

2006 REPORT OF THE SUPERVISORY BOARD



Assessment of the Bank's developments in 2006

The Supervisory Board has the pleasure to report that Fortis Bank Polska SA (FBP), has closed the year 2006 with very good results. Following its development strategy, the Bank significantly increased the balance sheet and the profitability of the Bank was excellent.

Last year the Bank invested heavily in further development, starting up new business activities and developing the distribution network. The Bank hired over 400 people, increasing the number of FTEs by 39%, up to 1410 employees.

The highlights of the Bank's 2006 performance are:

- Net Profit in 2006 went up by 7% y/y to PLN 108 mio. This was achieved in spite of major investments made. The gross profit increased by 7.6% up to almost PLN 132 million.
- In 2006, the Bank's total assets grew by PLN 4 billion or 64%. As compared to December 2005, the Bank recorded a 64% growth of net credit portfolio.
- Increase of current account balances by 39% and term deposit balances by 42% versus the balances as at December 31, 2005.
- PLN Mortgage loans' balance reached PLN 1.5 billion, which means an increase of 150 % over the year.
- Total off-balance exposures increased in 2006 compared with 2005 by PLN 24,167 million i.e. 167%. The highest increase was observed in derivative instruments from PLN 5,180 million as at December 31, 2005 up to PLN 28,791 million i.e. 484%.
- At the same time it was a subsequent year in a row when the share of non-performing loans in the Bank's loan portfolio was on the decrease from 5.8% at the end of December 2005 to 3.2% as at the end of December 2006. Thanks to the improving quality of loans portfolio the provisions were 10% smaller than last year, despite impressive growth of credit balance. The level of provisions was at the level of last year.
- Good gross income performance. Net interest income amounting to PLN 208 million was

higher than in December 2005 by PLN 43 million, i.e. by 26%. Commission and fee result increased by almost 15% which resulted mainly from non-credit commissions. Good FX performance was mainly due to foreign trade development and lending in FC. FX income reached PLN 104 million and was higher by 39.7% as compared to December 2005.

- The result on banking activity amounting to PLN 408 million was higher by 26.3% compared to 2005.
- Total operating expenses in 2006 went up to PLN 234 million, i.e. by 46% y/y following the growth of the business, development of the distribution network and investments in the new activities (mainly consumer finance). The increase of staff cost was a result of hiring, intensified trainings, provision for bonus accrual created in a higher amount (by PLN 6,6 million as compared to December 2005 YTD), reserves for retirement fund and anniversary awards (created due to IAS requirements) (of PLN 1.9 million). Additionally PLN 1 million donation to Fortis Foundation was granted.
- Furthermore, in 2006 the Bank created a general risk reserve of PLN 11.9 million as compared to PLN 8.9 million in 2005.
- ROE dropped from 17.51% as at December 31, 2005 to 16.3% at December 31, 2006, mainly in result of increased expenditures related to dynamic growth of the Bank's operations.
- Cost/income ratio increased to 62,4% due to significant investments but still reveals the tight grip on costs.
- Book value per share rose by 15% from PLN 45.88 as at December 31, 2005 to PLN 52.96 as at December 31, 2006.
- The Bank's capital adequacy ratio of 8.47% at year end 2006 still didn't include the increase of equity by nearly 200 million through a new share issue, which has only been registered in January 2007.

The stable economic growth had a very positive impact on the investment activity of the Bank's customers. The following external factors influenced the performance of banks in 2006.

- GDP reached 5.7% in 2006 in comparison with 3.2% in previous year, fuelled mainly by an expansion of investment activity (up 16.7%) and consumption (up 5.2%). The prognosis for the year 2007 is optimistic 5-6%.
- Polish zloty has strengthened in relation to EUR by almost 1% y/y, while in relation to USD – by 11% y/y. The level of unemployment fell from 17,6% in 2005 to 14.2% in the end of last year.
- The Monetary Policy Council continued the process of decreasing the cost of money commenced in the year before. In the first quarter 2006 the NBP reference rate dropped to 4,00%. The inflation, through the most of the year 2006 remained below the inflation target (2.5% +/- 1p.p) of Monetary Policy Council, which resulted in no further changes to NBP interest rates during the subsequent three quarters of the year. The CPI was at 1.4% y/y in December 2006 and the forecast for the year 2007 is 2%.
- The NBP interest rate cuts affected both the average interest rate of banking deposits (down to 3.05% as at 12.2006 (or by 37 basis points as compared to Dec. 2005) and the average interest rate of loans, which decreased to 7.17% (or by 47 basis points in comparison to Dec. 2005). In result over last year the spread between interest rates of loans and deposits became slightly narrower (by 10 basis points).
- Deposits in the banking sector showed a marked improvement both on the corporate and the household side – reflecting good financial results of companies and growing disposable income of consumers. However 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 visibly higher than the year before. The highest growth was recorded in the case of loans for the purchase of real estate. Growth of consumer loans accelerated as well. Higher dynamics of investments was accompanied by the growing demand for loans in the enterprise sector.

- In 2006 the Commission for Banking Supervision imposed Recommendation S intended to restrict the expansion of the currency loans and improve risk mitigating measures at banks, which resulted in a slow-down of foreign currency loans and acceleration of PLN-denominated loans mainly earmarked for the purchase of real estate.
- The banks in Poland continue an active loan policy aimed at particular client groups.

Fortis Bank Polska competed with success with other banks on the market. Market share in loans increased last year from 1.45% in 2003 to 2.21% in 2006 (in outstanding balance). 41% of the portfolio is in foreign currency. FBP credit portfolio is growing three times faster than the market; compound annual growth rate (CAGR) (2003 – 2006) of FBP was 31% compared to 13% average in the banking sector. In deposits CAGR (2003-2006) of the banking sector was 9% compared to 24% for FBP. The market share increased from 0.92% in 2004 to 1.27% in 2006. 29% of deposits is in FC. There was a decrease of deposits of individual clients accompanied by a shift from deposits to asset gathering products. The Bank noted an increase of SME deposits (+54%) and 96% in deposits of Commercial Banking customers.

The Board highly appreciates the efforts of both the Bank's Board of Executives and employees to implement the new growth strategy announced by Fortis. As in the year 2005, emphasis was put on increasing the Bank's customer base and market share. At the same time more risk mitigating measures were implemented. The whole team managed not only to meet the challenge of the dynamically growing bank but also no major incidents occurred.

The Board monitored developments in the results and operation of the business lines, which have focused on developing new growth strategy, introducing new products and growing the customer base. Especially business lines Retail Banking, Commercial Banking and Global Markets contributed to the excellent results of the Bank.

- In 2006 Retail Banking business line focused on development of distribution network, improving competencies in areas of operation and in new markets. The focus was laid on targeted segments of on one hand small and medium enterprises and on the other hand their owners and management staff. A new branch model was worked out focused on sales. It was applied for the first time in 3 existing points of sale converted according to the model assumptions and also investments in 4 new branches has been completed.
- In mid 2006 the offer for small companies was changed by introduction of four new service packages: Connect, Class Premium and Premium FX each earmarked for entrepreneurs of different needs, the distinction criterion being the annual turnover.
- The Bank continued the promotion of mortgage loans for private individuals achieving very good sales results, thanks also to cooperation with renowned financial intermediaries. At the same time the Bank developed its offering of commercial mortgage loans.

- The Bank developed the investment products offer, organized further subscriptions for Fortis L foreign investment funds and USD Luxemburg fund (Fortis L-Fix equity 6) managed by Fortis Private Investments.
- The Bank further developed its range of services addressed to high-net-worth customers by offering comprehensive asset management services to the private banking segment.
- The Bank entered a new market of Consumer Finance (mass retail banking segment) with credit cards and cash loans for individuals. This new activity was under special attention of the Supervisory Board, which welcomed the decision of Fortis to expand by acquisition and filled the application to the Banking Supervisory Commission for the approval of the takeover of Dominet. The transaction was finalized in March 2007. Fortis Bank Polska management is working with Fortis Consumer Finance and people from Dominet on transfer of Consumer Finance activity to Dominet Bank as well on finding some synergies and solving HR issues.
- Commercial Banking reached excellent results in terms of gross profit and volumes. Two new locations in Rzeszów and Łódź were added to the network of business centers. In line with its strategy, CB focused on further development of specialized services, such as leasing, international trade finance services and factoring. In co-operation with the business line Global Markets new derivative products were offered to the customers. Building on the experience of the Fortis Group in the world energy markets, the Bank – as the first bank in Poland – started to trade the CO2 emission certificates. The Treasury Department intermediated in the transactions of purchase by companies of certificates to emit 50 thousand tons of CO2. Its comprehensive offer in emission trading comprises: assistance in finding a contractor, advisory on carrying out transactions and offering market analyses with regard to these instruments.
- The shared service center established in Krakow by Commercial Banking Fortis back in 2005 to provide clearing services for newly opened business centers in Budapest, Prague and Vienna has extended its operation by signing new agreements with Fortis Bank SA/NV branches in Denmark and Sweden.
- During 2006, the Global Markets Business Line (GMK BL), performed well, especially in money market transactions and sales of options, thanks also to the strengthening of customer desk and good cooperation with the CB and RB business lines. GMK worked on intensifying contacts with customers, introduction of new products in synergy with other business lines, improvement of inter-bank activity, improvement in reporting on sales and risk monitoring.

The Bank's financial statements for 2005 were approved at the Annual General Meeting of Shareholders (AGM) on June 2, 2006. The AGM confirmed the discharge of duties of both the Board of Executives and the Supervisory Board members.

The shareholders resolved to allocate entire 2005 net profit which amounted to PLN 101.5 million partly (PLN 41.5 million) for the general risk fund and remaining part (PLN 60 million) for reserve capital. Additionally, the AGM decided to cover the negative financial effects of the changes in the accounting principles, allocating for this purpose the relevant part of the Bank's additional capital. This included: PLN 2.7 million arising from the implementation of a principle of linear provision accrual implementation effect and PLN 7.5 million arising from the implementation of an effective interest rate (EIR).

The Bank's articles of association were amended, to clarify that intermediation in providing financial services in favour of other entities and tasks being the subject of the Bank's activity, can be performed in favour of both domestic and foreign banks and also provide the Bank with

an option to maintain comprehensive cooperation with banking entities, in particular the ones that belong to Fortis Group, as regards the provision of services auxiliary to financial services, such as data processing in electronic systems, execution of banking transactions, provision and maintenance of IT infrastructure necessary for offering basic activity services to those entities.

As recommended by the Supervisory Board positive developments in application of corporate governance standards were confirmed by the following decisions of the AGM:

- adopting of updated corporate governance standards imposed by the Warsaw Stock Exchange, Best Practices in Public Companies 2005.
- amending the Regulations of the Supervisory Board to introduce provisions defining competencies of the Audit and Compensation Committees.

The Supervisory Board confirms that in 2006 no breach of the adopted corporate governance standards was reported at Fortis Bank Polska.

The Supervisory Board supported the Board of Executives' motion to increase the Bank' share capital from the company's own funds by an increase in par value of shares from PLN 2 to PLN 30. It required that the Annual General Meeting also considered the allocation of the undistributed profit from previous years to the additional capital and movement of the part of the general risk fund to the reserve capital to gather the necessary amounts to increase the share capital from the additional capital and reserve capital.

In order to support the extensive growth of the Bank's operations the decision was taken to increase the Bank's equity by issuance of new shares. The transaction was concluded in December and the Bank received from Fortis Bank SA/NV total proceeds from the new Series K share issue amounting to PLN 199,999,988 (EUR 52.2 mio).

In order to finance the Bank's current activity, in 2006 the Bank has drawn on a new credit line amounting to EUR 300 million from Fortis bank (Nederland) NV. Then in January 2007 the Bank signed next credit agreement with Fortis NL to draw up to PLN 1,300 million (also in FC), which will help to manage the liquidity position of the Bank.

In 2006 major developments in internal risk management system were continued under a close supervision of the Supervisory Board, including:

- Follow up on recommendations issued by the General Inspectorate of Banking Supervision after the comprehensive audit of the Bank, performed in 2005, focused on introduction of procedures and tools to enable effective credit risk management related to real estate financing, in particular ongoing monitoring of credit collateral values. At the same time the Bank initiated the process of implementing all requirements under Recommendation S to be completed by mid-2007.
- Transforming the Asset & Liabilities Mgt. Committee into Risk and Asset & Liabilities Management Committee, which now is responsible not only for liquidity, market and ALM risk management but also plays a vital role as regards management of strategic aspects of credit risk and operational risk.
- Creating a Country Risk Committee with the task to coordinate risk management issues and enhance exchange of experience among Fortis entities present in Poland.

- Introduction of the new Strategy and Policy for Operational Risk Management, which means taking up the challenge of implementing new operational risk management system compliant with the Advanced Measurement Approach stipulated in NCA and reflected in the related EU Directives as well as the objective to meet the operational risk management requirements set out in Recommendation M by the Polish Commission for Banking Supervision.
- Completed preparations to fully implement the International Financial Reporting Standards (IFRS) and adopted IFRS for FBP stand-alone financial statements effective January 1, 2007.
- Taking active part in projects under Fortis Group preparations to adjust to requirements of the New Basle Capital Accord (Basel 2), in particular aimed at implementation of credit risk assessment methods to establish the required regulatory capital.
- Development of a new policy for credit risk management approved in December 2006.

The Supervisory Board closely monitors the performance of Fortis Private Investments Polska (previously Fortis Securities Polska SA), the Bank's subsidiary. At the end of 2006, assets under management of Fortis Securities Polska S.A. totaled PLN 260 million as compared to almost PLN 432 million at the end of December 2005. In 2006 FPIP has intensified its offering of portfolio management services in cooperation with new agents and acquired new customers. Under the new name FPIP pursued its new strategy, developing the offer for affluent individual clients in cooperation with Private Banking Business Line of Fortis.

Changes in the ownership and capital structure

In 2006 no changes occurred in the shareholder structure.

Since 2001 the main investor Fortis Bank SA/NV seated in Brussels, which then acquired all Series J shares, owns 99.10% of Fortis Bank Polska SA share capital. Last year Fortis Bank SA/NV submitted an application to the Banking Supervision Commission for issuing a permission to exceed 75% voting rights at the Annual General Meeting of Shareholders of the Bank. The positive decision from BSC was received on March 7, 2007.

The Annual General Meeting, 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 by PLN 28 i.e. to PLN 30.00. This increase of share capital was formally registered on September 4, 2006.

As of December 31, 2006, the equity of Fortis Bank Polska SA amounted to PLN 798,542 thousand, which is by 15.4% more as compared to PLN 691,785 thousand as at December 31, 2005.

The capital adequacy ratio was 8.47% at the end of December 2006, compared to 11.11% at the end of December 2005.

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, the Bank's subsidiary and PLN 23,664 thousand representing 100% of net intangible fixed assets.

The Bank meets the National Bank of Poland (NBP) requirements with regard to the value of equity needed to ensure the safety of the banking system and the limits of acceptable exposure. However the dynamic growth of the balance sheet requires close monitoring of the liquidity issue and further capital injections.

The Extraordinary General Meeting of November 26, 2006 resolved to increase the Bank's share capital by a new issue of shares with the exclusion of pre-emptive rights. The issue of 1,693,480 new shares was carried out in the form of private placement subscribed for by Fortis Bank SA/NV at the price PLN 118,10 per share. As a result of the Series K share issue, the Bank's equity increased by nearly 200 million. The capital increase was registered at the National Court Register on January 2, 2007, so starting from January it is included in the Bank's own funds.

Upon the registration of the capital increase Fortis Bank SA/NV increased its holdings to 99,19% of the total equity of Fortis Bank Polska and, having received the permit from the Banking Supervisory Commission to exercise over 75% voting rights at the General Meeting of the Bank can now vote with all its shares.

Changes in composition of the Supervisory Board

Effective June 2, 2006, two members of the Supervisory Board of the Bank: resigned: Mr. Roland Saintrond and Mr. Paul Dor.

To replace Mr. Paul Dor, the Supervisory Board appointed Mr. Werner Claes as the Deputy Chairman.

Since June 3, 2006 until the end of the year the Supervisory Board operated in the following composition:

Jos Clijsters	Chairman
Werner Claes	Deputy Chairman
Antoni Potocki	Deputy Chairman
Zbigniew Dresler	Member of the Supervisory Board
Didier Giblet	Member of the Supervisory Board
Bernard Levie	Member of the Supervisory Board
Thierry Schuman	Member of the Supervisory Board

Peter Ullmann

Member of the Supervisory Board

Review of 2006 meetings

In the year under review, the Supervisory Board met on 6 occasions and adopted 21 resolutions.

Recurring issues discussed at the meetings included financial performance of the Bank and results by business lines, review of annual accounts, setting up future financial and business goals of the Bank in Poland and credit policy issues. The Board was briefed on developments in economic situation in Poland.

The Board was presented with strategies of particular business lines, including a follow-up on Retail Banking SE Strategy implementation, presentation on new Personal Banking strategy, developments in Global Markets, strategies for development of new activities in Consumer Finance and Private Banking.

The Board reviewed the proposed agenda and draft resolutions for the Annual General Meeting, including those regarding profit distribution, amendments in the Statutes, changes in the Regulations of the Supervisory Board, its composition and remuneration of the board members. The Board issued a positive recommendation as regards the Board of Executives activity in 2005.

The Board closely monitored the progress of two important projects, i.e. implementation of the International Financial Reporting Standards and compliance with requirements set out in the New Basle Capital Accord.

The Board of Executives reported on the changes of the Bank's organizational structure, HR management and business development.

Major organizational changes were reported to the Supervisory Board.

The Board actively participated in the discussion on HR development and actions required to increase the motivation of staff and to reduce turnover. In order to meet very ambitious financial targets stemming from the Fortis and FBP growth strategy the staffing of business lines and support functions was reinforced. The Bank hired ca. 400 people gross in 2006, practically in all major areas of the Bank's activity. To ensure the quality of staff, the Board of Executives developed a coherent HR strategy focused on training programs, facilitation of adaptation of new staff and improved HR management. The new bonus system consistent with Fortis group standards will be implemented for all employees effective 2007.

The Supervisory Board supported implementation of an action plan following the results of the Fortis wide Employee Motivation Survey. To increase opportunities for personal development and attention to the employee needs a lot was done to enhance availability and effectiveness of trainings, including increasing training budget, adjusting internal training programs, introduction of a number of e-learning courses and High Potentials and Graduate Programs. Actions were

taken in the field of development of leadership and managing skills, including Harvard Academy for the managerial staff and FBP management participation in Fortis Leadership Programme.

Further topics of discussion were internal control systems, business risks, and risk management. The following issues became the major attention points for the Bank's management:

- The change in credit policy to improve monitoring the risk of foreign currency lending and implementation of required risk mitigating measures in compliance with Recommendation S of the Polish regulator.
- The fast growth of the Bank must be supported by opening new locations, entering new markets, introducing new products, running projects related to risk management. It is a major challenge for the management to keep the booming business development under control. The Bank's management has taken actions to improve the risk control functions; Risk, Audit and Compliance were reinforced. Some tough decisions had to be made on limiting/postponing some initiatives for example to limit opening new locations. The situation where in some units newly hired staff constitutes the majority, requires increased control measures, for example to formalize some processes which were not so formalized before.
- Implementation of new strategies and policies for operational risk, liquidity risk and credit risk management aimed at strengthening risk management structures in line with Fortis group standards and meeting the requirements of the regulator.
- The assessment of the situation in Credits leading to the conclusion that reengineering of the credit process is required in order to continue growth and prepare for challenges of the next years. In CB the focus should be on the training and coaching and in RB on the reengineering aiming at standardization (but leaving room for flexibility).
- Finding a sustainable solution to the liquidity issue in order to secure funding for the ambitious growth plans.

The Board regularly reviewed the reporting on evolution of the credit portfolio and borrowers with total exposures in excess of 10% of the Bank's equity.

The Board reviewed the performance of other Fortis entities present in Poland, including Fortis Lease Polska and Fortis Private Investments Polska (former Fortis Securities Polska).

The above issues were the basis for the Supervisory Board adopting a number of resolutions and recommendations for the Board of Executives. Some of the most important resolutions adopted by the Bank Supervisory Board during the year under review are:

- Approval of the budget for 2006 and financial target 2007-2010.
- Approval of the new FBP policies and strategies for operational risk management,
- Approval of the amended FBP policies and strategies for liquidity risk management,
- Establishing the Audit Committee within the Supervisory Board of Fortis Bank Polska to assist the Board in fulfilling its task of monitoring the integrity of financial information and ensuring the effectiveness of the Bank's internal audit function.
- Approval of Board of Executives and the Supervisory Board reports for 2005.

- Recommending a motion regarding distribution of net profit for 2005 to allocated fully to an increase the Bank's own funds,
- Recommendation on the revised statement on compliance to corporate governance standards and amendment to the Supervisory Board Regulations,
- Recommending to increase the compensation of Supervisory Board members due to their additional tasks as members of new committees.
- Recommendations on Statute amendments and confirming the unified texts of the Statute authorized by the June 2nd Annual Shareholders Meeting and the Extraordinary General Meeting of November 26th.
- Changes in the terms and conditions of the employment contracts for the Board of Executives members.
- Approval of amended Regulations regarding credit decision making.
- Taking a decision on the change of the Bank's certified external Auditor and selection of KPMG Audyt Sp. z o.o. as the Bank's external auditor that will carry out the audit of the Bank's financial statements for 2006 and 2007 and review the Bank's semi-annual financial statements in 2007 and 2008.
- Approval of new Policy for Credit Risk Management at Fortis Bank Polska SA .

The remuneration adjustments and bonus payments for the Board of Executives members were considered and decided on by the Compensation Committee of the Supervisory Board, which signed 9 decisions in 2006.

Audit Committee

In 2006 the Supervisory Board established an Audit Committee, in line with recommendations of the local regulator (GINB) and the CBFA, as well as in line with the corporate governance standards applied in Fortis group and Best Practices in Public Companies in 2005 imposed by the Warsaw Stock Exchange.

The principal responsibilities of the Audit Committee (AC) are to take care of co-ordination of external auditor's and internal auditors' activity and monitor the quality of internal controls in general. In order to fulfill its responsibilities of: i) assessing the processes related to the company' risks and control environment, ii) overseeing financial reporting process and iii) evaluating the internal and external audit processes, AC cooperates closely with Internal Audit function.

Meetings of the Audit Committee are to be held at least four (4) times a year, usually prior to each scheduled Supervisory Board meeting.

AC recommendations and opinions are presented to the Supervisory Board by the Committee Chairman. Additionally the AC should submit an annual report of its activity to the Supervisory Board.

Pursuant to the adopted Regulations of the Audit Committee the Supervisory Board appointed the following board members to the Audit Committee:

1. Peter Ullmann as Chairman of the Committee
2. Zbigniew Dresler
3. Didier Giblet
4. Antoni Potocki

The FBP Audit Committee held 5 meetings in 2006 and discussed the following issues:

- Defining the modus operandi and standard agenda items and Activity Plan for 2006.
- Reports on the activity of Audit Department presented by the Head of Audit and reports from the Risk & ALM Committee on risks overview presented by the Chief Risk Officer.
- Review of financial statements together with the opinion of the Expert Auditor twice a year, i.e. including the semi-annual report and annual report, and presenting its opinion to the Supervisory Board thereof.
- Review of the Control & Risk Self Assessment report and Action Plan prepared in accordance with Fortis procedure and signed by the FBP Management Team members.
- Information on co-operation with the statutory auditor and issuing opinion on the selection of the auditor for the next reporting period.
- Review of the Agenda and draft resolutions for the General Assembly and amended corporate documents to be submitted to the shareholders.
- Review of the Fortis Audit Services Poland Management Letter.
- Review of reports on execution of the FBP Compliance Action Plan and the Annual Compliance Report.

Prospects

According to the new development strategy for 2005-2009 announced in February 2005, Fortis focuses on profitable growth, i.e. to grow further in its home markets, focus on the enlarged (by new EU countries) Europe and selectively grow in Asia and North America. Acquisitions are considered to accelerate the organic growth and penetrate new markets.

The growth will be measured by:

- The compound annual growth rate (CAGR) of the net profit per share of at least 15%, which leads to a commitment to achieve a 12% CAGR (2006-11) based on the 2006 cycle-neutral profit base of EUR 3.8 billion.
- Return on equity (ROE) of 18.5% and risk-adjusted return on risk-adjusted capital (RARORAC) of 18.5%.
- Average operating leverage (expenses' growth rate to income growth rate) of at least 250 basis points.
- 30% of net profit coming from outside Benelux by 2009. In the years 2004-2006, the net

profit increased from EUR 0.4 billion (15% of the total) up to EUR 0.9 billion (21% of the total net profit).

- Cash dividend at least stable or growing in line with long-term EPS growth.
- New capital model introduced: clear targets set at level of Retail Banking, Merchant Banking and Insurance.
- Minimum capital requirements, supervisory analysis and market discipline standards compliant with the New Capital Accord (Basel II).

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

In line with the overall strategy of Fortis group, Fortis Bank Polska is set to

- To systematically increase profitability and achieve the Growth of Gross Income of 15% per annum and continue measures to decrease the cost-income ratio.
- Increase of the share of the financial services market that the Bank is present at.
- Smoothly complete integration with Dominet Bank and maintain cooperation with other Fortis companies in Poland.
- Implement Fortis organization culture based on Fortiomas.

The Bank has not published financial forecasts for 2006. The Supervisory and Executive Boards pursue this policy and do not make any financial forecasts public for 2007.

The liquidity issue requires constant monitoring and finding a long term solution, given that even with the new capital and provided keeping the 2006 profit, considering the current pace of growth the capacity in deposits will never be enough to assure enough funding and the solvency ratio at year end 2007 will again be at a level requiring next capital injection. A subsequent increase of equity or/and a subordinated debt will be analyzed.

In 2007 FBP intends to broaden its cooperation with other financial institutions from Fortis group in terms of providing shared services to them, including clearing and other financial services. 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 business line Commercial Banking targets medium-sized and corporate customers, with focus on internationally active customers, offering its products through a cohesive network of business centers supported by professionals providing specialist financial products. Its strategy assumes offering solutions and further developing the specialised services, such as cash management, leasing, international trade finance and offering financial market products (money market transactions and derivatives) to the Bank's clients in co-operation with the Global Markets business line.

Retail Banking BL will strive to increase its market share through organic growth targeting the Personal Banking segment and small enterprises. The objective will be attained by development of a credit offering for private individuals (focus on mortgage loans), likewise through the developed offering of savings and investment products and credit cards and credit offering for enterprises. In the years 2007 - 2011, the activities of RB BL will be focused on the following areas:

- Development of a distribution network (opening 10 new branches in 2007, development of an external agents sales network for mortgage loans, co-operation with financial intermediaries).
- Strengthening its position in the target segments
- improvement of the product offering to provide a comprehensive package of banking service to SME segment companies,
- reorganization of credit and operational processes for SME segment companies.
- Providing high quality client services through building relations and creating value for RB Clients.

The Private Banking business line will be further develop by focusing its offering on high-net-worth individuals. In particular the Private Banking will address its offering to entrepreneurs representing liberal professions, company owners likewise foundations and associations. The offering will include such products and services as: assets management (through Fortis Private Investments Polska SA), domestic and foreign investment funds, package of banking services based on Private Banking Account, mortgage loans, custody services and lombard loans.

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 derivative instruments. The development of the Global Markets BL is based on a customer driven strategy. The Bank intends to expand its offer of derivatives further.

Having received the permission from the Commission for Banking Supervision (KNB), on March 21st 2007 Fortis SA/NV concluded the transaction to acquire the shares of Dominet S.A. – the owner of Dominet Bank S.A.. The integration of Dominet Bank into Fortis Group is in progress. Consumer Finance activity at FBP will be transferred to Dominet Bank. The Bank will continue to work on the merger with Dominet Bank, to be finalized by 2011 the latest.

In the negotiation process with KNB Fortis agreed on several commitments, which include:

- To conclude the merger of Dominet Bank and Fortis Bank Polska within 4 coming years.
- To maintain the shares of Fortis Bank Polska in stock exchange trading until 2017. To increase the liquidity of the bank's shares listed on the Warsaw Stock Exchange to 10-15% by March 2009.
- To adjust the composition of Management and Supervisory Boards of Fortis Bank Polska and Dominet Bank. The shareholder should ensure that at least half of the members of the Management Boards are residents of Poland and speak Polish. Fortis agreed to have 2 independent and Polish speaking members at the FBP Supervisory Board.
- For Dominet Bank not to compete with FBP, i.e. not to target the same segments of clients, especially in deposits.

The Bank has a well developed platform for starting new operations, modern infrastructure in terms of organization, upgraded servers, and network and professional staff, however in confrontation of the growing requests from the business the Board is concerned about reaching the limits of available resources and control of risks related to the Bank's fast development.

The Bank's management plans a further improvement of operating standards and strengthening of risk management and internal controls functions in line with Fortis guidelines and the recommendations of the General Inspectorate of Banking Supervision (GINB).

Considering concerns of the local regulator and the status of preparations both in FBP and in Fortis group it was identified that the Bank may not be ready to meet all the requirements of the local regulator as regards implementing the advanced approaches for Basel 2. In this situation, the B2 Steering Committee decided that the Bank will start in 2008 with the Standardized approach (STA) for credit risk and Basic Indicator Approach (BIA) for operational risk. The Supervisory Board accepts the approach to apply standardized methods for 2008 and work on the implementation of the advanced risk management approaches in medium term (3-5 years) and recommends that the Group experience should be used to build a scoring model for mortgages.

Annual accounts and Board of Executives Report

The Supervisory Board reviewed the report of Fortis Bank Polska SA Board of Executives on the Bank's activity in 2006 and the Bank's financial statements comprising:

- 1). the introduction;
- 2). the balance sheet as at 31 December 2006, with total assets and total equity and liabilities of PLN 10,454,711 thousand;
- 3). the capital adequacy ratio;
- 4). the statement of off-balance-sheet items as at 31 December 2006, showing a total of PLN 14,446,430 thousand;
- 5). the statement of contingencies and commitments granted at 31 December 2006 amounting to PLN 3,650,878 thousand
- 6). the income statement for the financial year from 1 January 2006 to 31 December 2006 with a net profit of PLN 108,266 thousand;
- 7). the statement of changes in equity for the period from 1 January 2006 to 31 December 2006 with an increase in equity of PLN 106,757 thousand;
- 8). the cash flow statement for the financial year from 1 January 2006 to 31 December 2006, with an increase in cash amounting to PLN 855,000 thousand;
- 9). the additional notes and explanations.

Based on the audit of the financial statements of the Bank as at and for the year ended 31 December 2006, KPMG Audyt Sp. z o.o. have issued an unqualified opinion on these financial statements.

As a result of its activity in the 2006 fiscal year, the Bank earned a net profit of PLN 108.266.204,72 (say: one hundred and eight million two hundred and sixty six thousand two hundred four and 72/100 Polish zlotys).

Considering the positive opinion of the Audit Committee, the Supervisory Board approves the Board of Executives Report on the Bank's activity in 2006 and submits the Fortis Bank Polska Financial Statements for 2006 for the consideration of the Annual General Meeting on 15 June 2007.

Profit distribution

Having considered the Board of Executives' motion regarding allocation of the Bank's after-tax profit for the financial year 2006 amounting to PLN 108.266.204,72, the Supervisory Board recommends to present to the Annual General Meeting a draft resolution assuming allocation of the whole 2006 net profit for distribution for the increase of own funds in the following way:

- PLN 58,266,204,72 to be allocated for reserve capital,
- PLN 50,000,000 to be allocated to general risk fund.

The Annual General Meeting will be provided with financial statements, the report of Fortis Bank Polska SA Board of Executives on the Bank's activity in 2006 and this report of the Supervisory Board.

Warsaw, June 14, 2007