe) conducting business in Poland.

c) Global Markets (*GMK*) business line operates within the organizational structure of the Treasury Department, which, amongst others, supports the other business lines, offering to RB and CB customers products related to financial markets. The Global Markets BL is also responsible for relations with other banks and the management of the Bank's liquidity.

In the first half-year 2005, the Bank opened 4 new small Branches in Olsztyn, Opole, Rzeszow and Torun. These outlets provide banking services in respect of granting investment loans for small companies, accumulating the assets of the Personal Banking segment customers, selling mortgage loans and daily banking through electronic channels.

As of June 30, 2005, the Bank conducted operations through the following units:

a) 25 full-service branches (4 branches in Warsaw, 3 branches in Kraków, 1 branch in Bielsko-Biala, Bydoszcz, Częstochowa, Gdansk, Gdynia, Gliwice, Katowice, Kielce, Lublin, Lodz, Olsztyn, Opole, Poznan, Rzeszow, Szczecin, Torun, Wroclaw, Zakopane each),

b) 6 Personal Banking sub-branches – 2 in Warsaw, 1 in Wrocław, Poznań, Katowice and Łodź each, and 1 sub-branch of the Poznań Branch for Mass Transaction Processing, and

c) 6 Business Centers for the maintenance of mid-sized and large companies in Warsaw, Krakow, Gdansk, Gliwice, Poznan, Wroclaw.

The Bank's organization chart as at June 30, 2005 has been attached to this Report.

C. Supervisory Board, Board of Executives and employees

1. Changes in the composition of the Board of Executives and the Supervisory Board

As at June 30, 2005, the Board of Executives composition was as follows:

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

At the meeting held on January 6, 2005, the Bank's Supervisory Board approved resignation of Mr. Ronald Richardson and recalled him from the positions held by him in the Bank's Board of Executives as of January 10, 2005.

At the same time, the Supervisory Board appointed Mr. Jan Bujak the President of the Board of Executives from January 11, 2005, provided that the Commission for Banking Supervision agrees to this appointment. On February 9, 2005, the Commission for Banking Supervision approved the appointment of Mr. Bujak.

As of the February 1, 2005, Mr. Alexander Paklons has been appointed to the Bank's Board of Executives as the Senior Vice President and Country Manager.

Supervisory Board

As at June 30, 2005, the Supervisory Board composition was as follows:

Luc Delvaux	- Chairman
Paul Dor	- Deputy Chairman
Antoni Potocki	- Deputy Chairman
Werner Claes	
Zbigniew Dresler	
Didier Giblet	
Bernard Levie	
Roland Saintrond	
Thierry Schuman	
Peter Ullmann	

As of the May 24, 2005, General Meeting appointed new members to the Supervisory Board of the Bank: Mr. Bernard Levie, Mr. Thierry Schuman and Mr. Peter Ullmann.

As of the July 1, 2005, Mr. Jos Clijsters has been appointed to the Supervisory Board of the Bank. Mr. Jos Clijsters has taken the position of the Chairman substituting for Mr. Luc Delvaux, who has resigned from this function and membership in the Bank's Supervisory Board.

Information on remuneration paid to the Members of the Bank's supervisory and management bodies is included in the Additional notes (Section 25)

2. Board of Executives and Supervisory Board Members' remuneration value

Remuneration and benefits received by the members of Board of Executives, Supervisory Board and holders of procuration of Fortis Bank Polska S.A. have been shown in the below table:

Remuneration	01.01.2005 - 30.06.2005 in PLN thousands	01.01.2004- 30.06.2004 in PLN thousands
Board of Executives (*)	2,942	2,093
Supervisory Board (**)	169.5	159
Holders of procuration	1,891	1,897

*) Ronald Richardson worked for the Bank by January 31, 2005

**) Bernard Levie, Thierry Schuman and Peter Ullmann have been members of the Bank's Supervisory Board since 24 May 2005.

Three members of the Board of Executives of Fortis Bank Polska S.A. that are at the same time members of Supervisory Board of Fortis Securities Polska S.A. did not receive remuneration for this , both in 2004 as in the first half-year 2005.

The Board of Executives of Fortis Bank Polska S.A. has been covered by the program „Fortis Executives and Professionals Stock Option Plan" for Fortis NV shares.

3. Information on shares of the Bank held by members of the Board of Executives and the Supervisory Board

As of June 30, 2005, none of the Board of Executives Members owned any shares issued by Fortis Bank Polska S.A. or affiliated entities.

Mr. Luc Delvaux, Chairman of the Supervisory Board, held 25 shares on the total amount of PLN 50. Other members of the Supervisory Board do not hold any shares or rights to shares.

4. Employees

The number of people employed was 873 FTE (full time equivalents) as at the end of June 2004. Over the next 12 months the employment increased by 53 FTE to 926 FTE at the end of June 2005. The majority of the employees, i.e. 57%, were university graduates.

Signatures of the Members of the Board of Executives (on the Polish original):

Jan Bujak, President of the Board …………………………………

Alexander Paklons, Senior Vice-President, …………………………………

Bartosz Chytła, Vice-President …………………………………

Jean-Luc Deguel, Vice-President …………………………………

Jaromir Pelczarski, Vice-President …………………………………

Koen Verhoeven, Vice-President …………………………………