Interim Financial Statements of Fortis Bank Polska S.A. for Quarter II 2007

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Financial Highlights

Financial Highlights	in PLN thousand		in EUR thousand	
	2nd quarter 2007 (YTD)	2nd quarter 2006 (YTD)	2nd quarter 2007 (YTD)	2nd quarter 2006 (YTD)
Interest income	493,298	189,871	128,176	48,715
Commission and fee income	47,730	36,476	12,402	9,359
Total income net	263,106	193,657	68,364	49,686
Gross profit (loss)	103,060	67,304	26,779	17,268
Net profit (loss)	86,439	55,222	22,460	14,168
Net cash provided by operating activities	-1,826,347	-740,167	-474,548	-189,903
Net cash provided by investing activities	153,911	-397,692	39,991	-102,035
Net cash provided by (used in) financing activities	532,691	188,543	138,412	48,374
Total net cash flow	-1,139,745	949,212	-296,145	-243,538
Total assets	14,111,329	9,517,209	3,747,233	2,353,764
Due to banks	6,526,632	3,995,270	1,733,133	988,097
Due to Customers	5,056,056	3,765,723	1,342,625	931,326
Equity	1,062,912	741,063	282,254	183,277
Number of shares	16,771,180	15,077,700	16,771,180	15,077,700
Book value per share (in PLN / EUR)	63.38	49.15	16.83	12.16
Diluted book value per share (in PLN / EUR)	63.38	49.15	16.83	12.16
Capital adequacy ratio	9.51%	10.24%		
EPS ratio (PLN)				
Basic	8.23	6.14	2.14	1.58
Diluted	8.23	6.14	2.14	1.58

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for the second quarter of 2007 and the corresponding financial figures for the second quarter of 2006 have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet and book value per share as at the end of the second quarter of 2007 have been converted into EUR at the mid-rate applied on 30 June 2007 published by the National Bank of Poland, i.e. PLN 3.7658; comparative financial data as at the end of the second quarter of 2006 have been converted into EUR at the mid-rate published on 30 June 2006, i.e., PLN 4.0434, published by the National Bank of Poland;
- particular items in the profit and loss account and cash flows, and earnings per share as at the end of the second quarter of 2007 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through June 2007, which amounted to PLN 3.8486, whereas comparative data as at the end of the second quarter of 2006 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through June 2006, which amounted to PLN 3.8976;

The Key Factors Affecting Performance of Fortis Bank Polska SA in Quarter II of 2007.

Financial Results

Income statement (in PLN thousand)	2nd quarter 2007 (YTD)	2nd quarter 2006 (YTD)	Change
Net interest profit (loss)	131,253	104,166	26 %
Net commission and fee profit (loss)	43,154	31,631	36 %
Net profit on transactions in trading financial instruments	75,531	54,037	40 %
Personnel costs	-76,084	-53,904	41 %
Depreciation of fixed assets and intangible fixed assets	-10,195	-10,972	-7 %
Other costs	-61,370	-46,556	32 %
Gross profit (loss)	**103,060**	**67,304**	**53 %**
Net profit (loss)	**86,439**	**55,222**	**57 %**
Total assets (in PLN thousand)	**14,111,329**	**9,517,209**	**48 %**
Loans to Customers	8,991,100	5,693,664	58 %
Due to Customers	5,056,056	3,765,723	34 %
Total equity	1,062,912	741,063	43 %
Financial ratios (%)			
Capital adequacy ratio	9.51	10.24	-0.73 pp.
Return on assets (ROA)	1.5	1.4	0.1 pp.
Return on equity (ROE)	19.1	15.9	3.2 pp.
Net interest margin	2.18	2.52	-0.34 pp.

The Bank has generated the best semi-annual results in its history:

- **Net profit of PLN 86,439 thousand was higher by 57 % than the net profit earned in the corresponding period of 2006, while the gross profit increased by PLN 35,756 thousand up to PLN 103,060 thousand.**
- **The Bank's business efficiency improved further: return on equity (ROE) increased by 3.2 p.p. up to 19.1%, while the return on assets (ROA) improved by 0.1 p.p. up to 1.5%.**

The financial performance of Fortis Bank Polska S.A. in the first half of 2007 results not only from the good macroeconomic situation and increased customer demand for financial services but also from further business development and fast growing sales of strategic products, both in RB BL and CB BL.

Furthermore, the Bank continued its strategy, adopted in 2006, to increase the Bank's share in the mortgage loan market and savings and investment products' market, improve the product offering to provide customers with a comprehensive set of banking services, and to open new branches. All the above actions greatly contributed to the income generated.

As at the end of the second quarter of 2007, total assets stood at PLN 14,111,329 thousand and were higher by 48% than at the end of the second quarter of 2006.

Loans to customers increased by 58% in comparison to the second quarter of 2006, i.e. up to PLN 8,991,100 thousand.

In the second quarter of 2007, liabilities due to customers likewise significantly increased up to PLN 5,056,056 thousand in comparison to PLN 3,765,723 thousand noted in the second quarter of 2006.

The net interest income increased by 26% while the net commission and fee income grew by 36% in comparison to the corresponding period of the previous year.

High net interest income and commission and fee income were achieved thanks to considerable growth of loan volume.

A considerable increase in volume of loans granted to Institutional Customers was noted. Investment loans, including loans for the purchase or construction of commercial real estate, grew by 72% over the second quarter of 2006; working capital loans went up by 30%, while the highest growth was reported for overdraft credit facilities – by as much as 89%.

Among Private Individuals, mortgage loans remained very popular; the balance of such loans as at the end of the second quarter of 2007 stood at PLN 2.1 billion, which means an increase by 80% as compared to the balance as at the end of the second quarter of 2006.

In comparison to the second quarter of 2006, personnel costs were significantly higher due to employment growth in line with the Bank's strategy adopted for the next years:

The change in the asset structure resulted chiefly from the increased volume of loans to Customers, primarily higher mortgage and commercial loans.

Liabilities due to customers and banks continue to constitute the main source of asset financing. In comparison to the corresponding period of the previous year, they increased by 34% and 63%, respectively.

Financial data

Income Statement

Income Statement (in PLN thousand)		2nd quarter 2007 (YTD)	2nd quarter 2006 (YTD)	2nd quarter 2007	2nd quarter 2006
Interest income	**Note 8.1**	493,298	189,871	265,210	99 086
Interest expense	**Note 8.2**	-362,045	-85,705	-198,836	-44 170
Net interest profit (loss)		**131 253**	**104,166**	**66,374**	**54,916**
Commission and fee income	**Note 8.3**	47,730	36,476	24,643	19 042
Commission and fee expense	**Note 8.4**	-4,576	-4,845	-2,782	-2 899
Net commission and fee profit (loss)		**43 154**	**31,631**	**21,861**	**16,143**
Dividend income		600			
Net profit on transactions in trading financial instruments	**Note 8.5**	75,531	54,037	43,195	27 052
Net profit (loss) on transactions in available-for-sale financial instruments		319	-813	-431	-813
Net profit (loss) on hedging transactions		-113	60	-91	68
Other realised and unrealised gains (losses)		-70	2	-109	-87
Other income		12 432	4,573	7,436	2,434
Total income net		**263 106**	**193,656**	**138,235**	**99,713**
Personnel costs		-76 084	-53,904	-39,424	-27,377
Depreciation of fixed assets and intangible fixed assets		-10 195	-10,972	-4,713	-4,919
Other costs		-61 370	-46,556	-30,477	-24,301
Write-offs for impairment	**Note 8.6**	-12,397	-14,920	-1,331	-8 983
Gross profit (loss)		**103 060**	**67,304**	**62,290**	**34,133**
Income tax		-16 621	-12,082	-11,619	-5,382
Net profit (loss)		**86 439**	**55,222**	**50,671**	**28,751**
EPS ratio (PLN)	**Note 7.1**				
Basic		8.23	6.14		
Diluted		8.23	6.14		

Balance Sheet

Balance sheet (in PLN thousand)		June 30, 2007	December 31, 2006	June 30, 2006
Assets				
Cash and cash equivalents	Note 9.1	1,668,517	2,808,262	1 141 882
Trading Assets	Note 11.1	175,690	143,107	93 933
Due from banks	Note 10.1	180,888	200,377	198 434
Loans to Customers	Note 10.2	8,991,100	7,004,221	5 693 664
Investments	Note 12.1	465,554	654,710	694 026
- held to maturity				
- available for sale	Note 12.2.	465,554	654,710	694 026
Property, Plant and Equipment		84,691	60,275	48,911
Goodwill and other intangible assets		24,620	23,664	17,156
Current tax receivables				
Deferred tax assets		30,055	21,289	19,994
Deferred acquisition cost, accrued interest and other assets		2,490,214	694,170	1,609,209
Total Assets		**14,111,329**	**11,610,075**	**9,517,209**
Liabilities				
Trading Liabilities	Note 11.2	76,787	56,942	54 275
Due to banks	Note 13.1	6,526,632	4,956,072	3 995 270
Due to Customers	Note 13.2	5,056,056	4,627,497	3 765 723
Current tax payables		17,322	3,963	6,600
Deferred tax liabilities				
Subordinated liabilities				
Other borrowings				
Accrued interest and expenses and other liabilities		1,357,990	964,960	945,545
Provisions		13,630	10,822	8,733
Total liabilities		**13,048,417**	**10,620,256**	**8,776,146**
Equity				
Share capital		503,135	503,135	30,155
Share premium		308,814	308,814	349,528
Other reserve capital		183,710	75,444	308,088
Unsettled gains (losses) on available-for-sale financial instruments		-867	2,167	-1,677
Retained earnings		-18,319	-253	-253
Net profit (loss) for the year		86,439	100,512	55,222
Total equity		1,062,912	989,819	741,063
Total liabilities and equity		**14,111,329**	**11,610,075**	**9,517,209**

Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity in Quarter II 2007 (in PLN thousand)	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Total capital	Unrealised gains and losses
Balance as at 01 January 2007	**503,135**	**308,814**	**-253**	**100,512**	**75,444**	**987,652**	**2,167**
Change in valuation rules							
Net profit (loss) for the year				86,439		86,439	
Share issue							
Unrealised gains / losses, net							-3,034
Dividends paid							
Opening Balance (OB) adjustment (IBNR)			-10,312			-10,312	
Other			-7,754	-100,512	108,266		
Balance as at 30 June 2007	**503,135**	**308,814**	**-18,319**	**86,439**	**183,710**	**1,063,779**	**-867**

Statement of Changes in Shareholders' Equity in 2006 (in PLN thousand)	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Total capital	Unrealised gains and losses
Balance as at 1 January 2006	**30,155**	**349,528**	**44,170**	**91,603**	**154,355**	**669,811**	**1,698**
Change in valuation rules			19,816	-19,816			
Net profit (loss) for the year				120,328		120,328	
Share issue	50,804	148,819				199,623	
Unrealised gains / losses, net							469
Share Issue Costs	-2,110					-2,110	
Dividends paid							
Other	424,286	-189,533	-64,239	-91,603	-78,911		
Balance as at 31 December 2006	**503,135**	**308,814**	**-253**	**100,512**	**75,444**	**987,652**	**2,167**

Statement of Changes in Shareholders' Equity in Quarter II 2006 (in PLN thousand)	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Total capital	Unrealised gains and losses
Balance as at 1 January 2006	**30,155**	**349,528**	**44,170**	**91,603**	**154,355**	**669,811**	**1,698**
Change in valuation rules			19,816			19,816	
Net profit (loss) for the year				55,222		55,222	
Share issue	-2,110					-2,110	
Unrealised gains / losses, net							-3,375
Dividends paid							
Other	2,110		-64,239	-91,603	153,733	1	
Balance as at 30 June 2006	**30,155**	**349,528**	**-253**	**55,222**	**308,088**	**742,740**	**-1,677**

Cash Flow Statement

Cash Flow Statement (in PLN thousand)	2nd quarter 2007 (YTD)	2006 year	2nd quarter 2006 (YTD)
Cash and cash equivalents, opening balance	**2,808,262**	**2,091,198**	**2,091,198**
Gross profit	**103,060**	**145,148**	**67,304**
Adjustments for:	**-1,929,407**	**-863,686**	**-807,471**
- Realised gains (losses) on sales	-230	1,086	813
- Unrealised gains (losses)			
- Depreciation	5,586	22,242	8,615
- Write-offs for impairment	13,043	13,973	15,077
Changes in operational assets and liabilities	-1,936,490	-857,371	-801,283
- Trading assets and liabilities	-12,738	-67,833	-21,325
- Due from banks	-4,375	-32,696	-21,921
-Loans to customers	-1,982,125	-2,808,618	-1,489,433
- Other receivables	-7,492	-,1,393	1,377
- Due to banks	1,436,876	528,132	1,002,063
- Due to customers	428,559	1,285,689	427,902
- Other assets and liabilities	-1,795,195	239,348	-699,946
Income tax paid	-11,316	-,43,616	-30,693
Net cash provided by operating activities	**-1,826,347**	**-718,538**	**-740,167**
Purchase of available-for-sale investments	-128,819	-694,759	-481,837
Purchase of property, plant and equipment	-30,916	-32,932	-11,114
Purchase of intangible assets	-8,426	-15,404	-4,940
Acquisition of subsidiaries, net of cash acquired			
Proceeds from sales of available-for-sale investments	319,155	354,163	99,690
Proceeds from sales of property, plant and equipment	2,917	1,633	509
Proceeds from sales of intangible assets			
Disposal of shares and investments in subsidiaries			
Net cash provided by investing activities	**153,911**	**-,387,299**	**-397,692**
Proceeds from the issuance of subordinated liabilities			
Loans and credit facilities taken	677,915	2,427,695	935,599
Proceeds from sales of treasury shares			
Proceeds from the issuance of shares		197,513	-2,110
Payment of subordinated liabilities			
Repayment of loans and credit facilities	-145,224	-802,307	-744,946
Purchase of treasury shares			
Dividends paid to shareholders			
Net cash provided by (used in) financing activities	**532,691**	**1,822,901**	**188,543**
Effects of exchange rate changes on cash and cash equivalents			
Cash and cash equivalents, ending balance	**1,668,517**	**2,808,262**	**1,141,882**
Change in cash and cash equivalents	**-1,139,745**	**717,064**	**-949,316**

Effects of Adopting IFRS

Income Statement

As at end of the prior year (31 December 2006) in PLN thousand	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Net interest profit (loss)	225,811		225,811
Net commission and fee profit (loss)	74,877		74,877
Dividend income			
Net profit on transactions in trading financial instruments	109,988		109,988
Net profit (loss) on transactions in available-for-sale financial instruments	-872		-872
Net profit (loss) on hedging transactions	7		7
Other realised and unrealised gains (losses)	-333	123	-210
Other income	13,158	-670	12,488
Total income net	**422,636**	**-547**	**422,089**
Personnel costs	-119,495		-119,495
Depreciation of fixed assets and intangible fixed assets	-22,278	211	-22,067
Other costs	-122,245		-122,245
Write-offs for impairment	-25,321	-12,276	-37,597
Gross profit (loss)	**133,297**	**-12,612**	**120,685**
Income tax	-25,031	4,858	-20,173
Net profit (loss)	**108,266**	**-7,754**	**100,512**

As at the end of the corresponding period (June 30, 2006) in PLN thousand	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Net interest profit (loss)	104,166		104,166
Net commission and fee profit (loss)	31,631		31,631
Dividend income			
Net profit on transactions in trading financial instruments	54,037		54,037
Net profit (loss) on transactions in available-for-sale financial instruments	-813		-813
Net profit (loss) on hedging transactions	60		60
Other realised and unrealised gains (losses)	393	-391	2
Other income	4,601	-27	4,574
Total income net	**194,075**	**-418**	**193,657**
Personnel costs	-53,904		-53,904
Depreciation of fixed assets and intangible fixed assets	-11,152	180	-10,972
Other costs	-46,557		-46,557
Write-offs for impairment	-10,276	-4,644	-14,920
Gross profit (loss)	**72,186**	**-4,882**	**67,304**
Income tax	-13,764	1,682	-12,082
Net profit (loss)	**58,422**	**-3,200**	**55,222**

Changes to write-offs for loan impairment

The adjustment results from a difference between the rules of valuation of provisions for loan receivables under the Polish Accounting Principles (PAP) and the rules of measurement of write-offs for impairment pursuant to IAS 39.

Changes to the reserve for Incurred But Not Reported loss (IBNR)

In the financial statements pursuant to the International Financial Reporting Standards (IFRS), the Bank creates a reserve for loan losses incurred but not reported as at the balance sheet date. Such a reserve was not built in the financial statements under the PAP.

Changes to the general risk reserve

In the report under PAP, Fortis Bank Polska S.A. (FBP) reported a general risk reserve according to the Polish accounting rules. In the report under the IFRS, the general risk reserve was released.

Net result on FX differences

Adjustments related to the transformation of the financial statements had an impact on the FX position and hence, on its measurement result.

Depreciation of capital raise costs

Pursuant to the PAP, capital raise costs are booked as intangible assets and then depreciated as an income statement item for five (5) years. Pursuant to the IFRS, such costs decrease the equity at the moment they are incurred.

Result of a subsidiary valuation

According to the PAP, such shares were measured by equity method, whereas pursuant to the IFRS, shares in immaterial subsidiaries were measured to the acquisition cost.

Reconciliation of Equity

	Balance as at 31.12.06	Balance as at 30.06.06	Balance as at 1 January 2006
Equity pursuant to PAP	**798,542**	**744,844**	**691,758**
Unregistered share issue	199,623		
Write-offs for loan impairment	-15,904	-3,349	15,103
Provisions for off-balance sheet lending commitments	6,486	-259	-607
General risk reserve	30,743	29,998	20,910
Reserve for Incurred But Not Reported loss (IBNR)	-30,941	-28,718	-32,622
Valuation of subsidiaries	1,566	2,226	2,808
Tax effect (deferred tax)	-298	-3,400	-5,181
Capital raise costs booked in assets		-30	-211
Other differences	2	-249	-632
Equity consistent with the IFRS	**989,819**	**741,063**	**691,326**

Unregistered share issue

Under the PAP, the share issue increases the equity at registration, while according to the IFRS it was taken into account at payment.

Write-offs for loan impairment and provisions for off-balance sheet lending commitments

The adjustment results from a difference between the rules of valuation of provisions for loan receivables under the PAP and the rules of measurement of write-offs for impairment pursuant to IAS 39 and provisions under IAS 37.

General risk reserve

In the report under PAP, FBP reported the general risk reserve according to the Polish accounting rules. In the report under the IFRS, the general risk reserve was released.

Reserve for Incurred But Not Reported loss (IBNR)

In the financial statements pursuant to the IFRS, the Bank creates a reserve for loan losses incurred but not reported as at the balance sheet date. Such a reserve was not built in the financial statements under the PAP.

Capital raise costs booked in assets

Pursuant to the PAP, capital raise costs are booked as intangible assets and then depreciated as an income statement item for five (5) years. Pursuant to the IFRS, such costs decrease the equity at the moment they are incurred.

Valuation of subsidiaries

According to the PAP, such shares were measured by equity method, whereas pursuant to the IFRS, shares in immaterial subsidiaries were measured to the acquisition cost.

Balance Sheet

As at 1 January 2006 (in PLN thousand)	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Assets			
Cash and cash equivalents	1,304,341	786,857	2,091,198
Trading Assets	54,927	-	54,927
Due from banks	176,519	-6	176,513
Loans to Customers	4,216,068	6,680	4,222,748
Investments	311,903	2,836	314,739
Property, Plant and Equipment	47,454	-707	46,747
Goodwill and other intangible assets	14,521	-176	14,345
Current tax receivables			
Deferred tax assets	29,899	-15,589	14,310
Deferred acquisition cost, accrued interest and other assets	214,271	692,613	906,884
Total assets	**6,369,903**	**1,472,508**	**7,842,411**
Liabilities			
Trading liabilities	36,594		36,594
Due to banks	2,016,114	786,438	2,802,552
Due to Customers	3,390,439	17,368	3,407,807
Current tax payables	20,318		20,318
Deferred tax liabilities	10,853	-10,853	
Subordinated liabilities			
Other borrowings			
Accrued interest and expenses and other liabilities	181,194	692,181	873,375
Provisions	22,633	-12,194	10,439
Total liabilities	**5,678,145**	**1,472,940**	**7,151,085**
Total equity	**691,758**	**-432**	**691,326**
Total liabilities and equity	**6,369,903**	**1,472,508**	**7,842,411**

As at 30 June 2006 (in PLN thousand)	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Assets			
Cash and cash equivalents	347,951	793,931	1,141,882
Trading Assets	94,053	-120	93,933
Due from banks	198,435	-1	198,434
Loans to Customers	5,720,428	-26,764	5,693,664
Investments	691,800	2,226	694,026
Property, Plant and Equipment	48,911		48,911
Goodwill and other intangible assets	17,156		17,156
Current tax receivables			

Deferred tax assets	34,603	-14,609	19,994
Deferred acquisition cost, accrued interest and other assets	178,337	1,430,872	1,609,209
Total assets	**7,331,674**	**2,185,535**	**9,517,209**
Liabilities			
Trading liabilities	54,395	-120	54,275
Due to banks	2,492,608	1,502,662	3,995,270
Due to Customers	3,729,651	36,072	3,765,723
Current tax payables	6,600		6,600
Deferred tax liabilities	11,132	-11,132	
Subordinated liabilities			
Other borrowings			
Accrued interest and expenses and other liabilities	260,793	684,752	945,545
Provisions	31,652	-22,919	8,733
Total liabilities	**6,586,831**	**2,189,315**	**8,776,146**
Total equity	**744,843**	**-3,780**	**741,063**
Total liabilities and equity	**7,331,674**	**2,185,535**	**9,517,209**

As at 31 December 2006 (in PLN thousand)	**Pursuant to Polish Accounting Principles**	**Difference**	**Pursuant to IFRS**
Assets			
Cash and cash equivalents	2,126,694	681,568	2,808,262
Trading Assets	153,281	-10,174	143,107
Due from banks	200,377		200,377
Loans to Customers	7,027,423	-23,202	7,004,221
Investments	653,145	1,565	654,710
Property, Plant and Equipment	60,275		60,275
Goodwill and other intangible assets	23,664		23,664
Current tax receivables			
Deferred tax assets	37,381	-16,092	21,289
Deferred acquisition cost, accrued interest and other assets	172,471	521,699	694,170
Total assets	**10,454,711**	**1,155,364**	**11,610,075**
Liabilities			
Trading liabilities	56,942		56,942
Due to banks	4,389,374	566,698	4,956,072
Due to Customers	4,609,841	17,656	4,627,497
Current tax payables	3,963		3,963
Deferred tax liabilities	15,794	-15,794	
Subordinated liabilities			
Other borrowings			
Accrued interest and expenses and other liabilities	540,427	424,533	964,960
Provisions	39,828	-29,006	10,822
Total liabilities	**9,656,169**	**964,087**	**10,620,256**
Total equity	**798,542**	**191,277**	**989,819**
Total liabilities and equity	**10,454,711**	**1,155,364**	**11,610,075**

Differences in the balance sheet total refer chiefly to the following factors:

- Recognition at the trade date of the following: assets and liabilities, settlements on account of standardized

FX spot transactions, securities purchase and sale transactions, likewise deposit and placement transactions on the interbank market. Under the PAP, such assets and liabilities were recognised at the settlement date. The impact of such transactions on the balance sheet total was, respectively, PLN 1,293,085 thousand as at 31 December 2006, PLN 2,332,665 thousand as at 30 June 2006 and PLN 1,585,807 thousand as at 1 January 2006.

- Measurement of shares in immaterial subsidiaries to the acquisition cost. Under the PAP, such shares were measured by the equity method. The impact of such transactions on the balance sheet total was, respectively, PLN 1,565 thousand as at 31 December 2006, PLN 2,226 thousand as at 30 June 2006 and PLN 2,808 thousand as at 1 January 2006.

- Measurement of write-offs for loan receivables pursuant to IAS 39. The impact of such transactions on the balance sheet total was, respectively, PLN (40,202) thousand as at 31 December 2006, PLN (26,764) thousand as at 30 June 2006 and PLN (10,814) thousand as at 1 January 2006.

- Removal of contractual interest accrued after determination of the receivable impairment. Under the PAP, such interest is accrued in correspondence to a relevant item of liabilities, whereas under the IFRS, the interest is not recognised. The balance sheet total was adjusted, respectively, by PLN (84,201) thousand as at 31 December 2006, PLN (109,176) thousand as at 30 June 2006 and PLN (107,963) thousand as at 1 January 2006.

- The impact of effects of the above adjustments on deferred tax assets which adjusted the balance sheet total by, respectively, PLN (378) thousand as at 31 December 2006, PLN (3,553) thousand as at 30 June 2006 and PLN (5,422) thousand as at 1 January 2006.

- Recognition of deferred tax assets and liabilities in net amounts. The adjustment of the balance sheet total on that account was, respectively, PLN (15,714) thousand as at 31 December 2006, PLN (11,055) thousand as at 30 June 2006 and PLN (10,166) thousand as at 1 January 2006.

Accounting Policies

Basis of presentation

General

These interim financial statements have been prepared pursuant to International Financial Reporting Standards as adopted by the European Commission on January 1, 2005 as amended, and in the scope not regulated by the above standards, pursuant to the Accounting Act of September 29, 1994 (Journal of Laws of 2002 no. 76, item 694, as amended) and administrative acts based thereon, likewise in accordance with requirements set out in the Ministry of Finance Ordinance dated October 19, 2005, regarding current and periodical information submitted by issuers of securities (Journal of Laws of 2005 No. 209, item 1744).

These interim financial statements comply with the requirements of the International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

The annual financial statements of Fortis Bank Polska SA (FBP) for the year ended on 31 December 2006 was prepared pursuant to the relevant Polish accounting principles. The said principles (Polish Accounting Principles, PAP) were described in FBP's financial statements for 2006. The Bank transformed the data contained in the 2006 report to obtain relevant comparative data consistent with IFRS. The effects of adopting the IFRS are presented in Section 4 hereof.

Accounting Estimates

The financial statements consistent with IFRS are sometimes based on certain accounting estimates that can affect the financial result.
Fortis Bank Polska S.A. applies accounting estimates in the following areas:

- measurement of impaired recoverable assets
- determination of fair value of financial instruments not quoted on active markets
- determination of the useful life and residual value of property, plant and equipment and intangible assets
- estimated reserves for long-term employee benefits
- estimations of present obligations that result from past events with respect to provision identification

First-Time Adoption of IFRS

In the first-time adoption of the International Financial Reporting Standards a retrospective method was used pursuant to IFRS 1.

Segment Reporting

Business segments

A business segment is a distinguishable component of a business entity that is engaged either in providing products or services, or a group of products and services. The segment is subject to risks and rewards that are different from those of other segments.
As the risk that the Bank is exposed to and the rate of return achieved depend chiefly on differentiation of products and services provided, the business segment has been defined as the primary reporting segment pursuant to the IAS 14 requirements.

Fortis Bank Polska SA operates through the following segments:

- Retail Banking Business Line (RB BL)
- Merchant & Private Banking Business Line (M&PB BL)
- Asset & Liability Management (ALM) and support units (horizontal functions) are the Bank's Head Office units, except the Treasury Department, which belongs to in the Merchant & Private Banking Business Line.

Geographical segments

A geographical segment is a geographically distinguishable area of a business entity's operations where products or services are provided. Such a geographical segment is subject to risks and rewards that are different from those of other segments that operate in a different economic environment.
Fortis Bank Polska SA runs its business in one geographical segment, i.e. in Poland, therefore the geographical segment was defined as a secondary segment in the understanding of IAS 14.

Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets held for sale are such assets or a group of assets and liabilities for which FBP will recover the carrying amount from a sale transaction instead of through continuing use. Such assets are carried at the lower of the following:

- their book value as at the time of being classified to this category, or
- their fair value less cost to sell.

Assets that are classified as held for sale are not depreciated. The results of operations that are classified as discontinued operations are presented separately in the income statement.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.
Assets are recorded net of any accumulated provision for impairment loss.

Foreign Currency

The financial statements are stated in Polish zlotys (PLN).
Foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at the end of a reporting period are translated at the exchange rates binding the end of the reporting period for monetary items. Translation of non-monetary items depends on whether the non-monetary items are carried at historical cost or at fair value. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Exchange differences arising from the settlement of liabilities relating to the acquisition of an asset are recognised as income or as an expense in the period in which they arise.

Trade Date and Settlement Date Accounting of Financial Assets

All standardised purchases and sales of financial assets and liabilities requiring delivery within the time frame established by regulation or market convention are recognised in the balance sheet on the trade date, which is the date when FBP commits to purchase or sell the asset. It applies in particular to FX spot currency transactions, interbank deposits and placements likewise to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date.
Other forward currency purchase and sale transactions are recognised as derivative forward transactions until settlement.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Assets are recorded net of any accumulated provision for impairment loss.

Classification and Measurement of Financial Assets and Liabilities

Fortis Bank Polska SA classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Financial assets

Based on the business purpose criterion, financial assets are classified as trading assets (held for trading), investments, due from banks and loans to customers.
Subsequent valuation and income recognition depends on the further sub-classification of the financial assets being: (a) loans and receivables; (b) held-to-maturity investments; (c) financial assets at fair value through profit or loss and (d) available-for-sale financial assets.
Particular categories are recognised and measured in the following manner:

- Loans and receivables are initially (i.e. at acquisition) measured at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method.
- Held-to-maturity investments consist of instruments with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially

measured at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method.

- Financial assets measured at fair value through profit or loss include (i) financial assets held for trading, including derivative instruments that do not qualify for hedge accounting, and (ii) financial assets that have been designated at acquisition or first-time adoption of IFRS as held at fair value through profit or loss.
- Available-for-sale financial assets are those that are not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value, and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in shareholders' equity.

Fortis Bank Polska SA does not classify any financial assets into the category of held-to-maturity assets.

Financial Liabilities

Financial liabilities are classified, based on the transaction business purpose, as trading liabilities, due to banks, due to customers, debt securities issued, subordinated liabilities and other borrowings.
Financial liabilities are initially recognised at fair value. Trading financial liabilities are subsequently measured at fair value through profit or loss and all other liabilities are measured at amortised cost using the effective interest method.

Fair Value of Financial Instruments

The fair value of a financial instrument is determined based on quoted prices in active markets. When such prices are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows.
Such techniques include:

- market prices of comparable investments,
- discounted cash flows,
- option pricing models,
- and market multiples valuation methods.

In the rare case where it is not possible to determine the fair value of a financial instrument, the cost of the financial instrument is deemed to be an approximation of the fair value.

The principal methods and assumptions used in determining the fair value of financial instruments are:

- Fair values for trading and investment securities are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the market interest rate curves.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models.
- Fair values for loans are determined using discounted cash flow models based upon present lending rates for similar type loans. For variable-rate loans that re-price frequently, fair values are approximated by the carrying amount.
- Off-balance sheet commitments or guarantees are fair valued based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.
- The carrying amounts are considered to approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

Measurement of Impaired Assets

Fortis Bank Polska SA reviews all of its assets regularly for indicators of impairment. An asset is impaired when its carrying amount exceeds the recoverable amount. The carrying amount of an asset is in such a situation reduced to its estimated recoverable amount through a write-off included in the income statement. If in a subsequent period, the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, the amount is reversed to the amount written off and is recognised in the income statement.

Financial assets

A financial asset (or a group of financial assets) is considered impaired if there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, that affect the future cash flow of the given financial instrument (or a group of financial instruments) if such cash flow can be reliably estimated.
Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price,
- present value of expected future cash flows discounted at the instrument's original effective interest rate, or
- based on the fair value of the collateral.

Write-offs for impairment of available-for-sale capital investments are reversed through equity.

Other assets

For non-financial assets, the recoverable amount is computed as the higher of:

- the fair value less cost to sell, and
- the value in use.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs.
Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, freely available balances with the central bank and other financial instruments with less than three months maturity from the date of acquisition.

Cash Flow Statement

The statement of cash flow provided by operating activities, presented by Fortis Bank Polska SA, has been prepared using an indirect method, according to which the net profit is adjusted by non-cash transactions, accruals and settlements of the future and past cash flows likewise by cash flows items related to investing activity or financing.

Due from Banks and Loans to Customers

Classification

Due from banks and loans to customers include loans originated by FBP by providing money directly to the borrower and loans purchased from third parties that are carried at amortised cost. Debt securities acquired on the primary market directly from the issuer are recorded as loans, provided there is no active market for those securities. Loans that are originated or purchased with the intent to be sold or securitised in the short-term are classified as trading assets.

Valuation

Costs incurred and loan origination fees earned for granting a loan are deferred and amortised over the life of the loan as an adjustment to the loan effective interest rate.

Impairment

A write-off for specific loan impairment is established if there is objective evidence that it will not be possible to collect all amounts due in accordance with contractual terms. The amount of the provision is the difference between the carrying amount and the loan recoverable amount. The recoverable amount is the present value of expected cash flows, including the collateral value less costs to sell if the loan is secured.
A provision for incurred but not reported loan losses is created when there is objective evidence that probable losses are present in components of the loan portfolio, without having specifically identified impaired loans. This impairment is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.
The impairment is recorded as a decrease in the carrying value of due from banks and loans to customers.
When a specific loan is identified as uncollectible and all legal and procedural actions have been exhausted, the loan is written off against the related charge for impairment; subsequent recoveries are credited to change in provisions for impairment in the income statement.

Sale and Repurchase Agreements and Lending/Borrowing Securities

Securities subject to a repurchase agreement ('repos', 'sell buy backs') are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in due to banks or due to customers depending on the type of counterparty. Securities purchased under agreements to resell ('reverse repos', 'buy sell backs') are not recognised in the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or loans to customers depending on the type of counterparty. The

difference between the sale and repurchase price is considered interest and accrued over the life of the agreements using the effective interest method.
If securities acquired under agreements to resell ('reverse repos,' 'buy sell backs') are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral (liability for the short sale of securities) are recorded. The obligation to return the collateral is measured at fair value through profit or loss and is classified as a trading liability.

Financial assets and liabilities held for trading (trading assets and liabilities)

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term,
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- a derivative (except for a derivative that is a designated and effective hedging instrument).

Trading assets and liabilities are initially recognised and subsequently remeasured at fair value through profit or loss. The (realised and unrealised) results are included in "Realised and unrealised gains (losses)". Interest earned on trading assets is reported as interest income or expense. Dividends received are included in investment income.

Investment securities

The appropriate classification of investment securities is determined at the time of the purchase. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available for sale. Investment securities that are acquired for the purpose of generating short-term profits are considered to be held for trading.
Held-to-maturity investments are measured at amortised cost less any impairment changes. Any difference between the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the investment using the effective interest method. If a held-to-maturity investment is determined to be impaired, the impairment is recognised in the income statement.
Available-for-sale investment securities are held at fair value. Changes in the fair value are recognised directly in shareholders' equity until the asset is sold. If an investment is determined to be impaired, the impairment is recognised in the income statement. For impaired available-for-sale investments, unrealised losses previously recognised in shareholders' equity are transferred to the income statement when the impairment occurs.
If the fair value of a debt security classified as available for sale increases in the subsequent period, and the increase can be related to an event that occurred following the impairment recognition, the provision made is reversed through the income statement. Write-offs for impairment of available-for-sale capital instruments are reversed through equity.

Trade and Other Receivables

Trade and other receivables arising from the normal course of business and originated by FBP are recorded at their initial fair value less any provision for impairment.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. Repairs and maintenance expenses are charged to the income statement when the expenditure is incurred. Expenditures that enhance or extend the benefits of real estate or fixed assets beyond their original use are capitalised and subsequently depreciated.
Borrowing costs to finance the construction of property, plant and equipment.

Intangible Assets

An intangible asset is an identifiable non-monetary asset which is recognised at acquisition cost. An intangible asset is recognised in the balance sheet if it will generate financial benefits in the future and can be reliable measured. Fortis assesses regularly if an intangible asset may be impaired.
Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is considered property, plant and equipment.
Other intangible assets include intangible assets with definite lives, such as trademarks and licenses that are generally amortised over their useful lives using the straight-line method. Indefinite-lived intangibles, which are

not amortised, are instead tested for impairment at least annually. Any impairment loss identified is recognised in the income statement. Intangibles are recorded on the balance sheet at cost less any amortisation and any impairment losses. The residual value and useful life of intangible assets are subject to annual reviews.

Incremental costs

Costs incurred in favour of external entities, related to granting financial instruments (costs of intermediary fees) are deferred and amortised by adjusting effective interest rates of such loans.

Derivative Financial Instruments and Hedging

Recognition in the Balance Sheet and Classification

Derivatives are financial instruments that require a minimum or no net initial investment; they are settled at a future date and their value changes with different underlying variables. Example: swaps, forward contracts and options (purchased or issued).
All derivatives are recognised in the balance sheet at fair value on the trade date:

- trading derivatives in "Trading Assets" and "Trading Liabilities"
- derivatives that qualify for hedge accounting in "Other Assets" and "Other Liabilities."

Subsequent changes in the clean fair value (i.e. excluding the interest accruals) of derivatives that are not designated hedging instruments are reported in the income statement under realised and unrealised gains (losses).
Financial assets or liabilities can include embedded derivatives. If the host contract for such an instrument is not measured at fair value through profit or loss, and the embedded intrument's economic characteristics and risk are not closely related to those of the host contract, the embedded instrument shall be separated and presented independently, to be measured at fair value. Changes in fair value of a separated derivative instrument are recognised in the income statement. The host contracts are measured pursuant to rules applicable to their respective category of financial assets or liabilities.
The separated embedded derivatives are reported as hedging or trading derivatives, as appropriate.

Hedging

On the date a derivative contract is entered into, this contract may be designated as either (1) a fair value hedge of a recognised asset or liability (fair value hedge); (2) a hedge of a net investment in a foreign entity or; (3) a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge).

The Bank applies fair value hedging only. Any change in the fair value of a hedged asset or liablility related to the hedged risk and any change in the fair value of the hedging instrument within a fair value hedge are recognised in the income statement. The change in the fair value of interest bearing derivative instruments is presented separately from interest accruals.
If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument that results from hedge accounting is amortised using the new effective interest rate calculated on the hedge discontinuance date.

Valuation

FX Forward and FX Swap transactions are measured at fair value as at a reporting date, using a Discounted Cash Flow method. Foreign currency cash flows are discounted by interest rate curves used to measure derivative instruments, while they are translated into PLN at spot rates. The fair value is established by comparing present foreign currency cash flows translated into PLN. The valuation results are carried out as either costs or income on account of financial transactions, accordingly.
IRS and OIS contracts are measured to market value as at a reporting date using the Discounted Cash Flow method. Discounting factors are estimated based on the market yield curve as at the measurement date. The market value is compared with the value of interest computed pursuant to the contract provisions. The difference is booked as either costs or income on account of financial transactions, accordingly.
FX Futures contracts are measured to market value every day. The difference is booked as either costs or income on account of financial transactions, accordingly.
FRAs are measured using the Discounted Cash Flow method based on the market yield curve. Measurement differences are posted in the same manner as for IRS contracts.
FX rate European call and put options are measured to fair value using the Garman-Kohlhagen model. The volatility parameter which is required when using the above model is assumed in the form of the so-called implied volatility parameter which ensures consistency of the price obtained with the actual market price.

Interest rate options are measured to fair value using the Black-Scholes model adjusted to interest-rate options. The volatility parameter which is required when using the above model is assumed in the form of the so-called implied volatility parameter which ensures consistency of the price obtained with the actual market price.

Due to Customers

Liabilities on account of customer deposits equal the amount due at the balance sheet date. Liabilities due to Customers are measured at amortised cost.

Debt Securities, Subordinated Liabilities and Other Borrowings

Debt securities, subordinated liabilities and other borrowings are initially recognised at fair value net of direct transaction costs incurred. Subsequently, they are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement using the effective interest metod.

Employee Benefits

Long-Term Obligationsto Employees

Fortis Bank Polska S.A. measures reserves established for retirement severance pay, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, likewise for liabilities on account of customary jubilee awards. The reserve amounts are estimated on the basis of annual actuarial calculations.

The value of reserves and costs on account of employee benefit obligations is estimated using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Under this method, the cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. The value of obligations on account of retirement severance pay, disability benefits, post-death benefits and jubilee awards is calculated at the present value of the estimated future cash outflows using interest rates determined by reference to market yields.

Short-term Obligations to Employees

Employee entitlements to vacation leave and additional leave are recognised when they accrue to employees. A reserve is made for the estimated liability for the vacation leave and additional leave up to the balance sheet date.

Provisions, Contingencies and Commitments

Provisions

Provisions are liabilities with uncertainties as to the amount or date of payment. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, resulting from past events, and a reliable estimate of such an obligation can be made at the balance sheet date. Provisions are established for certain guarantee contracts for which the Bank is responsible to pay upon default of payment by the borrowers. Provisions are estimated based on all relevant factors and information existing at the balance sheet date, and typically are discounted at the risk free rate.

Contingencies

Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation. However, details of any such uncertainties along with an estimate of their potential impact are disclosed in the annual financial statements.

Credit Lines / Off-balance-sheet financial commitments

Credit lines that allow to drawdown a loan within a specified period of time, are granted on market conditions and are recognised as off-balance sheet statements.

Equity Capital

The equity capital comprises capital and funds established pursuant to the binding regulations, i.e. the statute and the applicable Acts.

Share Issue Costs

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders. Dividends paid are classified in the cash flow statement as cash provided by (used in) financing activities. The dividend income is recognised in the income statement at the acquisition of rights. Dividends received are classified in operating cash flow.

Other Equity Capital Components

Other components that are recognized in equity refer to:

- First-time adoption of IFRS (See item 9)
- Measurement of available-for-sale financial assets to market (See note 12.2)

Interest Income and Expense

Interest income and interest expense are recognised in the income statement for all interest bearing instruments (whether classified as held to maturity, available for sale, held at fair value through profit or loss) on an accrual basis using the effective interest method based on the actual purchase price or the lending price including direct transaction costs. Interest income includes coupons earned on debt securities, on floating rate instruments and amortisation of the discount or premium.
Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Realised and Unrealised Gains (Losses)

For financial instruments classified as available for sale, realised gains or losses on sales and disposals represent the difference between the proceeds received and the amortised cost of the asset or liability sold, minus any impairment losses recognised in the income statement after adjusting for the impact of any fair value hedge accounting. Realised gains and losses on sales are included in the income statement in "Realised and unrealised gains (losses)".
For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in "Realised and unrealised gains (losses)."
For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in "Realised and unrealised gains (losses)."

Fees and Transaction Costs

Origination fees on account of activities such as the assessment of the borrower's financial situation, evaluation and recording of guarantees, etc., and also origination fees received for issuing financial liabilities measured at amortised cost are deferred and recognised as an adjustment to the effective interest rate. When a financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.
Fees earned as services provided are generally recognised as revenue at that moment. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered as a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees arising from negotiating, or participating in the negotiation of a transaction for a third party, are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete.
Loan syndication fees are recognised as revenue when the syndication has been completed.

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs refer to costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to intermediaries, advisers, brokers, and dealers levied by regulatory agencies and securities exchanges, and transaction taxes and duties.

Borrowing Costs

Borrowing costs are recognised in the income statement when incurred.

Income Taxes and Deferred Income Taxes

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that those losses can be utilized.
Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxes.
Deferred tax assets are recognised to the extent to which they can be utilised to decrease future tax liability.
Deferred tax and current tax related to fair value re-measurement of available-for-sale investments which are charged or credited directly to shareholders' equity are also directly recognised in the shareholder's equity and subsequently recognised in the income statement together with the deferred gain or loss.

Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in the period.
For the diluted earnings per share, the weighted average number of ordinary shares and the net profit are adjusted to assume conversion of all dilutive potential shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

Segment Reporting

Information on Segments

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products, which are subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10% or more of all the segments are reported separately.
The Bank's reportable segments are defined using the "management approach" which are those reviewed by Management to strategically manage the Bank and make business decisions and are based on the risks and rewards of the product lines and services provided. The primary segmentation covers a breakdown by products and services.

Primary segmentation

The main business profile of the Bank includes financial services rendered within the following segments:

- Retail Banking
- Merchant & Private Banking
- ALM and support units (horizontal functions)

Accounting principles for specific segments are the same as principles described in the accounting principles. Transactions between specific business segments are subject to customary commercial and market conditions.
In the income statement costs are at first presented as direct costs in all business lines (except ALM) and support units (horizontal functions). In the rebilling process costs flow from these units to business lines as well as between the business lines and between the support units. ALM doesn't generate direct costs, only accepts costs from support units (horizontal functions) in the rebilling process. This is a separate process in reporting that is presented in a separate report position (costs allocation – rebilling). This process results in absorbing all costs of support units (horizontal functions) by business lines i.e. the financial result of these support units equals zero when the process ends.

Banking segments:

Retail Banking

Retail Banking specialises in the service of small enterprises and Private Individuals, by providing financial services for retail customers, professionals (liberal professions) and small enterprises. Moreover, the segment offers consulting on all forms of daily banking, savings, investment and lending, likewise providing retail banking services.
Consumer Finance, separated within the Retail Banking business line, specialises in sale and service of credit cards and cash loans for Private Individuals. Considering the future merger of Fortis Bank Polska S.A. and Dominet Bank S.A., FBP does not foresee any further development of this segment within its own structures.

Merchant & Private Banking

Within this segment the following lines exist:
Global Markets offers a wide range of products for corporate and institutional customers and also takes care for relations with other banks and the Bank's liquidity management.
Private Banking provides integrated services and solutions in terms of asset and liability management for the most affluent Private Individuals.
Commercial Banking specializes in the service of medium enterprises of annual turnover exceeding PLN 25 million, focusing on clients that operate internationally, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

ALM and support units (horizontal functions)

This segment plays a major role in the management of the balance sheet and off-balance sheet items; it manages risk and capital and also sets out transfer and external prices. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in this segment.

Income Statement by Business Segments

Income Statement by segments (in PLN thousand)	As at the first half of ending on:	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Interest income	**30.06. 2007**	120,184	354,993	18,121	493,298
	30.06. 2006	78,304	94,391	17,176	189,871
Transfer prices expense	**30.06. 2007**	-73,872	-162,521	-15,951	-252,344
	30.06. 2006	-42,973	-101,429	-10,966	-155,368

Interest expense	**30.06. 2007**	-36,975	-320,241	-4,829	-362,045
	30.06. 2006	-29,955	-50,921	-4,829	-85,705
Transfer prices income	**30.06. 2007**	59,034	162,490	30,820	252,344
	30.06. 2006	47,142	88,297	19,929	155,368
Net interest profit (loss)	**30.06. 2007**	**68,371**	**34,721**	**28,161**	**131,253**
	30.06. 2006	**52,518**	**30,338**	**21,310**	**104,166**
Other transfer prices	**30.06. 2007**	48	6,836	-6,884	
	30.06. 2006	564	5,358	-5,922	
Commission and fee income	**30.06. 2007**	28,889	17,138	1,703	47,730
	30.06. 2006	23,711	11,490	1,275	36,476
Commission and fee expense	**30.06. 2007**	-3,007	-459	-1,110	-4,576
	30.06. 2006	-3,421	-488	-936	-4,845
Net commission and fee profit (loss)	**30.06. 2007**	**25,882**	**16,679**	**593**	**43,154**
	30.06. 2006	**20,290**	**11,002**	**339**	**31,631**
Dividend income	**30.06. 2007**			600	600
	30.06. 2006				
Net profit on transactions in trading financial instruments	**30.06. 2007**	26,142	49,389		75,531
	30.06. 2006	22,995	31,042		54,037
Net profit (loss) on transactions in available-for-sale financial instruments	**30.06. 2007**		-38	357	319
	30.06. 2006			-813	-813
Net profit (loss) on hedging transactions	**30.06. 2007**			-113	-113
	30.06. 2006			60	60
Other realised and unrealised gains (losses)	**30.06. 2007**	-79	9		-70
	30.06. 2006	2			2
Other income	**30.06. 2007**	10,862	1,567	3	12,432
	30.06. 2006	2,418	993	1,162	4,573
Total income net	**30.06. 2007**	**131,226**	**109,163**	**22,717**	**263,106**
	30.06. 2006	**98,787**	**78,733**	**16,136**	**193,656**
Personnel costs	**30.06. 2007**	-30,494	-21,297	-24,293	-76,084
	30.06. 2006	-23,632	-12,498	-17,774	-53,904
Depreciation of fixed assets and intangible fixed assets*	**30.06. 2007**			-10,195	-10,195
	30.06. 2006	-5,908	-1,333	-3,731	-10,972
Other costs*	**30.06. 2007**	-12,060	-3,709	-45,601	-61,370
	30.06. 2006	-24,718	-8,097	-13,741	-46,556
Net write-offs for impairment	**30.06. 2007**	-5,051	-7,347	1	-12,397
	30.06. 2006	-9,993	-4,927		-14,920
Costs allocation (rebilling)	**30.06. 2007**	-69,523	-10,323	79,846	
	30.06. 2006	-31,014	-4,015	35,029	
Gross profit (loss)	**30.06. 2007**	**14,098**	**66,487**	**22,475**	**103,060**
	30.06. 2006	**3,522**	**47,863**	**15,919**	**67,304**
Income tax	**30.06. 2007**	-1,872	-10,998	-3,751	-16,621
	30.06. 2006	-1,449	-7,679	-2,954	-12,082
Net profit (loss)	**30.06. 2007**	**12,266**	**55,489**	**18,724**	**86,439**
	30.06. 2006	**2,073**	**40,184**	**12,965**	**55,222**

* In 2006, direct costs were recognised in segments according to entries in the general ledger, i.e. according to where they originated (by profitability codes).
In 2007, following a change in the rebilling methodology, specific cost groups (e.g. costs related to the management of the property, plant and quipment and intangible assets, depreciation) are recognised in units responsible (with respect to the content) for the level of such costs. Subsequently, the costs are transferred to where they have originated, i.e. business lines and support units (horizontal functions) through rebilling. Hence an inconsistency in the recognition of costs in 2006 and in 2007.

Description of Segment Activity

Retail Banking

Customers

Retail Banking is a dynamically developing business line. As at the end of the second quarter of 2007, the number of active customers of this line reached 51,251, which means an increase by 17% as compared to the end of the second quarter of 2006. Private Individuals (69%) and enterprises (20%) have the biggest share in the RB customers number, while the remaining 11% are "mass" customers acquired by the end of the first quarter 2007 within the RB dedicated line - Consumer Finance. Portfolios of that line customers (credit cards, cash loans) continue to be maintained at Fortis Bank Polska S.A., however the Bank does not focus on this area any longer.

Distribution channels
Retail Banking customers have at their disposal both a network of branches as well as alternative channels: Pl@net, Multicash systems and Call Centre. The RB BL develops both the above distribution channels. Out of 30 branches that service RB BL Customers, four have been opened in 2007. The FBP statistics show that alternative distribution channels have becoming increasingly popular among Customers. Comparing the Quarter II 2007 data and Quarter II 2006 (YTD), FBP noted the following:
- the number of Customers using the Pl@net banking system increased by 23%,
- the number of Customers using the MultiCash banking system increased by 11%,
- the number of transfers made via the Pl@net increased by 38%,
- the number of transfers made via the MultiCash increased by 20%.

Products
RB BL customers use a wide range of credit, deposit, investment and card products.
The following products are largely popular among Private Individuals:
- mortgage loans: as at the end of the second quarter of 2007, the balance of such loans reached PLN 2.1 billion, which means an increase by 80% as compared to the end of the second quarter of 2006; in 2007 FBP have already granted 1,636 mortgage loans,
- credit cards: as at the end of the second quarter of 2007, the number of credit cards for Private Individuals stood at 4,965 while the balance of card credits increased by 75% (the end of the second quarter of 2007 versus the end of the second quarter of 2006),
- "asset gathering" products: e.g. foreign investment funds like L-FIX and L-Funds managed by Fortis Investments or Fortis FIO investment portfolios managed by Fortis Private Investments Polska S.A. (former Fortis Securities Polska S.A); their balance (PLN 0.5 billion as at the end of the second quarter 2007) increased by 371% over the balance noted as at the end of the second quarter of 2006.

The following products are largely popular among Enterprises:
- investment loans: as at the end of the second quarter of 2007, the balance of such loans reached PLN 1.4 billion, which means an increase by 50% as compared to the end of the second quarter of 2006,
- negotiated currency exchange instruments: the number of negotiated transactions in six months increased by 17%, and the average volume of such transactions oscillates around PLN 1 billion.

Results
The growing interest of Retail Banking Customers in FBP products is reflected in the Bank's income statement as this line's net revenues increased by 33% in the second quarter of 2007 as compared to the second quarter of 2006 (YTD). This increase was generated thanks to:
- net interest income higher by 31% (this category constitutes the main part of RB BL revenues),
- net commission and fee profit higher by 26%,
- net income on trading financial instruments higher by 14%, which was attributable both to the net FX income (growth by 7%) and the net income on options (increase by over 400%).

The Retail Banking intensive development also resulted in costs increase. Personnel costs grew by 29%. The increase was however mainly due to the growth in FTEs (by 37%). The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The increase of the costs by 124% in the second quarter of 2007 versus the second quarter of 2006 was affected by the change of a methodology of defining the bank's units direct costs (details are specified below in the part regarding ALM and support units [horizontal functions]). Having disregarded the costs related to the changed methodology, the other factors affecting the increase of costs transferred were the growth of customers' activity and the increase in products and services sold – support units 9horizontal functions) involved in the process of servicing these products and services, transferred to business lines costs proportional to the increasing production.

Merchant & Private Banking

Customers
As at the end of the second quarter of 2007, the number of active customers of this line reached 2,161, which means an increase by 26% as compared to the end of the second quarter of 2006. Large and medium enterprises that form the Commercial Banking Business Line (CB BL), have the biggest share (95%) in the number of Merchant & Private Banking customers. The Private Banking line was separated in 2006.

Distribution channels
M&PB customers have at their disposal both a network of Business Centres (8), which are part of the international Fortis Bank network including about 120 centres in 18 countries, as well as alternative channels: Multicash, Pl@net systems and Call Centre. As statistics show, these channels are more and more willingly

used by the customers. Comparing the Quarter II 2007 data and Quarter II 2006 (YTD), FBP noted the following:

- the number of Customers using the MultiCash home-banking system increased by 27% (the system is installed by 67% of CB BL institutional customers),
- the number of transfers made via the MultiCash increased by 23%.

Products

M&PB customers use a wide range of credit and deposit products, financing international commercial transactions or performing transactions on international financial markets.

Products offered by FBP to institutional customers include:

- investment loans (including loans for the purchase / construction of commercial real estate): the balance of such loans as at the end of the second quarter of 2007 exceeded PLN 2.1 billion, what means an increase by 72% as compared to the balance at the end of the second quarter of 2006,
- working capital loans: as at the end of the second quarter of 2007, the balance of such loans reached PLN 1.2 billion, which means an increase by 30% as compared to the end of the second quarter of 2006,
- overdraft facilities: as at the end of the second quarter of 2007, the balance of such loans reached PLN 1.1 billion, which means an increase by 89% as compared to the end of the second quarter of 2006,
- deposits (including O/N deposits): as at the end of the second quarter of 2007, the balance of such deposits reached PLN 2.3 billion, which means an increase by 88% as compared to the end of the second quarter of 2006,
- negotiated currency exchange instruments: the number of negotiated transactions in six months increased by 8%, and the average volume of such transactions oscillates around PLN 1.4 billion.

Private Banking customers gathered approx. PLN 352 million in the second quarter of 2007.

The range of products offered have expanded. IN 2007, FBP have added the following to its offering: energy derivatives and cash collection. Changes in the organisational structure have continued to provide a better and more precise service of institutional customers. To this end, a Cash Management Group has been established to deal with specialised settlement products such as Notional Cash Pooling or Cash Collection.

Results

The constantly developing base of Merchant & Private Banking customers and growing interest in FBP products is reflected in the Bank's income statement as this line's net revenues increased by 39% in the second quarter of 2007 as compared to the second quarter of 2006. This increase was generated thanks to:

- net interest profit higher by 14%,
- net profit on transactions in trading financial instruments higher by 59%, including e.g. net FX income (increase by 36%),
- net commission and fee profit higher by 52%.

The Merchant & Private Banking intensive development also resulted in costs increase. Personnel costs increased by 70%. It mainly resulted from the increased employment (by 41%) and adjustment of the remuneration policy to the present situation on the labour market. Moreover, within the presented segment, a new specialised business line (Private Banking) and the back-office units processing credit transactions have dynamically developed. Costs allocation (rebilling) position is the net value of business line costs allocated and transferred from CB to other units. The increase of the costs by 258% in the second quarter of 2007 versus the second quarter of 2006 was affected by the change of a methodology of defining the bank's units direct costs (details are specified below in the part regarding ALM and support units [horizontal functions]). The other factor affecting the increase of costs transferred was the growth of Customers' activity and the increase in products and services sold – support units engaged in the process of servicing these products and services transferred to business lines costs proportional to the increasing production.

ALM and support units (horizontal functions)

Results

On one hand, the ALM segment presents the results of FX, interest rate and liquidity risk management (net profit on the activity increased by 41%), and on the other hand, costs of support units reflecting the Bank's development. In 2007, FBP implemented a new methodology of costs allocation, in accordance with the methodology applied in the Fortis Group. This methodology introduces a new definition of the unit's direct costs i.e. the cost that is in the area of a given unit's responsibility is treated as a direct cost of a given unit. In accordance with this methodology, costs of depreciation, rent and training are reported as a direct cost of appropriate support units responsible for this cost. Finally, the costs are allocated to business units, in a proportion appropriate to the support rendered to a given business line, increasing the unit's allocation costs. According to the methodology applied in 2006, costs of this type were other (direct) costs of business lines.

Earnings per share

Earnings per share

Earnings per share	2nd quarter 2007	2nd quarter 2006
Net profit of the period (annualised) in PLN thousand	131,729	92,556
Weighted average of ordinary shares	15,996,360	15,077,700
EPS ratio (PLN)	**8.23**	**6.14**
Diluted EPS ratio (PLN)	**8.23**	**6.14**

Details of income and expenses

Interest income (note 8.1)

(in PLN thousand)	2nd quarter 2007	2nd quarter 2007 (YTD)	2nd quarter 2006	2nd quarter 2006 (YTD)
Cash and Cash Equivalents	3,044	7,784	1,940	6,490
Due from banks	5,157	9,303	3,309	6,529
Investments	6,068	12,611	5,300	9,670
Loans to Customers	123,460	229,225	79,000	148,278
Others	127,481	234,375	9,537	18,904
Total interest income	**265,210**	**493,298**	**99,086**	**189,871**

Interest expense (note 8.2)

(in PLN thousand)	2nd quarter 2007	2nd quarter 2007 (YTD)	2nd quarter 2006	2nd quarter 2006 (YTD)
Due to banks	-33,572	-61,326	-14,189	-27,119
Due to Customers	-31,229	-59,626	-20,021	-39,134
Others	-134,035	-241,093	-9,960	-19,452
Total interest expense	**-198,836**	**-362,045**	**-44,170**	**-85,705**

Commission and fee income (note 8.3)

(in PLN thousand)	2nd quarter 2007	2nd quarter 2007 (YTD)	2nd quarter 2006	2nd quarter 2006 (YTD)
Securities trading and custody services	818	1,425	561	1,135
Services	15,596	30,261	12,155	23,723
On guarantees and contingent liabilities	3,819	7,328	2,472	4,593
Other income	4,410	8,716	3,854	7,025
Total commission and fee income	**24,643**	**47,730**	**19,042**	**36,476**

Commission and fee expense (note 8.4)

(in PLN thousand)	2nd quarter 2007	2nd quarter 2007 (YTD)	2nd quarter 2006	2nd quarter 2006 (YTD)
On securities trading	-160	-213	-3	-18
On brokerage commissions and fees	-82	-82	-163	-348
On settlements	-365	-717	-276	-569
On guarantees and contingent liabilities				
Other costs	-2,175	-3,564	-2,457	-3,910
Total commission and fee expenses	**-2,782**	**-4,576**	**-2,899**	**-4,845**

Net profit on transactions in trading financial instruments (note 8.5)

(in PLN thousand)	2nd quarter 2007	2nd quarter 2007 (YTD)	2nd quarter 2006	2nd quarter 2006 (YTD)
Securities	-1,663	-1,399	23	200
Derivative instruments	27,981	27,706	1,921	12,676
Foreign exchange transactions	16,877	49,224	25,108	41,161
Total net profit/loss on transactions in trading financial instruments	**43,195**	**75,531**	**27,052**	**54,037**

Write-offs for impairment (note 8.6)

(in PLN thousand)	2nd quarter 2007	2nd quarter 2007 (YTD)	2nd quarter 2006	2nd quarter 2006 (YTD)
Cash and cash equivalents	293	-43	139	139
Due from banks	29	-8		
Loans to Customers	-842	-11,148	-10,654	-16,775
Other receivables	57	-25	28	8
Off-balance sheet assets	-798	-1,182	896	977
Investments				
Investments in affiliated units and joint enterprises				
Property, plant and equipment				
Goodwill and other intangible assets				
Other assets	405	394	-11	-11
Others	-475	-385	619	742
Total write-offs for impairment	**-1,331**	**-12,397**	**-8,983**	**-14,920**

Cash and Cash Equivalents

Cash and cash equivalents (note 9.1)

Cash and cash equivalents (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Cash at hand	**159,012**	**299,142**	**165,268**
Due from the central bank	**53,340**	**76,620**	**166,111**
Short-term due from banks, gross	**1,399,342**	**2,432,777**	**810,693**
-nostro accounts	942,563	568,190	810,110
-other short-term receivables	456,779	1,864,587	583
Write-offs for impairment	**-209**	**-277**	**-190**
- for credit risk			
- for country risk			
- for Incurred But Not Reported loss (IBNR)	-209	-277	-190
Total short-term due from banks, net	**1,399,133**	**2,432,500**	**810,503**
Short-term loans to customers	57,032		
Total cash and cash equivalents	**1,668,517**	**2,808,262**	**1,141,882**

Receivables

Due from banks (note 10.1)

Due from banks (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Interest bearing deposits			
Loans and advance payments	25,068	20,058	30,000
Repurchase agreements			
Other	155,885	180,415	168,434
Total due from banks	**180,953**	**200,473**	**198,434**
Write-offs for impairment:	**-65**	**-96**	
- for credit risk			
- for Incurred But Not Reported loss (IBNR)	-65	-96	
Total net due from banks	**180,888**	**200,377**	**198,434**

Loans to customers (note 10.2)

Loans to Customers (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Loans to budgetary entities	955	489	507
Mortgage loans	2,066,829	1,573,712	1,143,350
Consumer loans and credit facilities	296,885	226,995	197,217
Commercial loans	6,797,418	5,346,778	4,492,223
Repurchase agreements			
Other receivables	908	19,033	37,822
Total loans to customers	**9,162,995**	**7,167,007**	**5,871,119**
Write-offs for impairment:	**-171,895**	**-162,786**	**-177,455**
- for credit risk	-134,525	-138,862	-155,151
- for Incurred But Not Reported loss (IBNR)	-37,370	-23,924	-22,304
Total net loans to customers	**8,991,100**	**7,004,221**	**5,693,664**

Trading Assets and Liabilities

Trading Assets (note 11.1)

Trading Assets (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Trading securities	81,897	87,507	38,820
- treasury bills			
- treasury bonds	81,897	87,507	38,820
- other securities			
Derivative financial instruments	93,793	55,600	55,113
- quoted on regulated markets			
- quoted on off- stock exchange markets	93,793	55,600	55,113
Other trading assets			
Total trading assets	**175,690**	**143,107**	**93,933**

Trading Liabilities (note 11.2)

Trading Liabilities (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Short sale of securities			
Derivative financial instruments	76,787	56,942	54,275
Other trading liabilities			
Total trading liabilities	**76,787**	**56,942**	**54,275**

Investments

Investments (note 12.1)

Investments (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Held to maturity			
Available for sale	465,554	654,710	694,026
Total investments	**465,554**	**654,710**	**694,026**
Write-off for impairment			
Total investments net	**465,554**	**654,710**	**694,026**

Investments Available for Sale (note 12.2)

Investments Available for Sale as of 30 June 2007 (in PLN thousand)	Balance sheet value	Positive valuation	Negative valuation	Write-off for impairment	Fair value
Treasury bills					
Treasury bonds	423,409	79	-1,152		422,336
Shares	18,239				18,239
Other	24,979				24,979
Total investments available for sale	**466,627**	**79**	**-1,152**		**465,554**

Investments Available for Sale as of 31 December 2006 (in PLN thousand)	Balance sheet value	Positive valuation	Negative valuation	Write-off for impairment	Fair value
Treasury bills	4,999		-2		4,997
Treasury bonds	603,818	2,853	-176		606,495
Shares	18,239				18,239
Other	24,979				24,979
Total investments available for sale	**652,035**	**2,853**	**-178**		**654,710**

Investments Available for Sale as of 30 June 2006 (in PLN thousand)	Balance sheet value	Positive valuation	Negative valuation	Write-off for impairment	Fair value
Treasury bills	8,842	7			8,849
Treasury bonds	644,035	1,420	-3,496		641,959
Shares	18,239				18,239
Other	24,979				24,979
Total investments available for sale	**696,095**	**1,427**	**-3,496**		**694,026**

Liabilities

Due to banks (note 13.1)

Due to banks (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Banks' deposits	2,665,228	2,279,905	2,713,092
-Current	908,400	568,941	1,212,975
- Term	1,350,980	1,209,771	1,500,117
- Other	405,848	501,193	
Repurchase agreements			
Due to banks measured at fair value			
Other	3,861,404	2,676,167	1,282,178
Total due to banks	**6,526,632**	**4,956,072**	**3,995,270**

Due to customers (note 13.2)

Due to Customers (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Current deposits	1,535,250	1,094,282	1,014,844
Savings deposits	2,489	2,197	1,903
Term deposits	3,518,317	3,531,018	2,748,976
Repurchase agreements			
Other borrowings			
Due to customers measured at fair value			
Other deposits			
Total due to customers	**5,056,056**	**4,627,497**	**3,765,723**

Equity

Capital adequacy and financial liquidity

Capital adequacy and financial liquidity (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Share capital	503,135	503,135	30,155
Share premium	308,814	308,814	349,528
Other reserve capital	183,710	75,444	308,088
Other elements of the equity capital included in the capital adequacy ratio calculation	-19,186	60,337	-1,930
Gross equity capital, total	**976,473**	**947,730**	**685,841**
Deductions			
Loss at the end of a reporting month (YTD)			
Capital shares in financial entities	9,098	18,196	18,196
Net intangible assets	24,620	23,664	17,156
Total deductions	**33,718**	**41,860**	**35,352**
Net equity capital	**942,755**	**905,870**	**650,489**
Short-term capital	10,290		6,131
Total equity capital plus short-term capital	**953,045**	**905,870**	**656,620**
Credit risk	791,764	659,385	506,738
Risk of exceeding a receivables concentration limit			
Market risk	10,290	9,533	6,131
Total capital requirement	**802,054**	**668,918**	**512,869**
Capital adequacy ratio	**9.51%**	**10.83%**	**10.24%**

Additional information

Information on Previously Published Financial Forecast

Fortis Bank Polska S.A. Board of Executives has not published any financial forecast.

Explanations regarding Seasonal or Periodical Nature of the Interim Business

In Fortis Bank Polska S.A. activity, there are no material seasonal or periodical events.

Information on Dividends Paid

At the meeting held on June 15, 2007, the General Meeting of Shareholders resolved to pay no dividend and allocate the entire 2006 net profit of PLN 108,266,204.72 to increase the Bank's equity funds.

Information on Changes to Contingent Liabilities or Assets Occurred in the Period from the Close of the Last Fiscal Year

The Tables below present changes to contingent liabilities and assets broken by financing type:

Contingent liabilities (in PLN thousand)	Quarter II 2007	31 Dec 2006	Change
Related to financing	**250,725**	**234,328**	**7%**
Guarantees	**1,308**	**6,761**	**-81%**

Contingent assets (in PLN thousand)	Quarter II 2007	31 Dec 2006	Change
Guarantees	**177,955**	**192,463**	**-8%**

Description of Unusual Factors and Events

In the second quarter of 2007 in Fortis Bank Polska S.A., there were no unusual events which affected the financial result or changed the structure of the balance sheet items.

Corrections of Prior Period Errors

In the second quarter of 2007 in Fortis Bank Polska S.A., there was no need to correct any errors related to prior periods.

Information on Sureties for Loan or Credit Facilities or Guarantees Issued by the Issuer or Its Subsidiary

In the second quarter of 2007, the Bank concluded a loan agreement with its Client, under which it granted an investment loan in a consortium for 11 years, where the maximum exposure towards this Client may reach EUR 30 million (i.e. PLN 113 million). Fixed interest rate: EURIBOR plus 1.15% margin. Current exposure of the Bank amounts to EUR 15.78 million (PLN 59.4 million).
The above agreement fulfils the criteria of a significant agreement as the value of the credit line accounts for about 12% of the Bank's equity.

Material Events Occurring after the Close of the Quarter, Excluded from the Quarterly Financial Statements

There were no events, excluded from the Statement, which could have a material effect on the future financial results.

Issue, Redemption and Reimbursement of Debt and Capital Securities.

In the second quarter of 2007, no issue, redemption nor reimbursement of debt and capital securities occurred.

Post-balance Sheet Events

There were no post-balance sheet events.☐

Agreements significant for the Bank's activity

In the second quarter of 2007, the Bank did not enter into any significant agreements.

Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body

In the second quarter of 2007, there were no pending proceedings related to the obligations or claims of the Bank or its subsidiary before court, relevant authority for arbitration or state administration bodies, whose total value would account for at least 10% of the Bank's equity.

Information on Related Party Transactions

Fortis Bank Polska S.A. holds 100 % shares in its subsidiary - Fortis Private Investments Polska S.A. Considering no material importance, the aforesaid subsidiary was not consolidated in this financial report.

Information on transactions of Fortis Bank Polska S.A. with its parent company, its subsidiary and entities affiliated by management is presented below. Transactions refer to banking operations performed within a standard business activity, the terms and conditions of transactions presented correspond to market conditions.

Balance sheet items as of 30 June 2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
	Assets			
Cash and cash equivalents	815,935		509	816,444
Trading Assets	53,451			53,451
Receivables			87,794	87,794
Deferred acquisition cost, accrued interest and other assets	707,743	89	1,078,006	1,785,838
Total	**1,577,129**	**89**	**1,166,309**	**2,743,527**
	Liabilities			
Trading Liabilities	30,513			30,513
Other liabilities	745,311	3,009	4,064,809	4,813,129
Accrued interest and expenses and other liabilities	750,550	11	23,925	774,486
Total	**1,526,374**	**3,020**	**4,088,734**	**5,618,128**

Balance sheet items as of 31 December 2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
	Assets			
Cash and cash equivalents	1,645,564		38	1,645,602
Trading Assets	15,717			15,717
Receivables	1,226		45,404	46,630
Deferred acquisition cost, accrued interest and other assets	160,432	89	2,267	162,788
Total	**1,822,939**	**89**	**47,709**	**1,870,737**
	Liabilities			
Trading Liabilities	16,068			16,068
Other liabilities	227,207	3,009	2,779,197	3,009,413
Accrued interest and expenses and other liabilities	165,745	12	15,108	180,865
Total	**409,020**	**3,021**	**2,794,305**	**3,206,346**

Balance sheet items as of 30 June 2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
	Assets			
Cash and cash equivalents	473,796		1	473,797
Trading Assets	17,260			17,260

Receivables			65,696	65,696
Deferred acquisition cost, accrued interest and other assets	443,752	4	333,740	777,496
Total	**934,808**	**4**	**399,437**	**1,334,249**
	Liabilities			
Trading Liabilities	20,693			20,693
Other liabilities	913,123	302	1,591,475	2,504,900
Accrued interest and expenses and other liabilities	453,731	11	5,267	459,009
Total	**1,387,547**	**313**	**1,596,742**	**2,984,602**

2nd quarter 2007 (YTD, in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
	Revenues			
Interest income	214,055		1,401	215,456
Commission and fee income	1,799	10	1,291	3,100
Dividend income		600		600
Net profit on transactions in trading financial instruments	80,041		4	80,045
Net profit on hedging transactions	4,765			4,765
Other income	3,027	4,930		7,957
Total	**303,687**	**5,540**	**2,696**	**311,923**
	Costs			
Interest expense	-217,727	-83	-41,217	-259,027
Commission and fee expense	-967		-1	-968
Net loss on transactions in trading financial instruments	-41,681			-41,681
Net loss on hedging transactions	-2,559			-2,559
Total	**-262,934**	**-83**	**-41,218**	**-304,235**

31 December 2006 (YTD, in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
	Revenues			
Interest income	53,717		1,926	55,643
Commission and fee income	2,933	17	1,478	4,428
Net profit on transactions in trading financial instruments	60,778		9	60,787
Net profit on hedging transactions	6,903			6,903
Other income	1,760	1,379		3,139
Total	**126,091**	**1,396**	**3,413**	**130,900**
	Costs			
Interest expense	37,372	397	45,847	83,616
Commission and fee expense	1,130			1,130
Net loss on transactions in trading financial instruments	37,561			37,561
Net loss on hedging transactions	4,765			4,765
Total	**80,828**	**397**	**45,847**	**127,072**

2nd quarter 2006 (YTD, in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Revenues				
Interest income	17,567		883	18,450
Commission and fee income	1,334	8	412	1,754
Net profit on transactions in trading financial instruments	36,439		646	37,085
Net profit on hedging transactions	6,903			6,903
Other income		94		94
Total	**62,243**	**102**	**1,941**	**64,286**
Costs				
Interest expense	-13,266	-361	-10,090	-23,717
Commission and fee expense	-530		-2	-532
Net loss on transactions in trading financial instruments	-47,775		-488	-48,263
Net loss on hedging transactions	-4,114			-4,114
Other costs		-90	-242	-332
Total	**-65,685**	**-451**	**-10,822**	**-76,958**

Shareholders Holding at least 5% of Total Voting Rights at the AGM

Shareholders' data as of the date of publishing this report i.e. 6 August 2007.

	number of shares owned	share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank S.A./N.V.	16.635.287	99,19%	16 635 287	99,19%
Others	135.893	0,81%	135.893	0,81%
Total:	16.771.180	100%	16.771.180	100%

The Bank's share capital is divided into 16,771,180 shares of PLN 30 nominal value each, which constitutes 16,771,180 votes at the General Meeting of the Bank's Shareholders.

Shares of Fortis Bank Polska S.A. held by Management or Supervisory Board Members

As at 30 June 2007, none of the Board of Executives' Members held any shares issued by Fortis Bank Polska S.A. As at 30 June 2007, none of the Supervisory Board's Members held either shares of the Bank or rights to them.

Other Important Events

The National Depository for Securities' Board, pursuant to decision no. 258/07 dated 4 April 2007, decided to accept 1,693,480 series K shares of Fortis Bank Polska S.A. to the depository.

On April 18, 2007, under the decision of the Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A., GPW – Resolution No. 239/2007 of April 16, 2007), 1,693,480 Series K bearer shares of Fortis Bank Polska S.A. were admitted to trading and listed on the GPW main market.

Effective 7 May 2007, the official address of the Bank's Head Office is:

Fortis Bank Polska S.A.
ul. Suwak 3
02-676 Warszawa

On 15 June 2007, the Annual General Meeting of Fortis Bank Polska SA approved the Bank's financial statements for 2006 and approved the discharge of duties of Members of the Supervisory Board and Board of Executives. The shareholders decided to earmark the Bank's net profit of PLN 108.3 million earned in 2006 fiscal year for the Bank's equity increase by allocating PLN 50 million to reserve capital and PLN 58.3 million to the general risk fund. The AGM resolved amendments to the Bank's statute. On 27 June 2007, the Bank applied to the Banking Supervision Commission for their approval.

With regard to the resignation submitted by Mr. Bernard Levie, a Member of the Supervisory Board, the Annual General Meeting of Fortis Bank Polska SA held on June 15, 2007 confirmed that effective June 15, 2007 Mr. Bernard Levie will cease to be a Member of the Supervisory Board of Fortis Bank Polska S.A. Mr. Bernard Levie was the member of the Supervisory Board from May 24, 2005.

Effective 16 June 2007, the Supervisory Board's composition is as follows:

Jos Clijsters	- Chairman
Werner Claes	- Deputy Chairman
Antoni Potocki	- Deputy Chairman
Zbigniew Dresler	
Didier Giblet	
Thierry Schuman	
Peter Ullmann	

With regard to the resignation submitted by Mr. Koen Verhoeven from the position of a Member of the Board of Executives and Vice-President of the same, to become effective on 31 August 2007, the Supervisory Board resolved to appoint Mr. Thierry Lechien as Vice-President of the Board of Executives of Fortis Bank Polska S.A. effective September 1, 2007 till the end of the current five-years' tenure, ending on the date of the Bank's Annual General Shareholders' Meeting approving financial statements for fiscal year 2009.

Effective 1 September 2007, the Board of Executives composition will be as follows:

Jan Bujak	- President of the Board
Alexander Paklons	- Senior Vice-President
Bartosz Chytła	- Vice-President
Jean-Luc Deguel	- Vice-President
Jaromir Pelczarski	- Vice-President
Thierry Lechien	- Vice-President