Board of Executives Report on Fortis Bank Polska S.A. Activity in 2006

Fortis Bank Polska SA
Head Office

Postępu Street, 15
02-676 Warszawa
Poland
Telephone +48 (22) 566 90 00
Faks +48 (22) 566 90 10
info@fortisbank.com.pl
www.fortisbank.com.pl
Infoline (0801) 313 313

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I. SUMMARY OF THE BANK'S ACTIVITY IN 2006

A. Introduction

Following its development strategy, in 2006 Fortis Bank Polska SA generated very good financial results. The Bank earned net profit of PLN 108 million which was higher by 7% than the 2005 result of PLN 101.5 million. As compared to the situation at the end of December 2005, total assets went up by 64%. The Bank's credit portfolio grew by almost 64% while the portfolio quality improved in terms of lower non-performing receivables. Deposits of non-financial sector customers increased by 34%.

Net interest income grew by 26%. The Bank's other operating income increased by 76 %.

In 2006, the Bank's general expenses went up by 46% as a result of investments in new types of activity, distribution network development and increased employment related to dynamic growth of the Bank.

As at the end of December 2006, the Bank's ROE was equal to 16%.

In 2006, the Bank continued to develop its offering by introducing new packages of services for Small and Medium-sized Enterprises likewise new types of foreign and domestic investment funds. Customer interest in good investment offer of the Bank translated into a 300% increase of investment product sales. Very good results were achieved in the sales of housing loans. As at the end of 2006, the balance of mortgage loans exceeded the 2005 result by as much as 150%.

In 2006, the Bank entered into a new Consumer Finance market (mass retail banking segment), offering credit cards and cash loans to private individuals. The Bank was for example the first one to offer a credit photocard.

Dynamic business development in the Commercial Banking Sector deserves a special mention: in 2006, both credit and deposit production significantly improved, likewise did the sale of derivative instruments or comprehensive trade finance services, continually tailored to the needs of enterprises operating on international markets. Furthermore, the Bank added factoring to the range of its services, and continued to offer treasury products. In 2006, the Bank was the first one to start trading in CO_2 emission rights on the Polish market.

At the same time the Bank develops its activity in relation to private banking by offering specialist services for High Net Worth Individuals. After the first year of private banking business, Fortis have acquired almost 100 customers.

Within distribution network development, a new branch model was worked out. It was applied for the first time in branches converted according to the model assumptions in Toruń, Opole and Olsztyn.

In 2006, the Bank launched also two new Business Centers in Rzeszów and Łódź, a sub-branch in Nowy Targ and 5 credit centers (of which two in Warsaw, two in Gdańsk and one in Gdynia), Furthermore, investments in 4 new branches in Warsaw, Łódź, Szczecin and Poznań were completed. In May 2006, as part of the Bank's 15th anniversary celebration, a Conference on "*Poland 2016. Economic Development Scenarios*" was organized.

In order to ensure funds for further dynamic development, the Extraordinary General Meeting of Shareholders resolved in October 2006 to increase the Bank's share capital by the Series K share issue. As a result of the new share issue, subscribed for entirely by Fortis Bank SA/NV, almost PLN 200 million was acquired. The amount of funding through short-term loans granted by other Fortis banks was also increased. In 2006, the Bank signed another credit agreement with Fortis Bank SA/NV based in Brussels and Fortis Bank (Nederland) N.V. based in Rotterdam, for up to EUR 300 million.

B. Key factors that affected the Bank's financial performance in the 2006:

Balance sheet figures:

- Increase of total assets in 2006 by 64% from PLN6.4 billion (as at 31.12.2006) to PLN 10.4 billion (as at 31.12.2006),
- Increase in credit portfolio in respect to state from 31.12.2005 by approx. PLN 2,770 million i.e. 63%,
- Increase in quality of credit portfolio; the balance of non-performing receivables excluding watch loans decreased in respect to the balance as at the end of 2005 by 10%, and the share of non-performing loans in the credit portfolio decreased from 5.8% (31.12.2005) to 3.2% as at 31.12.2006,
- Current account balances increased by 39%, and term deposit balances - by 42% over the results noted as at 31.12.2005,
- Increase of the book value per share by 15% from PLN 45.88 (31.12.2005) to PLN 52.96 (31.12.2006).

Changes in selected profit and loss statement items for 2006 in comparison to results as at 31.12.2005:

- Increase in net interest income by 26%,
- Increase in net commission and fee expense by 15%,
- Increase in net result on FX differences by 40%,
- Increase in result on banking activities by 26%,
- Increase in other operating income by 76%,
- Increase in operating profit by 8%
- Increase in general expenses by 46%,
- Increase in net profit by 7%.

ROE ratio decreased from 17.51% (31.12.2005) to 16.29% (31.12.2006).

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

1. Polish Economy in 2006

GDP – growth rate and components

In 2006, there was a considerable boost of the economic growth rate. In that period, GDP dynamics was 5.8%, visibly higher than 3.5% noted the year before. It was also the highest rate of economic growth in nine years.Improved Polish economy standing in 2006 resulted chiefly from a stronger domestic demand, which grew by 5.8%, exceeding more than twice the previous year's result. All the key components of domestic demand improved. Consumption dynamics went up to 5.2% from 1.8% noted the year before, while investments grew by 16.7%, compared to 6.5% in 2005. However, the contribution of net exports to economic growth dynamics decreased last year, though it remained positive.

Better consumption dynamics can be attributed primarily to a better financial situation of households. In 2006, remuneration in the enterprises sector rose nominally by 5.1% y/y, which, along with 3% growth of employment, meant that in that period the salary fund (i.e. the total income on remuneration) increased by over 8% y/y in nominal terms. Improved financial standing of the household sector was affected also by increased income on account of social benefits.

Furthermore, a better situation on the labour market translated into a higher inclination for consumption. In 2006, the feeling of employment security became stronger – as at the end of the year, 63% of Poles did not expect job loss (according to CBOS[1]).

In the consumption structure, durable merchandise prevailed. In this group of goods, considerable retail sales growth was recorded in "furniture, audio-video and household equipment" (+20.6% y/y) and "motor vehicles" (+17.7% y/y) sections.

Last year, investment processes were materially reinforced by inflow of the European Union financing and direct investments. According to the Regional Development Ministry, the value of structural funds paid last year stood at PLN 8 billion. Furthermore, according to the NBP, the value of direct investments in 2006 exceeded PLN 45 billion and was by almost 47% higher than the year before.

To the rising pace of investment growth contributed not only the aforesaid structural factors, but also the cyclical ones. It was confirmed by an increasingly higher degree of a production capacity utilisation. According to the NBP survey, in the fourth quarter of 2006 the usage index of production capacity increased up to 81.7% and was the highest in the entire history of making surveys.

In addition to the enterprises sector, an extraordinary dynamics of investment outlays was noted primarily in the government and local government sectors.

As regards sectors of the national economy, the highest rate of growth was recorded in the building industry (14.6%). However, the impact of this sector on the economic growth dynamics remained limited due to its small share in the gross value added (5.4% in the first three quarters of 2006). Therefore, results of market services (+5% y/y) and industrial output (+7.7% y/y) sectors proved to be much more important, as their share in the value added was 50% and 24.6%, respectively.

[1] CBOS – the Public Opinion Research Center

Labour market

In 2006, the situation on the labour market noticeably improved. The number of the employed in the national economy increased during the year by 1.8% and reached 13.1 million people. Employment in the sector of enterprises increased by 3.0% and reached 4,917 thousand people.

Following the growing labour demand, the unemployment rate considerably decreased. As at the end of the last year, the number of the unemployed was 2,309 thousand people and was by 463 thousand people lower than the year before.

As a result of the growing labour demand and a significant workforce migration, the salary discipline became more lenient. In real terms, salaries increased by 4.2% in the analyzed period, i.e. they were higher 3.5 times than in the previous year. In connection with a considerable migration of employees, a particularly high growth of salaries was noted in the building sector, where it was 9.9% y/y.

Exchange rate and inflation

In 2006 we saw a further, though moderate strengthening of the Polish zloty in relation to the main currencies of the world. Last December, the EUR/PLN rate was 3.8130 whereas the USD/PLN rate was 2.8868. It means that at the end of 2006, the zloty was stronger in relation to euro by almost 1% and in relation to a dollar, by 11% y/y. The above disproportion resulted from the increase of the EUR/USD rate, which at the end of 2006 rose up to 1.31 from 1.18 the year before. The average annual data show that the zloty became 4.1% stronger than US dollar and 3.2% than euro.

The zloty appreciation was one of factors limiting the inflationary pressure. In 2006, average annual growth of consumer prices was 1% y/y, being twice as low as the year before. In the entire 2006, prices of housing-related services and food prices proved to be the most important inflation factors, which increased the inflation index by 0.96 and 0.17 percentage points, accordingly. The above structure shows that supply-side factors had the prevailing impact on inflation last year.

In 2006, the sold industrial output index went up to 2.3% y/y from 0.7% the year before. It resulted primarily from the change of raw material prices on the world markets which translated into price rise in metal mining (by 68.6%), metal production (+10.5%) and coke production and crude oil refining (+8.8%).

Foreign trade and balance of payments

The current account deficit was EUR -5.6 billion in 2006, or nearly one and a half billion euro more than the year before. This index deteriorated primarily due to a higher foreign trade deficit, which in 2006 rose up to EUR -3.97 billion up from EUR -2.24 billion the year before. A higher trade deficit resulted in turn from a considerably increased dynamics of imports (21.5% in 2006 in comparison to 13.4% in 2005), accompanied by a relatively small rise in the growth rate of exports (to 19.8% from 17.9% in 2005). The above foreign trade structure reflected first of all the reinforcement of domestic demand noted last year.

Despite the current account deficit growth, the balance of payment situation remained stable. In 2006, the current account deficit accounted merely for -2.1% of GDP and was in 200% covered by the long-term capital inflow (direct investments). As at the end of December 2006, foreign currency reserves made up EUR 36.8 billion, i.e. the equivalent of 4.5 months' imports.

Public finances

At the end of 2006, the budget deficit was PLN 25.08 billion, which accounted for -2.4% of GDP. Such a result made up 82.1% of the plan assumed for that period. It means that 2006 was another year in a row when the budget deficit was evidently better than the levels assumed in the Budget Act.

The lower than planned State budget result can be attributed to a higher income generation (101.2% of the plan), including chiefly higher proceeds from personal income tax (107.8% of the plan) and lower expenses (98.6% of the plan).

Financial performance of enterprises

In the first three quarters of 2006, financial results of non-financial enterprises were much better than the year before. The dynamics of the total operating income continued to exceed the dynamics of operating expenses (14.0% and 13.3%, respectively).

In the above-mentioned period, the net profit was generated by 74.2% of all the enterprises, which signifies an improvement in comparison to the previous year, when the index was 70%.

In the first three quarters of 2006, the importance of export sales continued to rise in the enterprises sector. 49% of businesses surveyed by GUS[2] exported goods (comparing to 47% in 2005).

It is also worth mentioning that export enterprises again reached better financial results than the entire group of enterprises. Among businesses which declared involvement in export activity, 77.9% reported net profit, i.e. much above the index shown for the entire surveyed group (77.9%).

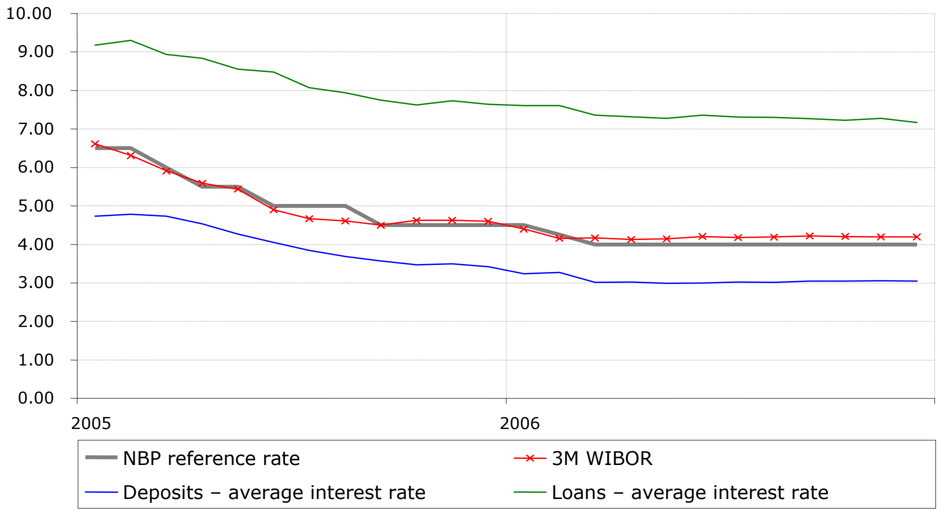
2. The banking sector in 2006

Monetary policy of the NBP and interest rates of commercial banks

In the first quarter of 2006, the Monetary Policy Council continued a money cost reduction process initiated in the previous year. By the end of March 2006, the NBP reference rate (minimum yield of 7-day open market transactions) slumped to 4.00% from 4.50% recorded at the end of 2005.

The inflation, which during most of 2006 remained below the inflation target set out by the MPC (2.5% +/- 1 percentage point) made the NBP interest rates stay unchanged for the successive three quarters of the last year.

Chart 1: The NBP reference rate, money market rate and loan and deposit interest rates in the banking system



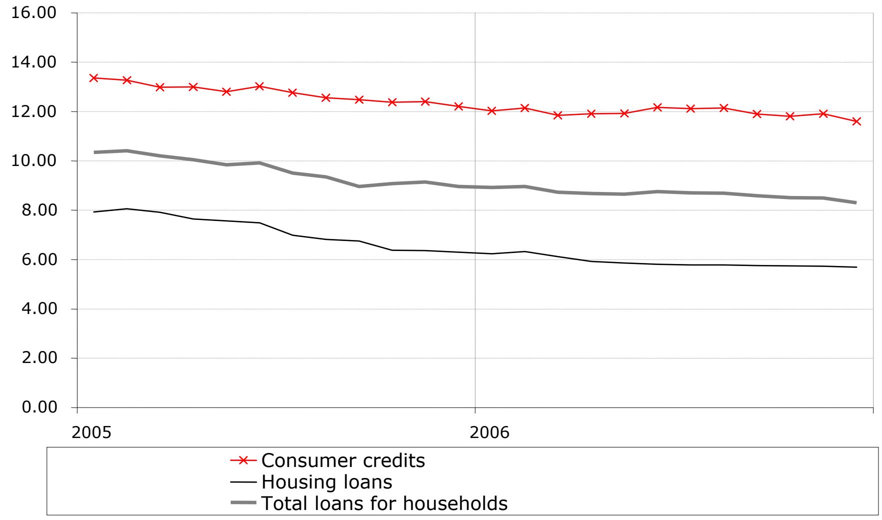
Source: Reuters, NBP

In December 2006, an average interest rate of banking deposits stood at 3.05% and was by 37 basis points lower than the year before. In the same period, an average interest rate of loans was 7.17%, which means a decrease by 47 basis points in comparison to December 2005. The above data mean that last year the spread between interest rates of loans and deposits became slightly narrower (by 10 basis points).

The interest rate of consumer loans remained high and as at the end of December 2006 stood at the average of 11.6%. Interest rate of housing loans was 5.7% at the end of last year. In both groups, average interest rates decreased by 60 basis points in 2006, i.e. similar to changes of the NBP base rate. A similar drop was noted for commercial loans, whose average interest rate at the end of 2006 stood at 5.9% which was 50 basis points lower than the year before.

Chart 2: Interest rates of household loans - selected categories

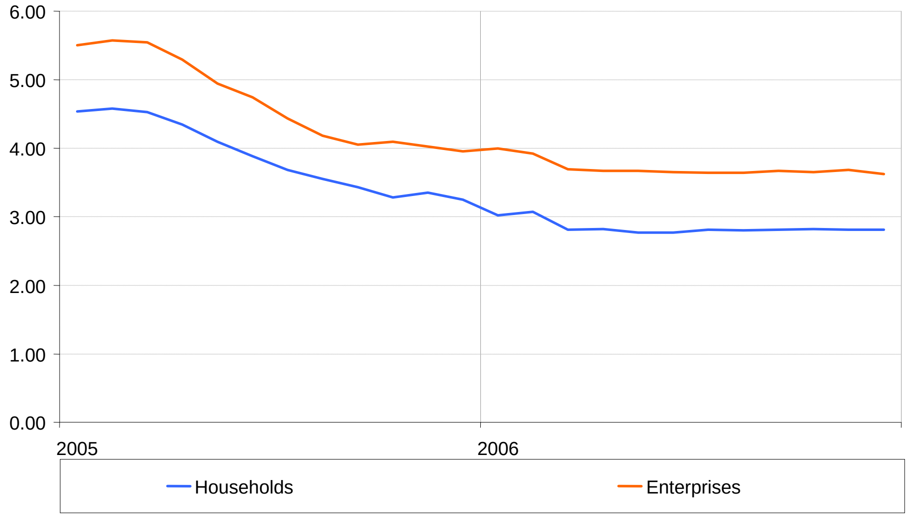
[2] GUS – Central Statistical Office



Source: NBP

The NBP interest rate cuts affected also deposit interest rate levels. At the end of 2006, an average interest rate of household deposits stood at 2.8% and was by 0.5 percentage point lower than the year before. Concurrently, an average interest rate of deposits made by business entities stood at 3.6% and was by 40 basis points lower than the year before.

Chart 3: Interest rates of deposits made by households and business entities.

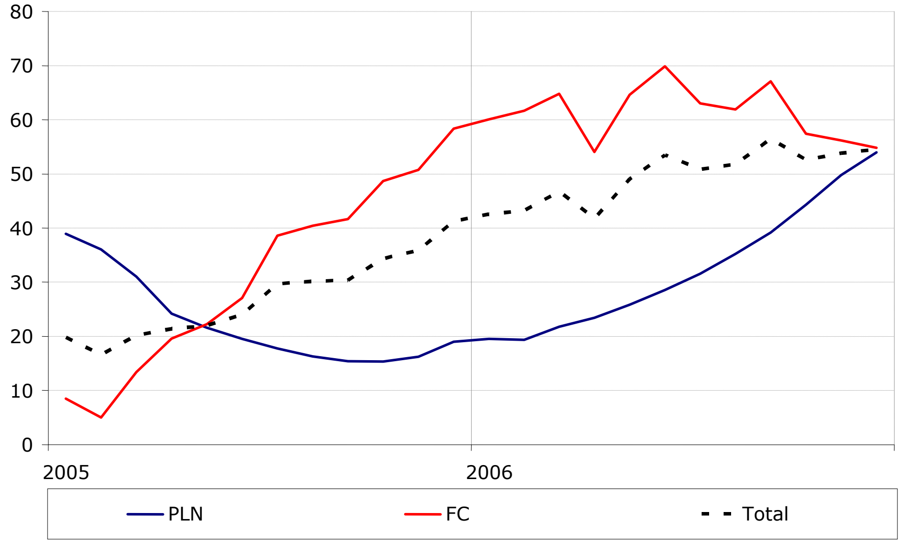


Source: NBP

Last year, household deposits increased at a moderate pace of 5.1%, slightly slower than the previous year (5.5%). Low rate of growth of deposits of private individuals resulted primarily from the competition of more profitable investment funds. At the same time, high willingness of households to borrow from the banking sector continued. In 2006, household loan dynamics was 27.3%, visibly higher than the year before (19.3%). The highest growth was recorded in the case of loans earmarked for the purchase of real estate (49.7%). It should be stressed, however, that in this group of loans the Recommendation S implementation resulted in a slow-down of foreign currency loans and acceleration of PLN-denominated loans (compare chart 4). Growth of consumer loans accelerated as well: in 2006 the ‘other loans’ category increased by 25%, i.e. more than 21.2% noted the year before.

Good financial results generated by enterprises brought about a further increase of deposits of that sector. In 2006, such deposits went up by 22% compared to 18.9% in 2005. Furthermore, higher dynamics of investments was accompanied by the growing demand for banking loans in the enterprise sector. Last year, the value of loans for enterprises went up by 7.3%, which is a significant improvement of this index in comparison to 2005, when the volume of enterprise loans decreased by 0.5%.

Chart 4: FC and PLN housing loans, dynamics y/y.



Source: NBP

Financial performance of banks

In the first three quarters of 2006, banks generated better financial results than in the comparable period of the previous year. In the first three quarters of 2006, operating income increased by 4.8% y/y while operating expenses grew up by 3.1%. As a result, the gross profit reached PLN 10,113.8 million, that is, it was higher by 19.6% as compared to 2005. The net profit stood at 8,388.4 million and was higher by 20.3% than the year before.

Profitability ratios for the banking sector improved. The gross profitability ratio in the above-mentioned period was 14% while the net profitability ratio stood at 11.6% (in 2005, 12.2% and 10.1%, accordingly).

As at the end of December 2006, assets of commercial banks made up PLN 726,013.9 million and were by 15% higher than the year before, when the dynamics of growth noted in this category was 9%). Increase of the sector assets resulted chiefly from considerable growth of the credit volume. In December 2006, the volume of 'Loans, credit facilities and other receivables due from domestic entities' reached PLN 430,252.6 million, i.e. it grew by 23% y/y. Deposits made by domestic entities remained the principal source of funding of asset growth. In December 2006, these deposits stood at PLN 498,451.6 million, i.e. they were by 14.8% higher than the year before.

II. SHAREHOLDERS, CAPITAL AND FUNDS

A. Share capital

The General Meeting of Shareholders, which was held on June 2, 2006 resolved to allocate the Bank's funds to increase the share capital from PLN 30,155,400 to PLN 452,331,000 by increasing the par value of each of 15,077,700 the Bank's shares from PLN 2.00 to PLN 30.00, i.e. by PLN 28. This share capital increase was registered with KRS (the National Court Register) on September 4, 2006.

The Annual General Meeting of the Bank (AGM) held on October 26, 2006 adopted a resolution on the Bank's share capital increase from PLN 452,331,000 to PLN 503,135,400 by a share issue with the exclusion of pre-emptive rights, and listing on the regulated market. The issue of Series K 1,693,480 bearer common shares was carried out in the form of a private placement. All the Series K shares were subscribed for by Fortis Bank S.A./N.V. at the issue price of PLN 118.10 each. The issue value stood at PLN 199,999,988. The increase of the Bank's share capital by PLN 50,804,400 was registered on January 2, 2007.

At present, the share capital amounts to PLN 503,135,400 and is divided into 16,771,180 shares of the nominal value of PLN 30 each.

B. Changes in the ownership structure in 2006

As at December 31, 2006 shareholders' structure specifying the major shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

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

**As of June 28, 2001 i.e. after share capital increase as a result of Series J shares issue, Fortis Bank S.A./N.V. in Brussels held 99.10% of the Bank's shares, however, under Art. 26 of the Banking Law Act of 29.08.1997 (Dz. U /Journal of Laws/ No. 140, Item. 939 as amended) and pursuant to Resolution No. 159/KNB/99 of the Banking Supervision Commission dated 16.08.1999 regarding the permission to acquire the Bank's shares by Fortis Bank S.A./N.V. – Fortis Bank S.A./N.V. could exercise up to 75% of the total voting rights at the Annual General Meeting of Shareholders.*

Following the share capital increase registration on January 2, 2007, the total number of votes at the General Meeting of Shareholder is 16,771,180.

On January 23, 2006, an application was filed to the Banking Supervision Commission (KNB) for permitting Fortis Bank SA/NV to exercise voting rights from the Bank's shares representing over 75% of votes. On March 7, 2007, the Banking Supervision Commission granted the permission to exercise voting rights from over 75% shares of the Bank to Fortis S.A./N.V. based in Brussels and Fortis N.V. based in Utrecht, through Fortis Bank S.A./N.V. based in Brussels.

As a result of that permission and following the new issue share subscription, Fortis Bank S.A./N.V. is entitled to exercise voting rights from all the shares held, i.e. 16,635,287 shares representing 99.19% of share capital and 16,635,287 of votes at the Annual General Meeting, i.e. 99.19% of all votes.

One of the conditions of the above permission is that until 2017, the Controlling Shareholder shall refrain from taking any actions leading to delisting shares of Fortis Bank Polska S.A. from the Warsaw Stock Exchange. Further, the Controlling Shareholder is to increase the liquidity of the Bank's shares quoted on the WSE to minimum 10-15% within two years from the date of granting the aforesaid permission.

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

C. Equity capital

As at December 31, 2006, the equity capital of Fortis Bank Polska SA stood at PLN 798,542 thousand, i.e. by 15.4% more than as at December 31, 2005 (PLN 691,785 thousand).

The Bank's equity as a category calculated for the needs of specifying the capital adequacy ratio amounted to PLN 708,405 thousand as at December 31, 2006 and exceeded the total capital level required to secure the Bank's business, which was PLN 668,918 thousand as at the end of December 2006.

In accordance with regulatory requirements concerning capital adequacy and exposure, the Bank deducted PLN 16,630 thousand from equity with regard to its net capital exposure in shares of Fortis Private Investments Polska SA (FPIP) and PLN 23,664 thousand representing 100% of net intangible fixed assets.

The equity structure as of December 31, 2006, compared to December 31, 2005 for the purpose of capital adequacy ratio calculation was the following:

Category	December 31, 2006 PLN thousand	December 31, 2005 PLN thousand
Share capital	452,331	30,155
Additional capital	159,999	349,539
Reserve capital	7,889	17,018
General risk fund	67,045	136,816
Fixed assets revaluation reserve fund	506	510
Financial assets revaluation reserve fund	2,506	1,905
Retained earnings	0	54,343
Net profit from current period certified by an auditor)	58423	-
Capital exposure relating to FSP	(16,630)	(15,360)
100% of net intangible assets – 2004	(23,664)	(14,522)
Total equity for the purpose of calculating the capital adequacy ratio	**708,405**	**560,404**
Short-term capital		**5,253**
Credit risk	**659,385**	**401,979**
Interest rate risk	**6,768**	**3,294**
Delivery settlement and counterparty risk	**2765**	**1,958**
Total capital requirement	**668,918**	**407,231**
Capital adequacy ratio	**8.47%**	**11.11%**

III. FINANCIAL RESULTS

A. Profit and loss account

1. Income on banking activity

Interest income amounting to PLN 383,038 thousand remained the principal component of the banking activity income structure.

The interest income consists mainly of the following items:

- interest on loans: PLN 314,056 thousand as compared to PLN 238,034 thousand in 2005,
- interest on inter-bank placements: PLN 21,727 thousand versus 21,370 thousand in 2005,
- interest on securities: PLN 37,901 thousand versus PLN 30,860 thousand in 2005.

The Bank recorded a 14.5% increase in fee and commission income to PLN 100,248 thousand in 2006 as compared to PLN 87,531 thousand earned in 2005.

In 2006, the Bank's FX result reached PLN 103,766 thousand, which was higher by 39.7% than in 2005 when it amounted to PLN 74,282 thousand.

Income on financial transactions amounted to PLN 146,874 thousand and was by 58% higher than in 2005, when it made up PLN 93,015 thousand. Costs of transactions in securities stood at PLN 141,049 thousand and the net profit on financial transactions was PLN 5,825 thousand as compared to PLN 5,328 thousand in 2005.

2. Banking activity costs

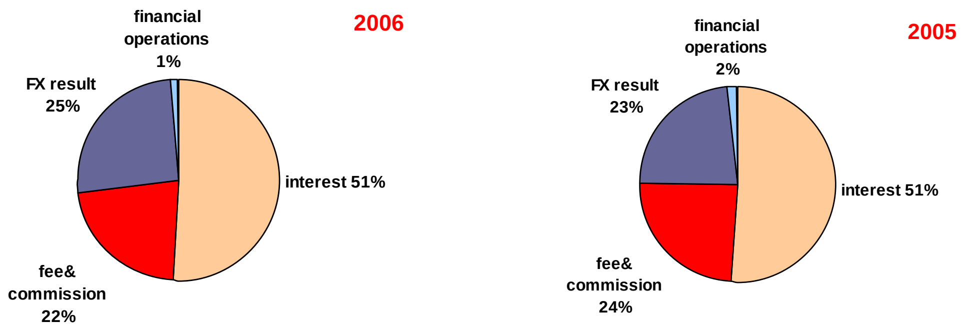
Interest expenses reached PLN 175,367 thousand and were higher by 9.4% than in 2005, when they totalled 136,780 thousand.

The interest expenses include the following items:

- Interest on current accounts: PLN 53,594 thousand as compared to PLN 25,094 thousand in 2005
- Interest on customer deposits: PLN 49,749 thousand as compared to PLN 58,639 thousand in 2005,
- Interest on inter-bank deposits: PLN 4,878 thousand (PLN 13,217 thousand in 2005),
- Interest on credits and loans contracted: PLN 44,518 thousand (PLN 23,169 thousand in 2005).

In 2006, commission and fee expenses amounted to PLN 9,561 thousand and were higher by 7.2% than in the previous year when they equalled PLN 8,919 thousand.

Chart 5: Structure of result on banking activity in 2006 and 2005



Structure of result on banking activity in 2006 and 2005

	2006	2005
Interest	50.91%	51.03%
Commission and fees	22.23%	24.33%
FX differences	25.43%	22.99%
Financial transactions	1.43%	1.65%

3. Other income and expenses

The balance of other operating income and expenses was positive and amounted to PLN 8,087 thousand. Other operating income, which increased by 76.2% compared to 2005, included the income on customer acquisition agency of PLN 2,492 thousand as the main item. Other operating expenses increased by 175.6% as compared to 2005.

In 2006, operating expenses reached PLN 234,371 thousand and were higher by 45.9% than in 2005, when they amounted to PLN 160,695 thousand.

Depreciation of fixed and intangible assets amounted to PLN 25,563 thousand in 2006; an increase of 21% over the 2005 results.

In 2006, costs on account of creating provisions, including general risk reserve, amounted to PLN 52,798 thousand and were higher by 18% than in 2005. Without this reserve, specific provision creating expenses amounted to PLN 40,805 thousand, i.e. were lower by 5% in relation to 2005, which reflects improvement of the credit portfolio quality. On the other hand, provision release income was established at the level of PLN 28,436 thousand as at December 31, 2006 compared to PLN 26,697 as at December 31.2005.

In 2006, the balance of provisions made versus provisions released equalled PLN (24,362) thousand, whereas in 2005, this difference stood at PLN (25,178) thousand.

Provisions for at-risk receivables (non-performing loans) constituted the largest item affecting the provisioning level. At the end of 2006, the level of provisions for receivables at risk amounted to PLN 24,145 thousand, as compared to PLN 33,587 thousand in 2005. In 2006, the Bank released provisions for at-risk receivables of PLN 16,442 thousand, whereas in 2005, the level of provisions released reached PLN 17,936 thousand.

Furthermore, in 2006, a write-off of PLN 11,993 thousand was made for the general risk reserve and the reserve of PLN 2,160 thousand was released, as compared to the general risk reserve of PLN 8,910 thousand created in 2005.

4. Profit

In 2006, the Bank generated a pre-tax gross profit of PLN 131,740 thousand, which was greater by 7.6% than in 2005. The mandatory reductions of gross profit amounted to PLN 24,578 thousand.

The Bank's net profit (after tax) in 2006 stood at PLN 108,266 thousand and was higher by PLN 6,767 thousand i.e. by 6.7% than in 2005.

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

Profit & Loss Account (in thousands)	01.01.2006 -31.12.2006 in PLN thousand	01.01.2005 -31.12.2005 in PLN thousand	Change 2006 – 2005 (%)
Net interest income	207,671	164,914	25.9%
Net fee and commission income	90,687	78,612	15.4%
FX result	103,766	74,282	39.7%
Result on banking activity	407,949	323,136	26.3%
Net operating income	131,740	122,392	7.6%
Gross profit	131,740	122,392	7.6%

Income tax	24,578	23,062	6.6%
Net profit	**108,266**	**101,499**	**6.7%**

B. Balance sheet

1. Total assets

Total assets of Fortis Bank Polska S.A. as at December 31, 2006 amounted to PLN 10,454,711 thousand, which represents an increase by PLN 4,084,808 thousand i.e. 64.1% compared to the end of December 2005.

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

Balance-sheet item	December 31, 2006	Share in total assets	December 31, 2005	Share in total assets	Change 2006-2005 (%)
Cash and Central Bank balances	375,965	3.6%	231,374	3.6%	62.5%
Due from financial institutions	2,058,890	19.7%	1,312,398	20.6%	56.9%
Due from customers and the public sector	7,038,087	67.3%	4,293,010	67.4%	63.9%
Debt securities	741,596	7.1%	311,428	4.9%	138.1%
Due to financial institutions	4,450,669	42.6%	2,178,408	34.2%	104.3%
Due to customers and the public sector	4,248,686	40.6%	3,174,609	49.8%	33.8%
Equity (including net profit)	798,542	15.4%	691,785	10.9%	15.4%
Share capital	452,331	4.3%	30,155	0.5%	1.400%
Total assets	**10,454,711**		**6,369,903**		**64.1%**

2. Assets

Receivables due from customers and public sector (net, after non-performing loan provisions) constituted the principal component of the Bank's assets and accounted for almost 67% at the end of 2005, similar to the result in 2006.

The net portfolio of loans granted to the above customers increased by PLN 2,768,607 thousand up to PLN 7,163,603 thousand (a 63% increase versus December 31, 2005). Provisions for non-performing loans due from customers amounted to PLN 120,544 thousand as at December 31, 2006. The share of non-performing receivables due from customers of PLN 229,306 (excluding the watch category) in total loans stood at approximately 3.2%.

As at December 31, 2006, the value of debt securities amounted to PLN 741,596 thousand. Their share in the assets increased from 4.9% as at the end of 2005 to 7.1% as at December 31, 2006.

As at December 31, 2006, the securities portfolio consisted of securities issued by the Polish State Treasury and the NBP. The composition of the portfolio was as follows:

- State Treasury bonds: PLN 710,737 thousand,
- Treasury bills issued by the Ministry of Finance: PLN 4,997 thousand,

The Bank also holds NBP bonds issued due to the reduction of the mandatory reserve rate: PLN 25,862 thousand.

As at December 31, 2006, cash and funds held at the account with the National Bank of Poland stood at PLN 375,965 thousand, which made up 3.6% of total assets (unchanged), while as at December 31, 2005, this item amounted to PLN 231,374 thousand.

Receivables due from the financial sector, including placements with other banks, accounted for 19.7% of total assets at December 31, 2006 and were lower as compared to December 31, 2005 when they accounted for 20.6% of total assets.

As at December 31, 2006, the following items are included:

- PLN receivables: PLN 1,302,771 thousand
- foreign currency receivables: PLN 758,280 thousand;

In comparison to the end of December 2005, the value of fixed assets has increased by 27% i.e. PLN 12,821 thousand. The fixed assets primarily include:

- leasehold improvements (on rented office space): PLN 22,635 thousand,
- means of transport: PLN 12,421 thousand,
- computer hardware: PLN 8,451 thousand,

Intangible fixed assets as at December 31, 2006 amounted to PLN 23,664 thousand, i.e. by 63% more than as at December 31, 2005. This item included computer software.

Other assets accounted for 0.1% of total assets.

Bank's commitment concentration structure data including main geographical regions of the country and specific sectors are presented in Section 1 of Additional Notes.

Detailed data on financial assets, their description and measurement are presented in Section 4.2. of Additional Notes.

3. Liabilities

Liabilities towards the non-financial and public sector on account of funds deposited on current accounts and term deposits make up the main item in the structure of liabilities. As at December 31, 2006 deposits from customers and the public sector reached PLN 4,248,686 thousand and increased by PLN 1,074,077 thousand as compared to December 2005. They represented 41% of total liabilities versus 50% in 2005. The major part of these deposits was denominated in zlotys and amounted to PLN 3,164,924 thousand, representing 74.5% of all customer deposits. Foreign currency deposits reached PLN 1,071,474 thousand as at December 31, 2006.

As at the end of 2006, the share of the financial sector's deposits in the Bank's balance sheet total significantly increased. As at December 31, 2006, it accounted for 42.6% of total liabilities, compared to 34.2% the year before.

Special funds and other liabilities accounted for 3.5% of the balance sheet total as at December 31, 2006. The main item (54.4%) concerns settlements related to unregistered capital of PLN 200,000 thousand.

Other provisions increased from PLN 23,790 thousand as at the end of December 2005 to PLN 41,407 thousand as at December 31, 2006 and included general risk reserve (PLN 30,743 thousand), provisions for contingent liabilities (PLN 7,220 thousand), and other provisions (PLN 3,444 thousand).

4. Off-balance sheet items

As at December 31, 2006, off-balance sheet items stood at approximately PLN 38,613,064 thousand and were higher by PLN 24,166,634 thousand as compared to December 2005 (i.e. by 167.3%).

Off-balance sheet items consist of:

- Off-balance sheet items relating to commitments of the Bank:
  - items related to financing: PLN 2,871,239 thousand (up by 46%),
  - guarantees: PLN 779,639 thousand (up by 41%).
- Off-balance sheet items relating to commitments in favour of the Bank:
  - items related to financing: PLN 330,194 thousand (down by 55%),

- guarantees: PLN 192,463 thousand (down by 22%).

- Commitments related to carrying out foreign currency exchange transactions, which were concluded before the year-end but as at December 31, 2006 did not mature yet, stood at PLN 5,648,043 thousand, i.e. decreased by 3.5% as compared to December 31, 2005, when they amounted to PLN 5,851,830 thousand.

In connection with the extension of the Bank's offering by a wide range of derivative instruments, their value (understood as a sum of nominal amounts to be received and paid out) considerably grew by 484% from PLN 5,180,442 thousand as at December 31, 2005 up to PLN 28,791,486 thousand.

Derivatives according to their nominal value include:

- hedging IRS contracts: PLN 150,000 thousand
- IRS contracts held for trading: PLN 4,233,620 thousand
- FX forward contracts held for trading: PLN 2,020,162 thousand
- FX swap contracts held for trading: PLN 619,741 thousand
- OIS contracts held for trading: PLN 6,196,800 thousand
- FRA contracts held for trading: PLN 2,500,00 thousand
- FX options held for trading: PLN 2,416,770 thousand
- IR options held for trading: PLN 213,878 thousand

The above values refer to nominal amounts to be received in the case of IRS, FX forward, FX swap, OIS and FRA instruments, and nominal values to be received and paid out in the case of options.

C. Performance indicators

Indicators	31.12.2006	30.12.2005
Return on assets (ROA)	1.4%	1.8%
Return on equity (ROE)	16.3%	17.5%
Net interest margin	2.67%	2.98%
Profit per share	7.18	6.73
Book value per share	52.96	45.88

Note: all values have been rounded up.

These indicators were calculated as follows:

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

D. Management of funds

Sources of funding, credits, loans, guarantees and sureties

Deposits, both from business entities and individuals, constitute the most important source of financing of the Bank's credit activity. In 2006, funding from credit lines from Fortis Bank (Nederland) N.V. had substantially grown. As at December 31, 2006 balance of debt stood at PLN 2,591 million compared to 1,038 million at the end of 2005.

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

E. Interest rate

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

In the first half of 2006, the Monetary Policy Council reduced the level of official NBP interest rates by 50 base points.

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

In 2005, the average nominal deposit interest rate assumed the following values:

1. PLN deposits – 2.49%
2. Foreign currency deposits – 1.69%.

Average nominal interest rates for total loans, both performing and non-performing ones, broken by currency, were the following:

1. PLN loans – 5.91%
2. EUR loans – 4.27%
3. USD loans – 6.67%
4. CHF loans – 3.0%.

IV. DESCRIPTION OF BASIC RISKS AND THREATS

A. Risk types and risk management

1. Liquidity, interest rate and FX risks

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

Interest rate risk is a transaction-related interest rate risk and a market interest rate risk. Transaction-related interest rate risk is a risk of entering by the Bank into transactions on unfavourable conditions differing from market conditions (transaction risk). Market interest rate risk is related to unfavourable changes in the Bank's financial result or the Bank's equity amount, which arises from one of the following reasons: i) a different way of making dependent interest rate of the Bank's assets and liabilities financing such assets on market rates (mismatch risk); ii) changes in market interest rates that have influence on fair value of the Bank's open positions (interest rate volatility risk) or iii) effecting, by customers, options built in the bank product which may be made as a result of changes to market interest rates (customer option risk). The Bank believes that a significant factor, which generates interest rate risk, is related to defects and flaws of the risk management system and related processes.

FX risk comprises market FX risk and foreign currency transaction risk. Market FX risk is linked to adverse changes to the Bank's financial result caused by changes in market Forex SPOT rates. Foreign currency transaction risk is linked to adverse changes to the Bank's financial result arising from concluding by the Bank a foreign currency transaction on conditions, which are not convenient for the Bank and differ from market conditions. The Bank believes that a significant factor, which generates FX risk, is linked to defects and flaws of the risk management system and related processes.

With the development of a more integrated risk management structure in view, in the beginning of 2006 the Bank Board of Executives took a decision on transforming the Assets and Liabilities Management Committee (ALCO) into the Risk and Assets and Liabilities Management Committee (Risk & ALM Committee) and on appointing Chief Risk Officer, who reports directly to the President of the Board of Executives.

The Risk and ALM Committee plays a vital role as regards liquidity risk management, market risk and assets and liabilities management risk, and as far as strategic aspects of credit risk management and operational risk are concerned. In particular, the Committee determines risk management strategies and controls, on a regular basis, how such strategies are pursued. In 2006 the Committee amended the strategy and policy of liquidity management. The Risk and ALM Committee, which is authorised to appoint committees to support its work, appointed the Liquidity, Market and ALM Risk Management Committee.

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of the multidimensional system of limits and reports.

2. Operational risk and Legal risk

For the needs of operational risk management, Fortis Bank Polska S.A. has adopted the definition of risk proposed by the Basel Committee for Banking Supervision: "The operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". The operational risk includes legal risk, however not reputation and strategic risks.

To reduce operational risk, the Bank uses the system for operational risk monitoring and management which is based on databases containing information on existing operational losses. The operational loss register is supervised by the Treasury Department. The Bank attaches special importance to reducing operational risk by the process of improving internal procedures and mitigating operational risk, which accompanies the introduction of new products and services.

The role of the Risk and ALM Committee is fundamental in the operational risk management. In 2006, the Risk and ALM Committee updated the strategy and policy of operational risk management by setting out objectives with respect to the quality of the operational risk management and the manner of the Bank's adjustment to the New Capital Accord requirements likewise the requirements under Recommendation M issued by the Banking Supervision Commission. To have support in this area, the Risk and ALM Committee appointed also the Operational Risk and Business Continuity Management Committee.

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

The following programs are in force at Fortis Bank Polska S.A.; "Anti Money Laundering and Detection of Terrorist Financing Program" and „Know Your Customer Program". The Program Coordinator appointed by the Board of Executives of the Bank is responsible for the performance of task and obligations laid down in the Anti Money Laundering Program. Besides, coordinators responsible for the performance of the Program at the level of a respective unit have been appointed in each branch and the units of the Bank's Head Office.

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

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

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

3. Credit risk

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

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

Credit risk management on the operational level is the main responsibility of the Credit Risk Monitoring Department. Credit risk analysis is carried out based on a standard credit assessment methodology applied by the Bank. Subject to analysis are both a specific credit product related risk and the Bank's total exposure risk towards an entity, including all credit facilities granted and financial products that convey such risks.

In order to limit credit risk, the Bank applies internal procedures for loan granting and monitoring. The Bank's system applied to analyze credit applications and make credit decisions has several levels. This is to ensure a maximum objectivity in the assessment of a credit request and reduce the Bank's credit exposure risk. The new credit decision-making model includes the following criteria: total Bank's exposure towards a customer, assignment to a business line, internal rating, and credit risk category. At the same time, the Bank introduced principles of setting up and monitoring sector exposure concentration limits.

Under the Fortis group's preparations to adjust to the requirements of the New Basle Capital Accord, the Bank takes an active part in projects that aim at implementing credit risk assessment methods to establish the required regulatory capital. Fortis Masterscale Rating, the system of internal rating, was introduced at the Bank. In the first half of 2006 the Bank implemented for usage a software application developed internally called Rating Tool, which combines various elements of rating process in one tool, ensures the control of correctness and completeness of the portfolio credit rating, archives historical ratings in the database and generates rating reports.

At the turn of 2005/2006 the Bank assumed work to change from current rules of credit risk assessment and creation of specific reserves into the rules of estimating the permanent loss of value of assets according to the International Financial Reporting Standards (IAS 39 Financial Instruments – Recognition and Measurement and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). Currently, work on preparing internal procedures and IT software applications is carried out, which will enable implementation of IFRS rules as at January 1, 2007.

The Bank uses internal IT tools to standardize the process of credit portfolio risk monitoring and classification process and to archive data for the needs of risk assessment models. The Bank uses a separate IT tool, i.e. the WIND system, to monitor and recover past due receivables. For the purposes of credit portfolio review and monitoring the Monitoring Card is used.

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

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

In 2005, there was implemented a credit policy for real estate financing, lending funds to small enterprises and granting mortgage loans. In connection with mortgage loans credit policy changes, the proper modifications were made to the software applications supporting workflow and processing of mortgage loans. Work on projects aiming at further improvement of credit processes is carried out, in particular including reorganising the mortgage loans service system which takes into account requirements related to credit risk assessment pursuant to Recommendation S issued by the Banking Supervision Commission.

In 2006, the authorisations related to strategic management of credit risk were entrusted to the Risk and ALM Committee. The Credit Risk Strategic Dimension Management Group was created within the Risk Management Department, which is responsible for credit risk management at an aggregated level, which covers in particular:

- checking whether a binding strategy and policy have been effectively communicated and applied at the Bank and also monitoring their adequacy and compliance with legal requirements in force,
- credit engineering development,
- portfolio management that encompasses monitoring of the entire credit portfolio’s composition and quality, including monitoring of credit risk concentration,
- providing the Bank Board of Executives with information on contracting parties and loan agreements allowing the Board to assess the credit portfolio standing,
- designing, implementation, management and continual improvement of the internal audit system in order to ensure the best possible level of confidence that the Credits and its employees act in compliance with the binding law provisions, regulations and ethical standards.

In December 2006, the Bank’s Supervisory Board approved a new “Credit Risk Management Policy at Fortis Bank Polska SA.”

A detailed description of financial risk management rules and financial instruments held in the Bank’s portfolio is presented in Additional Notes Section 4.2.14.

4. Capital adequacy ratio

The capital adequacy ratio was 8.47% at the end of December 2006, compared to 11.11% at the end of December 2005. This indicator represents the relationship between the Bank's equity and risk-weighted assets and off-balance sheet items increased by capital requirements related to specific risks. The scope and detailed rules of capital requirements related to specific risks calculation and capital adequacy ratio calculation is defined in *Resolution No. 4/2004 dated September 8, 2004* issued by the Banking Supervision Commission.

The Bank's equity (as a category computed for calculation of capital adequacy ratio) increased by 26% versus December 2005, while risk-weighted assets and off-balance sheet items increased by 64% in the corresponding period.

Capital adequacy ratio and its determinants

Indicator	December 31, 2006	December 31, 2005
Risk-weighted assets	7,426,853	4,576,388
Risk-weighted off-balance sheet items	815,464	448,345
Net equity for the purpose of capital adequacy calculation	708,405	560,404
Short-term capital	-	5,253
Credit risk	659,385	401,979
Interest rate risk	6,768	3,294
Delivery settlement and counterparty risk	2,765	1,958
Total capital requirement	668,918	407,232
Capital adequacy ratio	**8.47%**	**11.11%**

*Capital adequacy ratio has been calculated in the following way: net equity/total capital requirement *12.5*

As a result of the Series K share issue, the Bank's equity increased by nearly PLN 200 million. The Bank's capital increase was registered with Registration Court (Sąd Rejestrowy) on January 2, 2007. With the balance of assets as at December 21, 2006 and taking into account the aforesaid equity increase, the capital adequacy ratio would equal 10.86%.

V. OPERATING ACTIVITY

A. Credit activity

Credit activity is one of the Bank's main sources of income. The Bank offers the following credit products:

Loans for enterprises

- Overdraft credit facility,
- working capital and investment loans (PLN and FC),
- debit limit for holders of Fortis Class and Fortis Connect packages
- cash loans,
- commercial mortgage loans,
- investment loans facilitating EU subsidy acquisition,
- revolving working capital loans for enterprises - tranche loans,
- letter of credit and guarantee lines

Retail credit granted within product packages for Individual Customers

- Debit limit,
- Fast loans,
- Cash loans,
- Mortgage loans.

Card products for Individual Customer

- VISA Classic credit card
- Visa Gold credit card
- Visa Platinum credit card

Credit products for Individual Customers – Consumer Finance

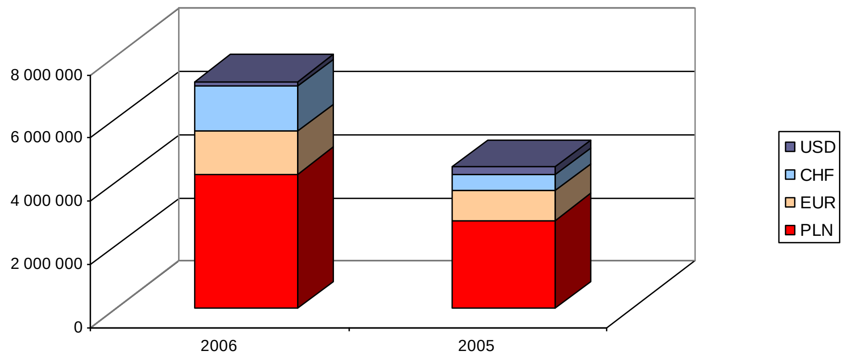
- Credit card.
- Cash loan.

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

1. Non-financial sector credit portfolio profile

The gross value of the credit portfolio (including interest, without provisions) totalled PLN 7,237,729 thousand and was by 61% higher than at the end of 2005. The value of outstanding loans portfolio (with interest) due from customers totalled PLN 7,158,137 thousand at the end of December 2006, i.e. rose by 61% as compared to PLN 4,445,824 thousand at the end of December 2005.

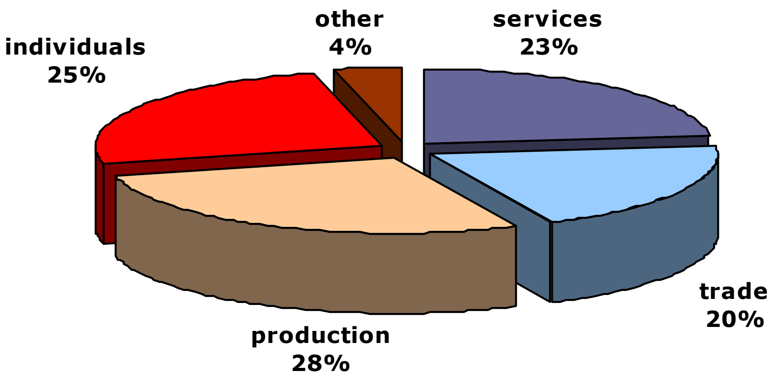
Chart 6: Currency structure of the credit portfolio (with interest) as at December 31, 2006 and December 31, 2005.



The value of the PLN non-financial sector loan portfolio (without interest) at the end of December 2006 totalled PLN 4,230,678 thousand and was by 53% higher than at the end of December 2005. The value of the CHF portfolio stood at PLN 1,401,999 thousand at the end of December 2006, which (converted to PLN) represented a 189% increase over the end of December 2005 result, when it was PLN 484,601 thousand. The value of EUR portfolio stood at PLN 1,371,126 thousand at the end of December 2006, i.e. it was higher by 45% than as at December 31, 2005. The balance of USD loans fell by 37% from December 2005 and amounted to PLN 154,154 thousand as of December 31, 2006.

The Bank's exposure focuses on the sectors of production, services, private individual customers and trade and represents 28%, 25%, 23% and 20% of the credit portfolio value respectively, as at the end of December 2006. As compared to December 31, 2005, the Bank increased its exposure in production and private individual customers segment whereas the services, trade and production sector exposure went down.

Chart 7: Credit portfolio economic sector structure – December 31, 2006



Information on the structure of the Bank's exposure in the specific economic sectors is presented in Additional Notes (Section 1.1.)

In terms of original maturities, at the end of December 2006, the structure of receivables due from the non-financial sector was as follows: 18% represented overdrafts (2% decrease versus 2005), 15% - with a maturity up to 1 month (increase by 13% as compared to 2005), 3% - with a maturity from 1 to 3 months (increase by 3% as compared to 2005), 3% - with a maturity from 3 months to 1 year (16% decrease), 6% - with a maturity from 1 to 5 years (11% decrease) and 54% - with a maturity exceeding 5 years (13% increase).

2. Non-performing loans

As at December 31, 2006, the value of non-performing loans (without interest) due from non-financial entities (excluding the watch category) decreased by 11% comparing with the end of 2005 to the amount of PLN 223,813 thousand, and made up 3.2% of the total loan balance in that sector, of which PLN 61,134 thousand represented substandard loans (i.e. 0.9% of the portfolio value), PLN 47,407 thousand – doubtful receivables (i.e. 0.7% of the portfolio value) and PLN 115,272 thousand – lost loans (i.e. 1.6% of the portfolio value).

3. Enforcement titles

In 2006, 48 enforcement titles for the total of nearly PLN 11,480 thousand were issued with respect to the Bank's receivables, as compared to 73 titles for the total of PLN 11,070 thousand issued in 2005.

B. Issued guarantees and letters of credit

As of the end of December 2006, the amount of guarantees issued by the Bank reached PLN 557,124 thousand, which represents a 34% increase in comparison to the end of December 2005, when it equalled PLN 414,356 thousand.

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

As at the end of December 2006, the Bank's commitments under opened import letters of credit totalled (in the PLN equivalent) PLN 164,916 thousand, i.e. were by 66% higher than at the end of 2005, when they stood at PLN 99,495 thousand. Moreover, the Bank has on its books confirmed export LCs in the PLN equivalent of 113,452 thousand compared to PLN 84,834 at the end of 2005 (34% increase).

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

C. Deposits

As at the end of December 2006, the balance of funds deposited by customers of non-financial and public sectors likewise the financial sector (banks excluded) totalled PLN 4,611,202 thousand, and was by 39% higher than at the end of December 2005, when deposits made up PLN 3,324,607 thousand. Customers may make deposit also in foreign currencies, however the majority of deposits are held in PLN (76%) amounting to PLN 3,384,277.

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

The Bank offers to its customers:

1. **Accounts and deposit products for individual customers (private individuals), including:**
   - Personal Accounts in PLN,
   - Accounts for non-residents in PLN and FC,
   - IKE savings account (individual pension account),
   - FC accounts a'vista for individual customers,
   - Individual securities accounts,
   - Standard and negotiated deposits in PLN, EUR and USD for individual customers,
   - Overnight deposits (excess of funds is automatically deposited in O/N deposit with continued access),
   - Anti-inflation deposits (with variable interest rate based on WIBID 1M)
   - Promotional deposits,
   - e-deposits (made via Pl@net, an Internet banking system and the Call Center).
2. **Accounts and deposit products for enterprises (business entities), including:**
   - Current and auxiliary accounts denominated in PLN and FC for business entities,
   - Collective accounts for non-resident business entities,
   - Remuneration accounts (auxiliary accounts used for transfer of salaries),
   - Securities deposit accounts,
   - Deposits denominated in PLN with variable and fixed interest rate for business entities,

- Deposits denominated in USD and EUR with fixed interest rate for business entities,
- Overnight deposits.

The Bank offers packages of services to its individual customers: Silver and Gold Packages. They enable an effective and safe management of funds deposited on savings and checking accounts. The offer is addressed to affluent customers i.e. managers, enterprise owners, experts, and persons representing liberal professions. Under the packages, the Bank offers deposit and loan products, payment cards, investment services and e-banking services. The Bank also offers VISA Electron cards, credit cards and Pl@net, an Internet banking system.

The Bank's offer for business enterprise customers includes four packages of banking services: Fortis Class, Fortis Premium, Fortis Premium FX and Fortis Connect. Within the packages the Bank offers accounts, deposit products, payment cards, clearing services, loan products and electronic banking.

D. Custody services

The Bank offers services related to custody and transaction settlement with respect to securities traded on the Polish regulated and non-regulated markets and acts as an agent in transactions concluded on international markets. Under the Decision issued by the Securities and Exchange Commission of July 14, 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure.

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

In connection with the Bank's obligations of Paying Agent in favour of foreign investment funds - Fortis L Fix and Fortis L Fund, managed by Fortis Investment Management in Luxembourg, the Custody Services Group coordinates the distribution of participation units from an operational perspective. At the end of 2006, there were 15 sub-funds offered under Fortis L Fund. Furthermore, in 2006 two subscriptions were carried out for the following sub-funds: Equity 6 and Best Sectors of Fortis L Fix umbrella fund.

E. Money market and debt securities operations

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

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

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

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

The Bank offers derivative transactions to secure against interest rate risk and FX risk such as: Forward Rate Agreement (FRA), Interest Rate Swap (IRS), Overnight Interest Swap (OIS), FX options and European interest rate options. The Bank's offer is developing dynamically especially as far as option transactions are concerned. In 2005, the following products were implemented: American FX options, barrier options, and Asian Average Rate options. The above transactions are offered to enterprise customers, and also entered into by the Bank on the interbank market.

F. Clearing activity

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

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

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

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

Since July 2005, there is a Shared Service Centre in Fortis Bank Polska which has been operating as a back-office for foreign East Central European outlets of Brussels-based Fortis Bank SA/NV. Currently the Shared Service Center offers the following services for newly opened Business Centres:

- clearing of domestic incoming and outgoing transfers ('domestic' from the viewpoint of a serviced Business Centre - BC) in local currencies using local clearing systems,
- clearing of incoming and outgoing foreign transfers using the SWIFT system,
- clearing of transactions of any type contracted by local treasury departments including customers' and inter-bank transactions,
- disbursing loans granted by local credit departments,
- support to BC in operational work with customers, e.g. handling customer complaints, posting fees and commissions, reporting and support in processes of ensuring liquidity on nostro accounts of particular branches.

The above services are rendered for BCs in Prague, Budapest and Vienna, and since August 15, 2006 also for Stockholm and Copenhagen. Expansion of Shared Service Centre's activities to serve centres in other countries is planned for 2007.

G. Co-operation with international financial institutions

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

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

H. Development of banking services

In 2006, within the cooperation with Fortis Investments, the asset manager of Fortis, Fortis Bank Polska implemented three new Fortis L sub-funds into its offering of units of foreign investment funds. Fortis L is an umbrella fund registered in Luxembourg and composed of sub-funds denominated in USD and EUR adjusted to the investor's profile in terms of differentiated risk level and rate of return.

In 2006, the Bank's investment offer was extended to include participation titles to closed-end investment fund Fortis L FIX Equity 6. This is a USD-denominated fund, which enables profit generation (up to 26%) without any capital loss risk. The fund invests in shares of 20 international firms, including Apple Computer, DaimlerChrysler, Bristol - Myers Squibb, Eli Lilly, Fortis and France Telecom. The return on investment will depend on the equity basket results.

As of December 31, 2006, there were 15 sub-funds of Fortis L Fund offered by the Bank, including:

- Fortis L Money Market EUR
- Fortis L Money Market USD
- Fortis L Bonds of European Emerging Markets - EUR
- Fortis L Stable Growth WORLD - EUR
- Fortis L Stable Growth- USD
- Fortis L European Convertible Bonds - EUR
- Fortis L Balanced WORLD- EUR
- Fortis L Balanced - USD
- Fortis L Real Estate EUROPE – EUR/USD
- Fortis L Active Growth WORLD - EUR
- Fortis L Active Growth - USD
- Fortis L Shares WORLD - EUR
- Fortis L Shares of World Emerging Markets - USD
- Fortis L Shares of European Emerging Markets - EUR
- Fortis L Shares Best Choice ASIA - USD

In addition to Fortis L foreign funds offered on an on-going basis, the Bank has also periodical subscriptions for Fortis L Fix – foreign investment funds.

Moreover, in the first half of 2006 the Bank added a photocard to its credit card offering for individual customers. The photocard is the first credit card on the market, which can be individually designed at www.fortisfotokarta.pl. Using the above service, the entire card face surface can be covered with any photograph or another picture in electronic format. The card has also attractive additional services such as skip payment that offers the possibility of postponing the debt repayment to the subsequent month and a special insurance – a guarantee of the lowest price of goods which means that if upon payment for the goods effected with the card it turns out that the same product could have been bought cheaper, then the price difference will be reimbursed to the cardholder. The photocard's launch was preceded by the offer of the "Ideal" credit card.

In 2006, the Bank continued also the promotion of mortgage loans for private individuals. Fortis offered lower interest rate for CHF and PLN loans and charged no loan origination fees. The Bank's very good sales results of these loans are also attributable to the cooperation with renowned financial intermediaries on the Polish market, namely Expander, Open Finance and Creditfield.

In 2006, the Bank developed its range of services addressed to the high-net-worth customers. Fortis Bank Private Banking offers comprehensive asset management services.

In 2006, the Bank developed its offering of commercial mortgage loans.

In 2006, the Bank thoroughly restructured its offering for small enterprises and in June launched four service packages. The offering was modified following results of research on this enterprise segment. The Bank surveyed the interest of this customer group in specific financial services and how entrepreneurs use them. Based on that, selected financial tools were modified and relationship managers responsible for the cooperation with customers were trained. Thus a new offering was developed which consist of four packages: Connect, Class, Premium, Premium FX. Each package is earmarked for entrepreneurs of different needs, the distinction criterion being the annual turnover.

I. Charity

In 2006, the Bank brought Fortis Foundation Poland (the Foundation) into existence. The Foundation's aim is to support actions for public benefit in the areas of education, culture and arts, health protection and social care. The Foundation was provided with an establishment fund of PLN 40,000. Furthermore, in December 2006 the Bank's Board of Executives donated PLN 1 million to the Foundation.

Fortis Bank Polska SA applies the principles of social responsibility to its undertakings and endeavours to support specific actions or initiatives for example taken by local communities.

The Bank continued cooperation with the United Way Poland foundation. The Bank employees voluntarily deduct a declared portion of their salaries and donate it to a social goal. As in previous years, the Bank management has added one zloty to each zloty contributed by an employee, so as to double the amount of funds donated to the *United Way Poland.*

In 2006 the Bank supported financially also the institutions that it has been related with for several years, e.g. Integracyjny Klub Sportowy (Integration Sport Club), and also was involved in other charitable actions, among other provided support for Fundacja Dziecięca Fantazja (Child's Imagination Foundation)..

J. Agreements significant for the Bank's activity

1. Credit Agreement of February 5, 2007 signed with Brussels-based Fortis Bank S.A./N.V and Fortis Bank (Nederland) N.V. based in Rotterdam

On February 5, 2007, the Fortis Bank Polska S.A. signed another credit agreement with Fortis Bank SA/NV based in Brussels and Fortis Bank (Nederland) N.V. based in Rotterdam, regarding the Bank's credit line with the limit of PLN 1,300 million in order to finance the Bank's current operating activity.

Under this credit line, the Bank can draw down advance payments in EUR, USD, CHF JPY and PLN within 60 months of June 1, 2007. Interest rate: 1, 3, 6 or 12-month IBOR depending on the currency and interest rate term for specific advances. Commission: 0.125% p.a. on the unused credit limit amount.

2. Credit Agreement of July 27, 2006 signed with Brussels-based Fortis Bank S.A./N.V and Fortis Bank (Nederland) N.V. based in Rotterdam

On July 27, 2006, the Fortis Bank Polska S.A. signed credit agreement with Fortis Bank SA/NV based in Brussels and Fortis Bank (Nederland) N.V. based in Rotterdam, regarding the Bank's credit line with the limit of EUR 300 million for 60 months in order to finance the Bank's current operating activity.

Under this credit line, the Bank can draw down advance payments in EUR, USD, CHF, JPY and PLN within 60 months of the agreement conclusion. Interest rate: IBOR depending on the currency and interest rate term for specific advances. Commission: 0.125% p.a. on the unused credit limit amount.

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

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

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

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

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

4. Agreements regarding financial services provided by Fortis Bank Polska SA in favour of foreign branches of Fortis Bank SA/NV.

Since 2005, there is a shared service centre (The Payment Shared Service Group) which has been operating as a back-office for new foreign outlets of Fortis Bank SA/NV in the Central and Eastern Europe. At present, the shared service centre clears cross-border and domestic payments of customers of Business Centers – branches of Fortis Bank SA/NV in the Czech Republic, Austria, Hungary, Denmark and Sweden.

Fortis Bank Polska SA entered into the following agreements on providing clearing services by the Shared Service Centre:

a. Agreement of July 15, 2005 signed with Fortis Bank S.A./NV, pobočka Česká republica based in Prague (the Czech Republic branch), as amended by Agreement of January 31, 2007;

b. Agreement of July 15, 2005 signed with Fortis Bank S.A./NV, Niederlassung Oesterreich based in Vienna (Austria branch), as amended by Agreement of January 31, 2007;

c. Agreement of July 15, 2005 signed with Fortis Bank S.A./NV, Magyarorszagi Fioktelepe based in Budapest (Hungary branch), as amended by Agreement of January 31, 2007;

d. Agreement of March 15, 2006 signed with Fortis Bank S.A./NV, Filial Stockholm based in Stockholm (Sweden branch), as amended by Agreement of January 31, 2007;

e. Agreement of March 15, 2006 signed with Fortis Bank S.A./NV, Filial af Fortis Bank S.A./NV based in Copenhagen (Denmark branch), as amended by Agreement of January 31, 2007;

f. Master Agreement of November 15, 2006 signed with Brussels-based Fortis Bank S.A./N.V regarding the Shared Service Centre payments.

The agreements concern the provision of financial services by Fortis Bank Polska SA with respect to clearing outgoing domestic ('domestic' from the point of view of the branch serviced) and cross-border payments, including both traditional and electronic transfers; settlement of incoming domestic and cross-border payments; handling customer complaints; settlement of transactions entered into by local treasury departments; disbursement of loans granted by local credit departments; reporting to the branches of Fortis Bank SA/NV.

Under the above agreements, the Bank is paid remuneration to cover operating costs of the Payment Shared Service Group, increased by a margin determined in the agreements. In 2006, the total remuneration received by the Bank (including reimbursement of costs and consideration for financial services) stood at PLN 1,778.2 thousand.

5. Outsourcing Agreement of May 10, 2006 signed with Fortis Bank S.A./N.V based in Brussels

On May 10, 2006, an outsourcing agreement was signed with Fortis Bank S.A./N.V based in Brussels regarding the implementation and use of the Diogenes World Wide System. On August 18, 2006, an annex to the agreement was concluded regarding operating conditions for the Diogenes World Wide system. Additional conditions for the supervision over the system were introduced. The Diogenes World Wide system is used in the Bank's trader transactions. It enables recording and processing of all the transactions entered into by the Treasury Department, including the computation of indicators for the needs of the Treasury Department (such as position or liquidity). The above outsourcing agreement with Fortis Bank SA/NV does not generate any direct costs for the Bank.

6. Co-operation agreement of 7 January 2000 signed with Fortis Private Investments Polska S.A. (former Fortis Securities Polska S.A.)

The subject of the Agreement (including annexes thereto) is cooperation between the Bank and Fortis Private Investments Polska S.A. with respect to customer service outlets (POKs) and information desks (PI) of Fortis Private Investments Polska S.A. located in the Bank's branches and financial intermediary of the Bank in selling the products of Fortis Private Investments Polska S.A.

On August 1, 1006, Annex no. 6 was signed on expanding the cooperation scope by informing customers about products and services offered by the Private Banking Department of FBP, likewise performing actions leading to the conclusion of agreements between customers and the Bank with respect to services provided by the Private Banking Department, by e.g. contacting customers with relevant employees of the Bank.

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

a. Cooperation agreement of January 2, 2002
b. Cooperation agreement of February 17, 2005

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

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

8. Cooperation agreement made with Dominet Bank S. A.

Cooperation agreement of January2, 2007 signed between Fortis Bank Polska S.A. and Dominet Bank SA based in Lubin. The agreement concerns rules of cooperation between the two banks with respect to agency services in offering FBP products to individual customers of Dominet Bank SA. For the performance of obligations under the agreement, Dominet Bank SA will be paid commission on amounts of the loans acquired. The agreement was concluded for an unlimited period of time.

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

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

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

On December 21, 2006 the Bank repaid the debt due to EBRD. The outstanding debt balance stood at 0 as at December 31, 2006 as compared to PLN 28,948.5 thousand (EUR 7.5 mln) as at December 31, 2005.

10. Agreements with the NBP

a. **Bank account agreement of June 23, 2000**. Under this Agreement, the NBP maintains a current account for the Bank in the SORBNET system. On December 30, 2005, Annex no. 15 was signed to this Agreement.

b. **Agreement stipulating the terms and conditions for opening and maintaining RTGS account in the SORBNET-EURO system, dated 3 March 2005.** Under this Agreement, the NBP maintains the account for effecting domestic and cross-border transactions in Euro currency. On April 20, 2006 Annex no. 2 to the above Agreement was signed.

c. **Agreement on the Bank's PLN term deposit account of December 27, 2001.** On June 12, 2006 Annex no. 1 to the above Agreement was signed.

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

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

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

11. Agreements with Bank Gospodarstwa Krajowego (BGK)

a. **Cooperation agreement No. 14/KFPK/2006 signed on April 10, 2006**

This agreement concerns cooperation in the issuance of suretyships/guarantees for companies by BGK from the funds of the National Credit Guarantee Fund (Krajowy Fundusz Poręczeń Kredytowych) established under Act on Guarantees Issued by the State Treasury and Some Legal Entities (Journal of Laws of 2003 no. 174, item 1689 as amended).

b. **Cooperation agreement No. 31/FPU/2004 signed on July 22, 2004**

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

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

Under this agreement BGK undertakes to issue a loan portfolio guarantee up to the total amount of PLN 20 million from the funds of EU Guarantee Fund. On April 26, 2005, Annex No 1 thereto was signed. This cooperation finished in 2006.

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

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

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

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

14. Bank insurance policies

a. Insurance policy with Allianz Polska S.A. insurance company, from October 1, 2006 until September 30, 2007

The insurance covers banking risks, likewise electronic and computer crime and financial institution professional liability insurance with the coverage limit of EUR 5 million.

b. Insurance Policy with Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A. from June 1, 2006 until May 31, 2007

All-risk insurance against loss or damage of property – insurance of property, electronic equipment and civil liability. The insurance sum for investment outlays equals the book value of the Bank's investment outlays. In the remaining scope, the insurance sum has been determined on the basis of the new replacement value.

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

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

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

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

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

16. Agreements concluded with Winterthur Życie Towarzystwo Ubezpieczeń SA (formerly Credit Suisse Life & Pensions Towarzystwo Ubezpieczeń na Życie SA)

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

b. Agreement of June 12, 2003

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

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

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

17. Agreement of October 28, 2005 signed with Aegon Towarzystwo Ubezpieczeń na Życie SA (formerly Nationwide Towarzystwo Ubezpieczeń na Życie SA), life insurance company

The Agreement defines rules of offering to Bank customers, under Fortis PI (investment program), investment fund portfolio in the form of a life insurance policy (Aegon Investment Program – deposit 2004). Life insurance with an insurance capital fund.

18. Card Agreements

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

b. **Insurance agreements signed with Towarzystwo Ubezpieczeń i Reasekuracji Cigna Stu SA** (insurance and reinsurance company):

- **Insurance agreement regarding payment cards issued by Fortis Bank Polska S.A. of October 6, 2003.** The Agreement sets out risk insurance conditions in the case of financial losses resulting from transactions effected with payment cards issued by the Bank.

  On October 10, 2006 Annex no. 3 was signed under which the insurance covers risk of financial losses resulting from transactions made with VISA Electron, Charge and Credit cards issued by Fortis Bank. Valid until October 31, 2007 for the insurance sum of PLN 2 million.

- **Insurance agreement for holders and users of payments cards issued by Fortis Bank Polska SA of October 6, 2003.** This Agreement provides for insurance coverage for holders and users of VISA Classic, Gold, Business, Business Gold and VISA Electron and Business Electron cards against unauthorized use of payments cards, robbery or theft of cash withdrawn from an ATM using a card and, depending on the type of card, an accident insurance package (NNW).

  On October 16, 2006, Annex no. 4 was signed regarding a change of premiums on account of extending the insurance coverage to holders and/or users of Visa Gold, Visa Business Gold, Visa Business, Visa Business Electron, Visa Classic and Visa Electron cards. Valid from November 1, 2006 until October 31, 2007.

- **Insurance agreement for holders and/or users of credit cards issued by Fortis Bank Polska SA of October 17, 2005.** The Agreement stipulates insurance coverage for holders and/or users of VISA Gold and VISA Classic, Ideal, Foto and *Ty i Twój Dom* credit cards against unauthorized use of credit cards, robbery or theft of cash withdrawn from an ATM using a card and, depending on the type of card, an accident insurance package (NNW). Valid until October 16, 2007.

  On October 16, 2006, Annex no. 2 was signed regarding the scope of insurance coverage of holders and/or users of VISA Gold and VISA Classic, Visa Ideal, Visa Foto credit cardsagainst unauthorized use of credit cards, robbery or theft of cash withdrawn from an ATM using a card and, depending on the type of card, an accident insurance package (NNW). Under the Annex, the *Ty i Twój Dom* credit card was withdrawn from the insurance. Valid till October 31, 2007.

- **Insurance agreement for holders and/or users of VISA Platinum cards issued by Fortis Bank Polska SA of June 14, 2006.** The Agreement stipulates insurance coverage for holders and/or users of VISA Platinum credit cards against unauthorized use of credit cards, robbery or theft of cash withdrawn from an ATM using a card and an accident insurance (NNW) and assistance package. Valid until June 30, 2007.

19. Agreement of November 24, 2006 with Raiffeisen Bank Polska S.A.

The Bank entered into an agreement with Raiffeisen Bank Polska S.A. on November 24, 2006 concerning the sale of participation titles to L Fix Best Sectors 1 sub-funds of FORTIS L FIX, a foreign investment fund. The Bank undertakes to act as a Service Agent and Paying Agent responsible for accepting orders from Raiffeisen Bank.

20. Agreements related to stock-exchange maintenance

a. Agreement of November 16, 2006 signed with a **Consortium**, composed of **BRE Corporate Finance SA** and **Dom Inwestycyjny BRE Banku SA.** The Agreement concerns the performance of work and actions related to carrying out the private placement of shares addressed to shareholders and listing the shares subscribed for by the Shareholders on the WSE.

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

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

21. Agreements concluded with the National Clearing Chamber

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

b. **Agreement of participation in the Euro ELIXIR system clearing EUR payment orders, maintained by the National Clearing Chamber (Krajowa Izba Rozliczeniowa S.A.) of February 1, 2005.** The Bank participates in the clearing through EuroELIXIR system.

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

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

23. Significant loan agreements

In 2006, Fortis Bank Polska S.A. entered into 8 loan agreements with one customer, under which in July 2006 the Bank granted an export credit of EUR 24 million (the equivalent of PLN 94,476 thousand) for 8.5 years at fixed interest rate of EURIBOR equal to 3.64%. The credit facility was granted in cooperation with KUKE (The Export Credit Insurance Corporation) and BGK. The first repayment of PLN 706 thousand was made in October 2006.

Another credit facility for the same customer of EUR 24 million was disbursed on November 30, 2006.

Under subsequent agreements with this customer, the total Bank's exposure may increase up to EUR 192 million, however an agreement regarding cash transfer as collateral reduces the total Bank's exposure. The agreement on cash transfer as collateral is a safe form of security for the Bank's receivables on account of financing granted to the customer. In order to secure the receivables, the debtor or third party can transfer the ownership of a specified amount denominated in PLN or another convertible currency to the Bank. The Bank shall return the amount once the debt is repaid, along with the interest due and commission.

As at December 31, 2006, the Bank did not exceed the maximum exposure limit towards one customer or capital group as stipulated under the Banking Law. The Bank's exposure exceeded 10% of capital equity towards 13 customers, and totalled PLN 1,259 million. To compare, as at December 31, 2005, the Bank's exposure exceeded that level in the case of 16 customers/capital groups and totalled PLN 1,249 million.

K. Information on the agreement concluded with Auditor

At the meeting held on October 16, 2006, the Bank's Supervisory Board, acting on the basis of the Bank's Statute and taking into consideration a motion of the Board of Executives and recommendation of the Audit Committee, chose KMPG Audyt Sp. z o.o. with the registered office in Warsaw as the auditor of the Bank's financial statements for 2006 and 2007 and the entity reviewing the Bank's financial statement for the first half of 2007 and the first half of 2008 (Supervisory Board's Resolution No. 18/2006 of October 16, 2006) The agreement with the auditor was signed on January 12, 2007. The expected remuneration due for the audit of the Bank's financial statements for 2006 and for the review of the Bank's financial statements for the first half of 2007 will be PLN 315 thousand (net) and reimbursement of other auditor's documented costs, if any, relating to the services provided to the Bank.

In previous reporting periods, the function of auditor of the Bank's financial statements was performed by PricewaterhouseCoopers Sp. z o.o., which audited the Bank's financial statements for 2005 and reviewed the Bank's financial statements for the first half of 2006. The total remuneration, paid to PricewaterhouseCoopers in 2005 and 2006 under the agreement for the above-mentioned services, was PLN 271 thousand (net).

In preceding reporting periods, the function of the auditor of the Bank's financial statement was performed by KPMG Audyt Sp. z o.o.

VI. ORGANIZATIONAL AND CAPITAL ASSOCIATIONS WITH OTHER ENTITIES

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

Fortis Bank, with its registered office in Brussels, holds 99.19% shares of Fortis Bank Polska S.A.

Fortis is an international financial services provider active in the fields of banking and insurance. With a market capitalization of EUR 42.4 billion as at the end of February 28, 2007 and ca. 57 thousand employees over the world, Fortis ranks in the top 20 of European financial institutions. As at December 31, 2006, Fortis total assets went up to EUR 776 billion, and were by EUR 47 billion, i.e. by 6% higher than at the end of 2005, when they totalled EUR 729 billion). The employment level increased from 54,245 to 56,886 people, i.e. by 4.86%. At the end of 2006, 33% of staff members were employed outside the Benelux.

In its key home market, the Benelux countries, Fortis occupies a leading position and offers a broad range of financial services to individuals, companies and the public sector. In its international strategy, Fortis focuses on selected market segments and pursues its strategic plan to achieve 30% net profit on activity conducted outside the Benelux countries by 2009. In 2006, the share grew up to 21% from 15% in 2004.

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

Net profit generated (before divestment) of EUR 4,351 million was by 24% higher than in 2005 when it amounted to EUR 3,498 million. Operating performance continued to improve thanks to higher results on banking and insurance and in particular to the growth (by 29%) of banking activity results. Net profit (including divestment) increased by 10% to the amount of EUR 4,351 million compared with EUR 3,941 million in 2005.

Net profit on banking activity (before divestment) increased significantly by 29% from EUR 2,434 million in 2005 to EUR 3,149 million in 2006. This outstanding performance was achieved thanks to buoyant commercial activity, good results on financial and capital markets and low effective tax rate. The increase is in 74% attributable to the net interest income. Expenses rose mainly due to accelerated investments in growth, new hires and the consolidation of acquisitions. Income increased by 15% to the level of EUR 10,324 million while expenses rose by 13% to EUR 6,315 million.

Fortis maintains a high level of net core capital of EUR 27.1 billion, which exceeds the threshold required by prudential standards by EUR 13.4 billion (i.e. 98%) and the threshold adopted by Fortis by 26%.

Key financial data:

All data in EUR million	2006	2005	2005/2006 change
Net profit (before divestments), including	**4,351**	**3,498**	**24%**
- banking	3,149	2,434	29%
- insurance	1,420	1,225	16%
- other	(218)	(161)	(36%)
Results on divestments	**-**	**443**	
Net profit	**4,351**	**3,941**	**10%**

Banking	2006	2005	2005/2006 change
Total income	10,324	8,991	15%
Total expenses	6,315	5,603	13%
Profit before taxation	3,851	3,179	21%

Net profit	**3,149**	**2,434**	**29%**
Result on divestment	-	-	
Net profit	**3,149**	**2,434**	**29%**

In 2006, following Fortis development strategy, Fortis Commercial Finance, a factoring company of Fortis Group, purchased a Polish company named “4 Faktor” Sp. z o.o. Furthermore, Fortis Bank SA/NV signed an agreement regarding the purchase of 100% shares in Dominet SA, the owner of Dominet Bank SA - a Polish retail bank that offers consumer credits. The transaction was finalised on March 21, 2007, once the permit issued by the Banking Supervision Commission had been received.

Fortis is well on track to compliance with New Capital Accord (Basel II) capital requirements. By choosing the most advanced approaches, i.e. AIRBA for credit risk and AMA for operational risk, Fortis shows its commitment towards a superior Risk Management. Fortis is confident it will achieve the maximum level of capital relief allowed by the regulators.

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

B. Fortis Private Investments Polska S.A.

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

- Management of third party’s securities portfolio on request,
- Accepting purchase or redemption orders for participation units in investment funds,
- Management of investment funds.

At the end of December 2006, assets under management of Fortis Private Investments Polska S.A. totalled nearly PLN 260 million as compared to almost PLN 432 million at the end of December 2005.

Fortis Private Investments Polska S.A. offer comprehensive solutions as regards investments in capital markets. Fortis Private Investments Polska S.A. (FPIP) offer share portfolios, debt securities portfolios and balanced portfolios. FPIP provide management of assets of Fortis FIO (open-end investment fund) umbrella fund launched on the Polish market in 2004 in cooperation with SKARBIEC TFI S.A. Fortis FIO is the first umbrella fund on the Polish market with separated sub-funds. The Fund comprises two sub-funds: Fortis share sub-fund and Fortis stable growth sub-fund. Fortis FIO also maintains Individual Pension Accounts, IKE Fortis FIO.

In connection with the Bank’s cooperation with FPIP to provide agency services of sale of financial instrument portfolio management, Fortis Bank Polska S.A. was registered by the Polish Securities and Exchange Commission as an investment company agent on February 21, 2006.

Fortis Private Investments Polska S.A. bought back Series R and S shares accounting for 82.94% of FPIP’s share capital from Fortis Bank Polska SA in order to redeem them at its own initiative. The decrease in share capital of the company from PLN 53,036,280 to PLN 9,048,000 resulting from redemption of own shares was registered in June 2006.

The description of transactions related to the banking services rendered to the affiliated entities is presented in Additional Notes (Sections 16.1 and 2.)

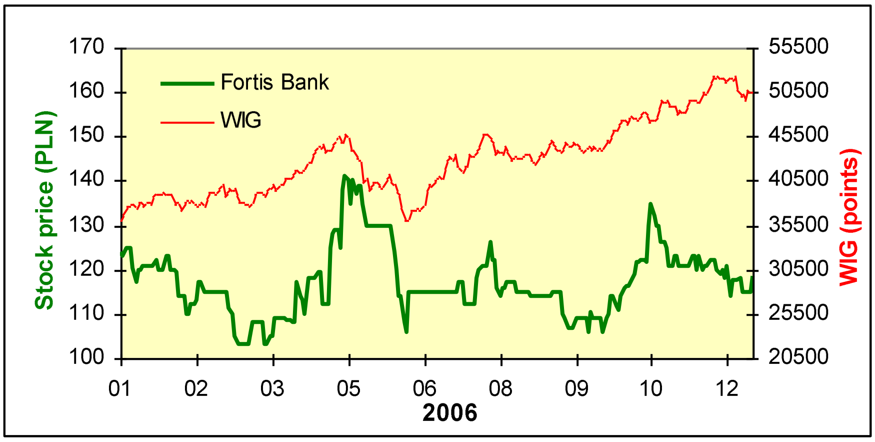
VII. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

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

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

At the first session in January 2006, the share price was PLN 124.00. The price of the Bank's shares dropped to PLN 118.70 as of December 31, 2006, i.e., by approx. 4.27%. In 2006, an average turnover in the Bank's shares was 56 shares per session in comparison to 47 shares per session in 2005.

Chart 8. Quotations of the Bank shares and the WIG index from January 1, 2006 until December 31, 2006



The WIG stock exchange index rose from 35,600.79 as at December 30, 2005 to 50,411.82 pts as at December 29, 2006 (change by 42%) and WIG-banks sector sub-index grew from 47,361.32 as at December 29, 2005 to 70,858.39 as at December 29, 2006 (change by 49.61%). Due to the marginal liquidity the Bank's shares are not classified to any of the indices.

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

Indices	December 31, 2006	December 31, 2005
EPS ratio	7.18	6.73
P/E ratio	16.53	18.42
BVPS ratio	52.9	45.88
P/BV ratio	2.24	2.70

The book value per share is PLN 52.96. For proper calculation, the share capital, reserve capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the net profit for the fiscal year were included in equity capital.

VIII. CORPORATE GOVERNANCE

Under §29 of the Warsaw Stock Exchange Regulations and Resolution No 44/1062/2004 of the Warsaw Stock Exchange Management of December 15, 2004, and Resolution No 445/2004 of the Warsaw Stock Exchange Board of Executives of December 15, 2004 the Bank's Board of Executives, in compliance with the intention of the Shareholders expressed at the General Shareholders Meeting on June 2, 2006 and in compliance with the will of the Supervisory Board, adopted the amended *Best Practices in Public Companies in 2005.* A statement of the Board of Executives on that was made public in current report no 8/2006 of June 3, 2006.

The Bank observes the majority of corporate governance rules defined in “The Best Practices in Public Companies” adopted by the Warsaw Stock Exchange. Only in the areas mentioned below, the following rules of ‘The Best Practices in Public Companies’ are not observed:

a. Under rule no. 20 letter b) detailed criteria of independence of the Supervisory Board members should be determined in the Company's Statute; in the case of the Bank, detailed criteria of independence of the Supervisory Board members are provided for in the Regulations of the Supervisory Board and not in the Company's Statute.
b. Rule no. 20 letter c) regarding adopting resolutions without the consent of the majority of independent Supervisory Board Members on the following issues: performances of any kind by the company and any entities associated with the company in favour of members of the Company's Management Board, consent to the execution by the Company or its subsidiary of a key agreement with an entity associated with the Company, member of the Supervisory Board or the Management Board, or with their associated entities, and appointment of a statutory auditor to audit the financial statements of the Company; the Bank does not use any such restrictions and independent members of the Supervisory Board vote on equal rights with other SB members.
c. Rule no. 42 regarding the change of the Company's statutory auditor at least once in five (5) years – in this respect, the Bank follows the rules binding in Fortis group, however it should be pointed out that last year the Bank did change the statutory auditor. Pursuant to the rules adopted in Fortis, statutory auditor of a company is changed at least once in seven (7) years. At least once in three (3) years, the Bank's Audit Committee makes an assessment of the statutory auditor's performance and recommends the choice of a statutory auditor for the subsequent period to the Supervisory Board.

In 2006 the Supervisory Board of Fortis Bank Polska S.A. decided to appoint the Audit Committee from among its members. The Committee is to assist the Supervisory Board in its tasks related to ensuring effectiveness of internal control systems at Fortis Bank Polska S.A and monitoring financial information reliability.

In 2006, Compliance department was introduced in the organisational structure of the Bank. One of the aims of its operating is to monitor compliance with corporate governance standards.

IX. DEVELOPMENT PROSPECTS FOR BUSINESS ACTIVITY

The strategy of Fortis Bank Polska (FBP) is undeniably interwoven with the overall strategy of Fortis group. This strategy is focussed on Business Lines. Whenever Poland presents an opportunity to develop the activity of an additional Business Line, such a decision will be prepared and proposed by FBP to the Business Line Management Committee. If accepted by the latter then implementation of the relevant business line will be a joint responsibility of the Management Board of FBP and the Business Line Management Committee.

Since the end of 2005 two new business lines became operational in the structures of Bank: Consumer Finance and Private Banking.

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

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

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

In accordance with the major strategies of Fortis group, FBP will target a yield of currently 12% return on required equity in a customer oriented manner, applying the corporate values of Fortis group (caring, innovative, straightforward and stable). In order to broaden its scope and/or to better and more profitably service its customers or specific markets for banking products, in agreement with Fortis group, it may acquire or establish other entities, for as long that they are incorporated and active in the Republic of Poland. Furthermore if no dedicated Fortis entities are present locally, while proven customer opportunities exist, co-operation agreements with other financial services providers and/or insurance companies may be entered into.

Thanks to the support of the Fortis group, both in financial and organizational terms, the Bank has acquired important customers, improved efficiency of lending procedures and different risk management and expanded the Bank’s activity on financial markets.

Starting with the establishment in 2005 of the Shared Services Center in Cracow, FBP broadens its cooperation with other financial institutions from Fortis group in terms of providing shared services to them, including clearing and other financial services. In 2006, the shared service center started to service Stockholm and Copenhagen outlets. For 2007, the shared service center expansion is planned; services will be rendered to Business Centers also in other countries.

Under an international Core Banking Retail Application (COBRA) project, in 2007 another shared services center is to be established in Krakow. It will be responsible for a design and development of an IT system shared by all Fortis companies active in retail banking.

The Bank will continue cooperation with Fortis Investments with regard to sales of services offered by foreign investment funds.

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

Axes of strategic development of Business lines:

1. Retail Banking Business line strategy

Overriding aim of RB is to raise market share by increasing organic growth in Personal Banking customer segment and small enterprises segment. The raise will be possible through development of credit offer for individual customers (concentration on mortgage loans), credit offer for small enterprises and through expansion of savings and investment products and credit card offers.

In the period from 2007 to 2010 RB Business line will be concentrating its activity in the following areas:

Development of distribution network (establishment of new branches, creating external agents network, cooperation with financial intermediaries);

Strengthening of position In Personal Ranking market by:

- Activity concentration in target segments (high net worth customers and independent occupation),
- Strengthening of position in mortgage loans market,
- Expansion of offer in savings and investment products segment,
- Expansion in credit card offer for Personal Banking;

Strengthening in Small Enterprises market by:

- Improving product offer to provide business customers with a complex package of banking services,
- Reorganisation of loan and operational processes related to business customer service;

Ensuring high quality customer service by building relationships and creating addend value for RB customers.

Opening of 10 new branches is planned for 2007.

2. Commercial Banking Business line strategy

CB at Fortis Bank group level wants to be the preferred banker of European oriented Medium Sized Enterprises, offering them value added solutions through a homogeneous Network of Business Centres in Europe. In terms of operational/functional aspects Fortis aims at becoming a high value added, low cost producer. Therefore emphasis is permanently put on back and mid office optimisation.

As far as credit activity is concerned, this is driven by a clearly described credit policy, aiming at reducing risk, avoid excessive plain vanilla lending and focussing on value added asset based lending.

3. Consumer Finance Business line strategy

Consumer Finance will focus on two products credit cards and low cash loans. The credit card will offer a unique solution of a photocard (with a possibility to place a photo chosen by the customer) and no need to open a bank account with FBP. Credit cards are offered through credit centers, direct marketing and co-branding campaigns. Cash loans distribution is done through credit centers.

In relation to Fortis Group’s acquisition of Dominet Bank S.A. Consumer Finance strategy within the Bank is being currently analysed and transfer of Consumer Finance business line to Dominet Bank is planned.

By granting the permission to acquire Dominet S.A., owner of Dominet Bank S.A. and Dominet Finanse S.A. by Fortis Bank S.A./N.V. Banking Supervision Commission has bonded the investor to join Dominet Bank S.A. with Fortis Bank Polska S.A. within the next four years. According to assumptions, there will be two separate banks operating in the close perspective within the Fortis group in Poland: Fortis Bank Polska S.A. and Dominet Bank S.A. At the same time clear definition of profile of both banks will lead to their faster and more effective development.Fortis Bank Polska SA will offer services to high net worth individual customers (Personal and Private Banking) and products for Polish and international businesses. Dominet Bank SA will specialise in consumer loans, car loans and credit cards for individual customers.

4. Private Ranking Business line strategy

The team of Private Banking is being built up based on experienced advisors. At the same time the product offer and a client portfolio of HNWI are developed. The Clients, apart from standard banking products, will be offered products and services tailored to their individual needs (negotiated tariff, client advisor dedicated to a client, broad range of investment and prestige products). Professional advisors are taking care of a portfolio of a limited number of customers, being their one entry point to the bank.

5. General strategy of Fortis Bank Polska S.A.

- Safeguarding customer's deposits and ensuring the bank's liquidity will at all times be paramount.
- The bank will aim to gather sufficient assets and deposits so as to fund its loan portfolio; it will enter into agreements with its shareholder as a means of supplementing such deposits that are necessary for funding its foreign currency assets.
- It will adapt its organisational structure so as to be compliant at any given moment with the Business line concept of Fortis group.
- The credit policy of the bank and guidance tools will continuously provide sales staff with guidelines on the risk level the bank is willing to accept for given groups of customers, or specific economic activity sectors. It will refrain from lending for non-ethical purposes and not accept lending to customers if their goals are not fully acceptable as such by the bank.
- It will strive to increase market share in all markets it is operating in, by organic growth or through mergers or acquisitions on the Polish market, for as long that the latter will maintain its core identity and the values it is standing for.
- It will not enter into any equity, which is outside of the scope of banking.

In 2007, Fortis intends to start insurance activity in Poland.

Since July 2005, through its shared service centre (The Payment Shared Service Group), Fortis Bank Polska SA has been providing clearing services for foreign outlets of Fortis Bank SA/NV in Europe. For 2007, the shared service center expansion is planned; services will be rendered to Business Centers also in other countries.

A particular attention of the Bank's Management Board is currently given to work on implementing the requirements set out in the New Basle Capital Accord and preparation to implement requirements of European Parliament and European Council Directive 2004/39/WE dated April 21, 2004 relating to financial instrument markets – Markets in Financial Instruments Directive.

X. ORGANIZATIONAL STRUCTURE

A. Bank authorities

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

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

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

- Risk and Assets and Liabilities Management Committee (Risk and ALM Committee)
- Credit Committee
- Problem Assets Committee

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

In January 2006 Assets and Liabilities Committee (ALCO) was converted to Risk and Assets and Liabilities Management Committee (Risk and ALM Committee). Risk and ALM Committee is an authority the manages main risks of the Bank, i.e. strategic aspects of credit risk, market, risk, operational risk, asset and liability management, liquidity risk. The Committee has obtained extended decision-making authorisation and it can appoint committees supporting its operation and delegate its authority to these committees. The scope of its operation and competences was defined by the Board of Executives.

B. Business lines and sales outlets

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

a) **Retail Banking** (*RB*) **business line** – provides service through a network of branches and personal banking sub-branches. RB BL services three customer segments: small enterprises of the annual turnover up to PLN 25 million, Personal Banking customers (affluent individual customers) and other individual customers. Since 2005, an external sales network has been developed within the RB business line.

b) **Commercial Banking** (*CB*) **business line -** provides services through the network of Business Centers, targeting medium corporate customers with the annual turnover over PLN 25 million. The CB BL focuses also on companies that are part of international capital groups, irrespective of their annual turnover.

c) **Global Markets** (*GMK*) **business line** operates within the organizational structure of the Treasury Department. The GMK BL offers financial market products to customers of the other business lines. The GMK BL is also responsible for relations with other banks and financial institutions likewise the management of the Bank's liquidity.

d) **Consumer Finance** (CF) **sub-business line –** specialised in providing services to individual customers, offering such products as credit cards and low cash loans. The Consumer Finance sub-business line operates within the organizational structure of the Bank's Head Office and credit centers that constitute a network of branches separated for consumer loans and credits. In 2006, first credit centers were opened.

e) **Private Banking Business Line -** offers professional, comprehensive services to High Net Worth Individuals (HNWI). Currently this division operates within the organizational structure of the Private Banking Department.

As at December 31, 2006, the Bank conducted operations through the following units:

a) **25 full-service branches** (4 branches in Warsaw, 3 branches in Kraków, 1 branch in Bielsko-Biała, Bydoszcz, Częstochowa, Gdańsk, Gdynia, Gliwice, Katowice, Kielce, Lublin, Łódź, Olsztyn, Opole, Poznań, Rzeszów, Szczecin, Toruń, Wrocław, Zakopane each),

b) At first, the branches opened in 2005 in Olsztyn, Opole and Toruń provided banking services in respect of granting investment loans for small enterprises, accumulating assets of the Personal Banking segment customers, selling mortgage loans and daily banking through electronic channels. In 2006 they were transformed into full-service branches according to the new branch model.

c) **1 sub-branch** – in July 2006, a sub-branch of Fortis Bank Polska SA Branch in Zakopane was opened in Nowy Targ.

d) **4 credit centers** of Consumer Finance – 2 in Warsaw, 2 in Gdańsk and 1 in Gdynia.

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

f) **8 Business Centers (BC)** for the maintenance of mid-sized and large companies in Warsaw, Krakow, Gdansk, Gliwice, Poznań, Wroclaw. In 2006, new business centers were opened in Rzeszów and in Łódź, the latter separated from the BC in Warsaw.

At the beginning of 2007, new branches in Warsaw, Łódź, Szczecin and Poznań were opened.

The Bank's organization chart as at January 1, 2007 is attached to this Report.

XI. SUPERVISORY BOARD, BOARD OF EXECUTIVES AND EMPLOYEES

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

Board of Executives:

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

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

In 2006, there were no changes in the composition of the Board of Executives.

Supervisory Board

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

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

In connection with the submitted resignations by Mr. Paul Dor, Deputy Chairman of the Supervisory Board and Mr. Roland Saintrond, a Member of the Supervisory Board, the Annual General Meeting of Fortis Bank Polska S.A. recalled them as at June 2, 2006 (Resolution of AGM no. 15/2006 of June 2, 2006). The members of the Supervisory Board appointed Mr. Werner Claes as the Deputy Chairman of the Supervisory Board (Resolution of the Supervisory Board no. 15/2006 of June 2, 2006).

2. Rules of appointment and recalling members of the Board of Executives and the scope of their authority

Members of the Board of Executives (BoE) of Fortis Bank Polska S.A. are appointed and recalled in compliance with the provisions of the Code of Commercial Companies and Partnerships, Banking Law Act and the Statute of Fortis Bank Polska S.A. The BoE is composed of between three to eight Members, including the President of the BoE, one or more Vice-Presidents of the BoE and other Members of the BoE in the number specified by the Supervisory Board. Members of the BoE are appointed for the period of joint five-year tenure by the Supervisory Board. The appointment of two BoE Members, including the President of the BoE, becomes effective subject to the approval of the Banking Supervision Commission granted at the motion of the Supervisory Board.

The BoE manages the Bank's operational activity and represents the Bank before external parties. The scope of tasks of the BoE includes primarily all the issues that are not reserved for the competence of other bodies of the Bank. The BoE takes decisions by way of resolutions regarding the assumption of liabilities or disposal of assets, the total amount of which in relation to one entity exceeds 5% of the Bank's equity. The BoE can delegate specific issues that belong to the scope of the BoE competence to specific BoE Members or the Bank employees. Decisions on the assumption of liabilities or disposal of assets whose total value in relation to one entity exceeds 5% of the Bank's equity, can be taken by committees of the Bank or designated people acting under the BoE resolution that defines the scope of such an authorization and the decision-taking manner.

Individual Members of the BoE have no specific authority to take decisions on share issue or redemption.

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

The remuneration and the values of benefits obtained by the members of the Board of Executives, the Supervisory Board and by proxies of Fortis Bank Polska S.A. are specified in the table below:

Remuneration	1.01.2006-31.12.2006 PLN thousand	1.01.2005 - 31.12.2005 PLN thousand
Board of Executives (*)	5,302	4,855
Supervisory Board (**)	452	391,5
Proxies	3,556	3,071

Three members of the Board of Executives of Fortis Bank Polska S.A. that are at the same time members of Supervisory Board of Fortis Private Investments Polska S.A. (Jan Bujak, Alexander Paklons and Bartosz Chytła) did not receive remuneration for this, either in 2005 or in 2006.

Detailed information on the remuneration of the BoE and SuB Members is given in Section 25 of the Additional Notes.

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

As at December 31, 2006, none of the Board of Executives Members held any shares issued by Fortis Bank Polska S.A., or any related financial instruments, or interest in any affiliated entities.

Mr. Antoni Potocki, Deputy Chairman of the Supervisory Board held 5 shares of the Bank as at December 31, 2006. On March 8, 2007, the above shares were sold in a transaction made on the WSE.

Other Supervisory Board Members held no shares of the Bank or rights to shares as at December 31, 2006.

5. Employees

The number of people employed was 1,017 FTEs (full time equivalents) as at the end of December 2005. Over the next 12 months the employment increased by 393 FTEs to 1,410 FTEs at the end of December 2006.
The majority of the employees, i.e. 61%, were university graduates.

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

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

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

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

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

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

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