FORTIS

Board of Executives Report on Fortis Bank Polska S.A. Activity in 2005

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TABLE OF CONTENTS

I. Summary of the Bank's activity in 2005 3
A. Introduction 3
B. Key factors that affected the Bank's financial performance in the first half-year 2005: 3
C. Outside Factors which Influence the Operation and Development of the Bank */source: Center for Social and Economic Research /* 4
II. Shareholders, capital and funds 12
A. Share capital 12
B. Changes in the ownership structure in 2005 12
C. Equity capital 13
III. Financial Results 14
A. Profit and loss account 14
B. Balance sheet 15
C. Performance indicators 18
D. Management of funds 18
E. Interest rate 19
IV. Description of basic risks and threats 19
A. Risk types and risk management 19
V. Operating activity 23
A. Credit activity 23
B. Issued guarantees and letters of credit 25
C. Deposits 25
D. Custody services 25
E. Money market and debt securities operations 26
F. Clearing activity 26
G. Co-operation with international financial institutions 27
H. Development of banking services 27
I. Charity 28
J. Investments in Information Technology 28
K. Agreements significant for the Bank's activity 29
L. Information on the agreement concluded with Auditor 33
VI. Organizational and capital associations with other entities 33
A. Description of the Shareholder holding over 5% of votes at the General Shareholders Meeting 33
B. Fortis Securities Polska S.A. 35
VII. Stock performance on the Warsaw Stock Exchange 35
VIII. Corporate Governance 36
IX. Development prospects for business activity 37
X. Organizational structure 39
A. Bank authorities 39
B. Business lines and sales outlets 40
XI. Supervisory Board, Board of Executives and employees 41

I. SUMMARY OF THE BANK'S ACTIVITY IN 2005

A. Introduction

In 2005, Fortis Bank Polska S.A. made net profit of PLN 101.5 million, i.e. by 36% more than in 2004, when it totalled PLN 74.6 million.

As compared to the situation at the end of December 2004, total assets went up by 18%. The Bank recorded a 27% growth of the credit portfolio and a 20% increase in terms of deposits of non-financial sector customers.

The result on banking activity amounting to PLN 323 million was higher by 14% compared to 2004.

Thanks to a stable expense level and low provisions, the Bank has reached 48% increase of gross profit up to PLN 122 million, compared to PLN 82 million in 2004.

The Bank's major achievements in 2005 include:

- Credit portfolio growth over the balance as at December 31, 2004 by about PLN 928 million, including a two-fold increase of the number of mortgage loans granted in 2005 and 66% growth of mortgage loan balance from PLN 371,808 thousand as at December 31, 2004 to PLN 617,559 thousand as at December 31, 2005;
- increase of current account balances by 25% and term deposit balances by 20% versus the balances as at December 31, 2004;
- credit portfolio quality improvement; the value of non-performing receivables has diminished by 11% since the beginning of the fiscal year;
- lower share of non-performing loans in the entire credit portfolio (from 10.6% as at the end of 2004 to 7.5% as at the end of December 2005);
- total assets growth by about PLN 1 billion;
- book value per share rose by 16% from PLN 39.47 as at December 31, 2004 to PLN 45.88% as at December 31, 2005;
- the Bank's ROE grew from 15% as at 31 December 2004 up to 17.5% as at the end of 2005.

In 2005, the Bank continued to develop its offer by adding new types of both Polish and foreign investment funds and expanded its branch network.

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

The following factors affected Fortis Bank Polska SA financial results generated in 2005:

- Net credit portfolio of non-financial sector customers went up by 28% as compared to December 2004, i.e. up to PLN 4,146 million as at December 31, 2005. PLN credit portfolio increased by 33% gross.
- The share of non-performing loans in the entire credit portfolio is steadily going down and as at the end of December 2005, it accounted for 7.5% (including 1.7% - watch list loans) as compared to 10.6% at the end of December 2004 (including: 1.9% watch list loans).
- As compared to December 2004, the deposit balance of non-financial sector customers increased by 23%. As at the end of December 2005, the deposit balance amounted to PLN 2,936 million. The balance of PLN deposits grew up by 15%.
- Commission and fee income increased by 3%, which resulted mainly from non-credit commissions.
- Net interest income amounting to PLN 165 million was higher than in December 2004 by over PLN 10 million, i.e. by 6%.
- FX result reached PLN 74.3 million and was higher by 23.2% as compared to December 2004.
- The Bank reported a profit of PLN 5.3 million on financial operations compared to loss of PLN

(3.6) million in 2004.

- Bank operating costs amounted to PLN 160.7 million and were by 9.3% higher than in 2004, when they amounted to PLN 147.1 million.

- The surplus of provisions made over provisions released equalled PLN 25.2 million, whereas in 2004, this difference amounted to PLN 34.9 million.

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

/source: Center for Social and Economic Research /

1. Polish Economy in 2005

GDP and real sphere

In 2005 the economic growth rate slowed down to 3.2% (from 5.3% in 2004) due to the sharp slowdown of domestic demand dynamics (from 5.9% to 1.9%), which was partly compensated with a substantial improvement of the situation in foreign trade. The drop in domestic demand dynamics was mainly the result of much lower increment of reserves than in the record year 2004, when the accumulation of reserves reached 2.0% of GDP. Moreover, the growth of household consumption and the government sector weakened. The main growth factors in 2005 were the exports (due to high dynamics) and, despite the slowdown, private consumption (due to high share in GDP).

The household consumption grew in 2005 by 2.3%, with the real income growth by 2.1% (CASE estimate) and the savings rate (i.e. the relation of the sum of current savings to current income) remained at the level slightly below 6% (CASE estimate). Income growth in 2005 was driven by salaries and the so called other income (stemming from work in small companies, self-employment, property and the "grey market" – CASE estimate). In 2005 we observed further reconstruction of employment (growth in the enterprise sector by 1.9%) and simultaneously real growth of average salary (2.5% in the entire economy, including the enterprise sector by 1.0%), which allowed to accelerate the real dynamics of wage-fund. According to CASE estimates the growth rate of the so called other income was not much higher than that of the salaries and was similar to the 2004 level. However, the social benefits in real terms decreased (by about 1.6%), which is the consequence of reduced access to family and attendance benefits as well as the pre-pension benefits, and the declining percentage of persons entitled to the unemployment benefits. Lack of pension and retirement indexation in 2005 was compensated by natural growth of an average benefit (newly granted ones are on average higher than the expiring ones), thus the total of pensions and retirements paid did not change in real terms.

Although the income dynamics in 2005 was slightly higher than in 2004, the consumption rate slowed down. The reason for that was slower the decrease of the savings rate; in 2004 substantial reduction in savings was an additional source of financing the consumption, which was growing at that time. In 2005 household monetary savings were still negative (PLN -7.6 billion), with the deposits rising by PLN 12.2 billion and cash by PLN 6.4 billion and loans (which are the negative factor of savings) soaring by PLN 26.3 billion. Other household savings (in the form of real estate investments, contributions to investment funds and life insurance, investments at the Warsaw Stock Exchange and other) were slightly lower than in 2004 (CASE estimate). In 2005 the sales in furniture and electronic/household supplies stores rose dynamically (25% in real terms), the same with pharmaceuticals, cosmetics and orthopaedic devices (20%). The high dynamics of these sales did not translate into higher inflation, because the increase of prices is limited by strong competition on these markets (cheap import, large-surface stores). Food sales and sales of goods in non-specialised stores (mainly large-surface) rose at the moderate pace of 6-8%. However, lower dynamics of the consumption demand translated into decreased sales of cars and car parts, fuels, press and books as well as goods in other outlets, including the specialised ones.

In 2005 investments rose by 6.2%, which was a similar situation as in 2004. On the basis of the data available it can be assessed that in the first three quarters, the outlays of medium and large enterprises grew twice as fast as in the whole economy. In the 4th quarter the investment dynamics rose substantially (to 10% y/y), which is probably connected with the accelerated realisation of EU infrastructural projects. It may be supported by the fact that the increase of investments started (which means mainly construction) still in 2004 of large and medium enterprises amounted to 2% in nominal terms according to cost calculation value, and with budget and self-government units included – even by 25%. The gradual finalisation of investments could become visible in the statistics of national accounts. However, investments still constitute a low proportion GDP – in 2005 it was just 18.3%.

Exports rose by more than 7% in real terms, and the imports by over 3%. As a result, the deficit in foreign trade decreased by 2/3, which translated into positive contribution to the GDP growth of 1.4 percentage points.

In 2005 the industrial production sold rose by only 4.1%. The slowdown of dynamics compared with 2004 was mostly caused by a lower stock inventory increment, because in 2004 its significant part was the purchase of raw materials needed for production, with metal prices rising dynamically at that time. In 2005 the production growth of durable investment and consumption goods was particularly fast (over 7%), much slower was the growth of non-durable and supply consumption goods and the production of energy-related goods decreased. Divided into industry branches, the sales of precision instruments rose strongly (21%), also of machines and equipment (18%), metal, machine and electric system products, products made of non-metal raw materials – by 8–11%. These are sectors, which produce investment goods and they are among those which are strongly export-oriented. The relatively low dynamics of non-durable consumption goods reflected the weak household demand. However, along with the accelerating economic growth, the dynamics of industry production sold was higher from quarter to quarter (8.3% y/y in the 4th quarter).

In 2005 the sales of the construction and assembly production rose dynamically (7.4%), which was caused by the accelerated dynamics of the construction and infrastructure outlays. Within the first three quarters construction investments of medium and large companies grew faster than in 2004 (6.9% y/y), a bit slower was the growth of investments in housing development (having regard to the number of flats ready to use as well as building permits).

Added value growth on the services markets in 2005 was similar to the GDP growth (3.0%). Smaller growth than in 2004 is in the first place the consequence of slowdown in household consumption dynamics, which was visible in particular in case of retail trade (sales volume increased only by 1.5%). A better situation was seen in the wholesale trade, where the turnover also reflects the sales of investment goods. Significant growth of the number of cellular telephone subscribers (26%), the car load transport (13%) and passenger air transport (12%) compensated the drop in turnover volume in railway, passenger car and sea transport as well as the drop in the number of main Internet broadbands, and the added value in the transport and communications sector rose at the level of all services on the market.

Labour market

In 2005 the situation on the labour market further improved. The number of unemployed dropped from 3,000 thousand by the end of 2004 to 2,773 thousand by the end of 2005, and the unemployment rate decreased by 1.4 percentage point to 16.3%. At the same time, for the first time in many years the professional activity index grew (relation of persons who work or look for work to persons at economically productive age), taken yearly: 55.7% in the 3rd quarter of last year. However, the unemployment rate is still the highest and the professional activity index the lowest among EU-25 countries.

The drop in unemployment was accompanied by an increment of the number of employed persons (in companies with over 9 people by 1.5% – CASE estimate), with an accelerating tendency in the second half of the year. More jobs were generated by the enterprise sector (increase by 1.9%) and a bit less by the sector of non-market services (0.9% – CASE estimate).

The improvement of the labour market situation was accompanied by wage discipline. The salaries in the enterprise sector grew in real terms by 1.0%, and with the entities which operate in non-market services (administration, health care and education) included – a bit faster (2.5%). By the end of the year the salary rate clearly accelerated (3.7% y/y in real terms in the 4th quarter), which may indicate the reinforcement of the wage pressure as a consequence of the further improvement of work productivity (especially in construction and industry in the second half of the year).

Exchange rate and inflation

In December 2005, the average dollar to euro exchange rate was stronger by 11.5% than in December 2004. It was the consequence of the appreciation trend in the second half of the year, because the average yearly dollar to euro ratio (1.2452) was similar to the average of 2004.

The zloty in 2005 lost value against the dollar (by 5.1% y/y in December), and gained against the euro (by 6.9% y/y in December). The discrepancy of the zloty's relation to both currencies by the end of the year was the result of the strengthening of dollar in the second half of last year. In the average yearly perspective, the zloty was stronger against both currencies by over 11%.

From the balance of payments point of view, the source of the appreciation of the zloty exchange rate was the strong inflow of portfolio capital (amounting to EUR 11.9 billion, including EUR 10.8 billion from debt securities), as well as the reduced outflow abroad of funds from the banking sectors, which was significant compared with 2004.

Strong zloty and the deflationary influence of supply factors affected the inflation drop in 2005 to 2.1% on average (compared with 3.5% in 2004), and at the end of the year in December to only 0.7% y/y. The food price dynamics fell in 2005 to 2.2% (from 6.7% in 2004), along with the stabilisation of oil prices on the world markets, the prices of fuel, flat utility fees and energy carriers were also rising a bit slower.

In 2005 the industry price (PPI) dynamics also slowed down almost totally. The drop in PPI dynamics to 0.7% results mainly from the ending of the record price increase period in 2004 in the mining, metal and fuel industries, which took place during the wave of growth of supply for raw materials and metals on world markets, as well as the reduction in price dynamics of the food industry.

Foreign trade and balance of payments

In 2005 the situation in foreign trade was very advantageous. The export growth rate was stronger than the imports and as a result the deficit in foreign exchange decreased significantly. The value of foreign exchange rose particularly fast in euro (exports by almost 20%); in zlotys the dynamics was lower because of the remaining appreciation of zloty taken yearly (at the average level of over 11%).

In 2005 the export of goods to Central and Eastern European countries (Russia, the Ukraine) and less developed countries (increase in current prices in PLN for both groups by 18%) grew particularly strongly. The pace of export to UE-25 was 6 times lower; however, this export is still dominating in the total export value of goods (77%). The increase in sales of oils and fats (by 128%), beverages and tobacco (41%) and animals and food (19%) was also dynamic, while the sales of industrial goods were weak (less than 5%). Within the goods imports, the purchase of fuels rose quickest, which was mainly caused by the rise of oil prices on world markets and the rise of food and beverage prices. Import of industrial goods, in particular machines, equipment and means of transport, decreased by a few per cent in PLN current prices. In the balance of trade in goods with UE-25, Poland had a surplus of EUR 2.3 billion, whereby it was the result of the surplus with countries from beyond the euro zone. The balance of payment showed that due to the dynamic growth of services exports, the surplus in the trade in services in 2005 doubled. Also, the negative balance of current income (with the transfer abroad of dividends and bond interests amounting to EUR 11 billion) improved and the surplus on the current transfer account rose. As a result, the deficit in the current account in 2005 fell to EUR 3.9 billion, i.e. by more than half, which constituted 1.6% of GDP.

Public finances

In 2005 the state budget deficit fell and amounted to PLN 28.6 billion (3.0% of GDP against 4.5% in 2004). The deficit was PLN 6.4 billion lower than planned, which was mainly caused by the non-tax income (especially dividend payout) higher than expected. In 2005 the dynamics of direct taxes (in particular from legal persons – 21%) and of the VAT (22%) was high. The state budget expenditure rose 3.3% in real terms.

The deficit was financed mainly through the issue of treasury bonds with the simultaneous negative financing with treasury bills. The strategy of changing the bills into bonds successfully pursued still in 2004 contributed to further growth of the average maturity of treasury securities (3.57 years in November 2005). The revenue from privatisation amounted to only PLN 3.8 billion (PLN 5.7 billion was planned). In accordance with the changed public debt strategy, introduced last year and directed at creating the share of foreign debt, issuing of bonds on foreign markets was high (amounting to PLN 12 billion against PLN 3.4 billion planned). Weak use of EU funds allowed the Ministry of Finance to take advantage of the non-used funds as additional financing of the deficit.

According to the most recent Convergence Programme, the deficit of the broad government sector amounted in 2005 to 2.9% of GDP (with open pension funds included in the government sector). In March 2007 the transition period of including the open pension funds as part of the government sector will end. This rule overlaps with another decision of the Ecofin Council (of March 2005), according to which Poland may reduce the deficit by the receding part of transfer to open pension funds starting from 2005 by 20% every year. The government admits in the Programme that until the end of 2008 it will not be able to fulfil the Maastricht criteria, i.e. the deficit below 3% of GDP, because after subtracting 40% of transfer to open pension funds, the deficit amounts to 3.3% of GDP.

Financial performance of enterprises

In 2005 the financial situation of enterprises was still very good, however, in nominal terms, some parameters worsened compared with 2004. After three quarters large and medium enterprises increased their revenue by only 4%, which reflects to a high extent the slowdown of the export revenue rate (zloty appreciation effect). The costs rose a bit faster, hence the positive financial result decreased by 12% compared with the parallel period in 2004. In relation to the revenue (gross profitability index) the gross financial results were still high at the level of 5.4%; the net profitability index was 4.2%.

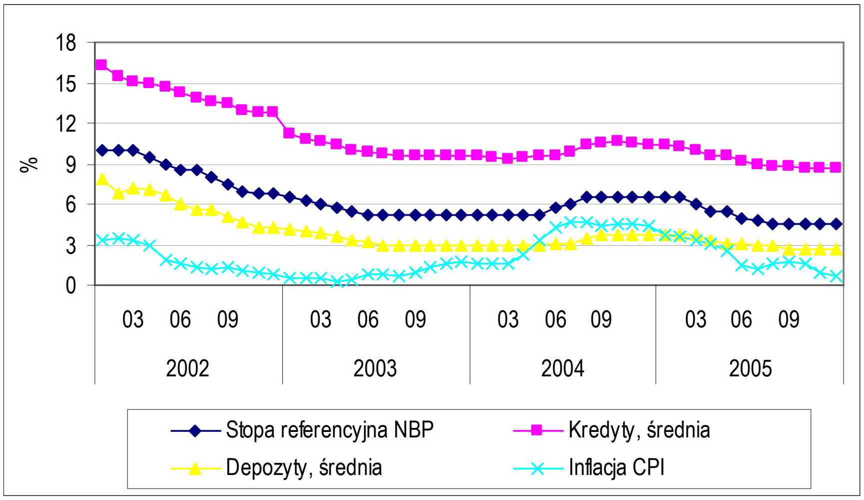
The high profitability in the mining industry remains (16%), particularly outside coal mining (the result of high copper prices), and in the telecommunications and communications branch (15.7%), in the fuel and printing sector (10% in each). In the division into 36 branches and groups, negative profitability was seen only in the radio-TV-telecommunications equipment industry, despite the high real dynamics of the production sold (8%). There is still high proportion of enterprises which had net profits (70% of all surveyed). The 1st level liquidity index was higher than in 2004 (32.1%).

2. The banking sector in 2005

Monetary policy of the NBP (National Bank of Poland) and interest rates of commercial banks

In 2005 the interest rates of NBP were reduced in total by 200 base points to the level of 4.5%, with a simultaneous inflation drop by 373 base points. The real interest rate of NBP rose to 3.8% in December 2005 from the level of 2.1% in December 2004. The inflation in the first months of 2006, which remained far below the lower range of the inflation target (1.5%), amounted in December 2005 and January 2006 only to 0.7% y/y. In face of lack of pressure on inflation growth both on the demand and the supply side, the Monetary Policy Council further reduced the interest rates by 25 base points in January and February.

Chart 1: Interest rates in the banking sector and inflation, 2002-2005



Source: NBP

Chart description:

Stopa referencyjna NBP - NBP reference rate

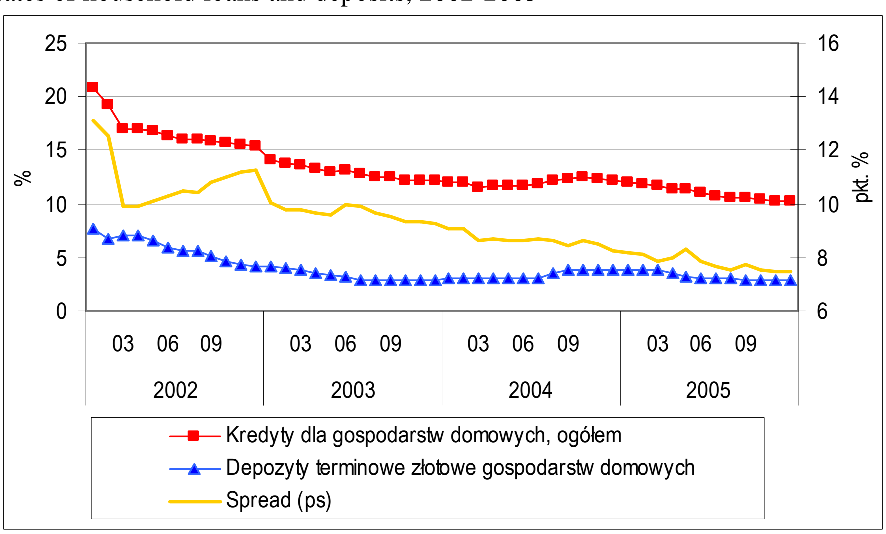
Depozyty, średnia - Deposits, average

Kredyty, średnia – Loans, average

Inflacja CPI – Inflation CPI

Average interest of loans at commercial banks decreased by 175 base points and of the deposits by 105 base points, which caused the drop of *spread* to 595 base points. The drop of average interest of some kinds of loans for households was higher than the reduction of interest rates of NBP in 2005 – home loans by 211 base points, loans for individual entrepreneurs by 207 base points and agricultural loans by as much as 265 base points. The drop of interest for consumer loans was, however, was only 74 base points in 2005. The interest of currency loans rose only by half of the interest rates growth in the US and in the euro zone in 2005. The banks in Poland therefore continue an active loan policy aimed at particular client groups.

Chart 2: Interest rates of household loans and deposits, 2002-2005



Source: NBP

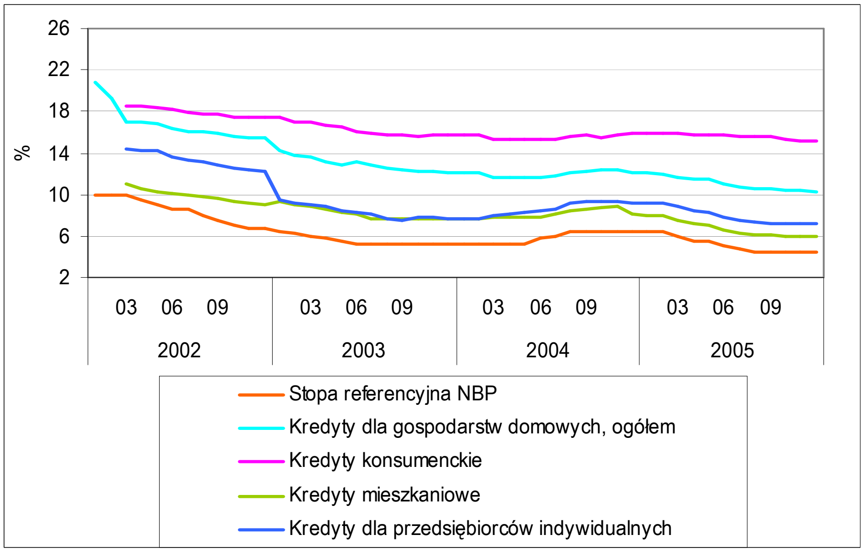
Chart description:

Kredyty dla gospodarstw domowych, ogółem – Household loans, total

Depozyty terminowe złotowe gospodarstw domowych – Term deposits of households in zloty

pkt - point

Chart 3: Interest rates of chosen loans for natural persons, 2002-2005



Source: NBP

Chart description:

Stopa referencyjna NBP – reference rate of NBP

Kredyty dla gospodarstw domowych, ogółem – Household loans, total

Kredyty konsumenckie – consumer loans

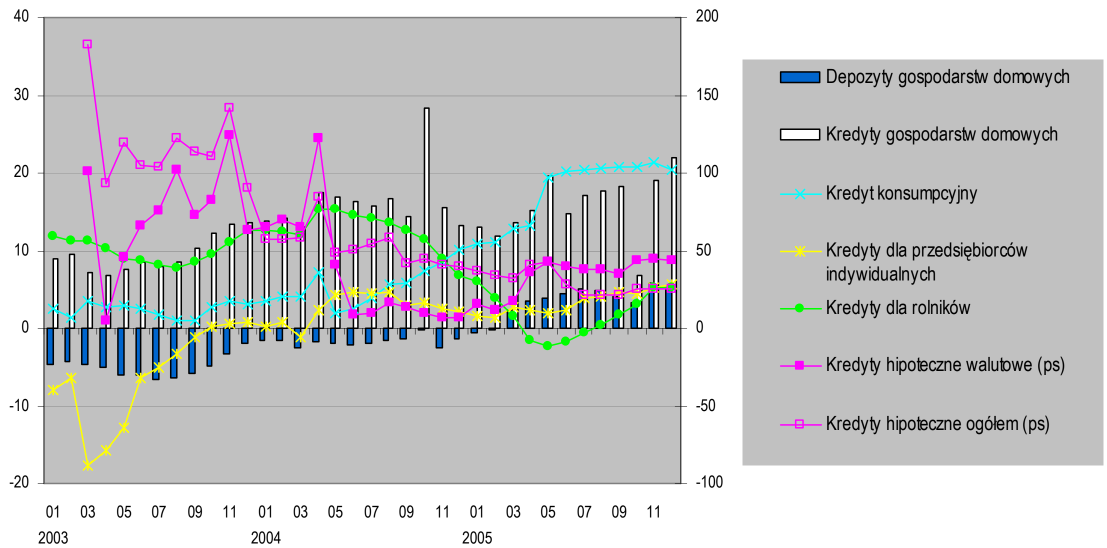
Kredyty mieszkaniowe – home loans

Kredyty dla przedsiębiorców indywidualnych – Loans for individual entrepreneurs

In 2005 the wide money demand still had high dynamics – 11.6% y/y compared with 8.7% y/y in 2004. The main reason for high supply of M3 money was the loan growth for the private sector and the growth of net foreign assets. The expansion of credit for the private sector was favoured by the interest rate policy of commercial banks, which while reducing the *spread* of interest rates, lead to the reduction of the cost of loans for enterprises and households.

The high dynamics of private sector loans was mainly caused by the household demand. The total household loan dynamics amounted to 22% y/y in December and still had a rising tendency (in 2004 it amounted to 13.3% y/y). In the 4th quarter of last year, the dynamics of currency loans for households was higher than the zloty loans and this difference kept rising throughout 2005. The growth of currency loans was 43.5% y/y in December 2005 compared to the growth of zloty loans by 15.1% y/y. Currency loans of households accounted for 28.6% of total loans by the end of 2005 compared with 24.3% by the end of 2004. The strongest loan growth for households referred to mortgage loans – by 25% taken yearly, including loans in currency by 44% taken yearly. Real estate loans accounted for 38% of total household loans by the end of 2005. Growth dynamics of other types of household loans was also high, however, their share in total loans was minor.

Chart 4: Household deposits and loans, 2003-2005 (growth y/y w %)



Source: NBP

Chart description:

Depozyty gospodarstw domowych – Household deposits

Kredyty gospodarstw domowych – Household loans

Kredyt konsumpcyjny – Consumption loan

Kredyty dla przedsiębiorców indywidualnych – Loans for individual entrepreneurs

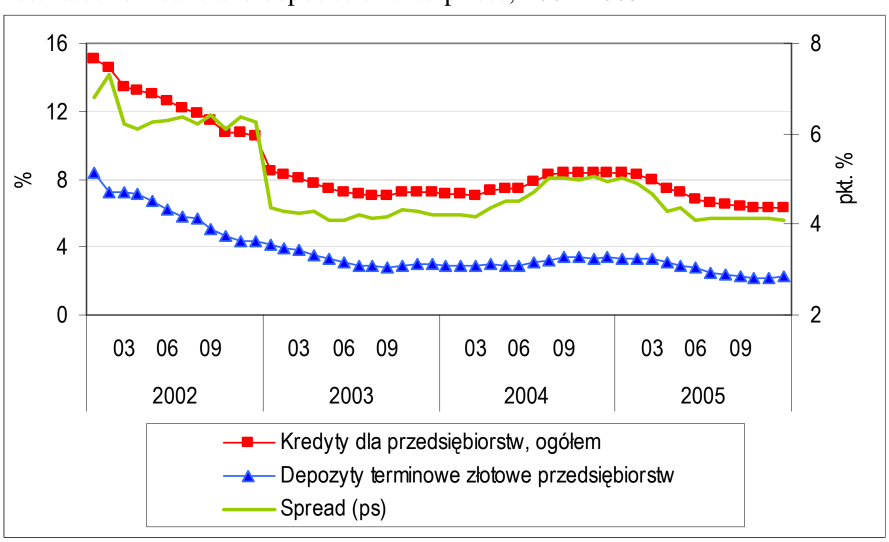
Kredyty dla rolników – Loans for farmers

Kredyty hipoteczne walutowe (ps) – Mortgage currency loan (ps)

Kredyty hipoteczne ogółem (ps) – Total mortgage loans

Total loans for enterprises in 2005 showed a low growth dynamics or continued to fall. So, this trend did not fundamentally change compared with 2004. The group of enterprise loans with low growth dynamics included investment loans, which increased by 6.1% taken yearly. Almost all types of currency loans fell, including the real estate loans. Obviously, enterprises concerned with the possible increase of currency risk decided not to increase their debts in foreign currencies in the past year.

Chart 5: Interest rates for loans and deposits of enterprises, 2002-2005



Source: NBP

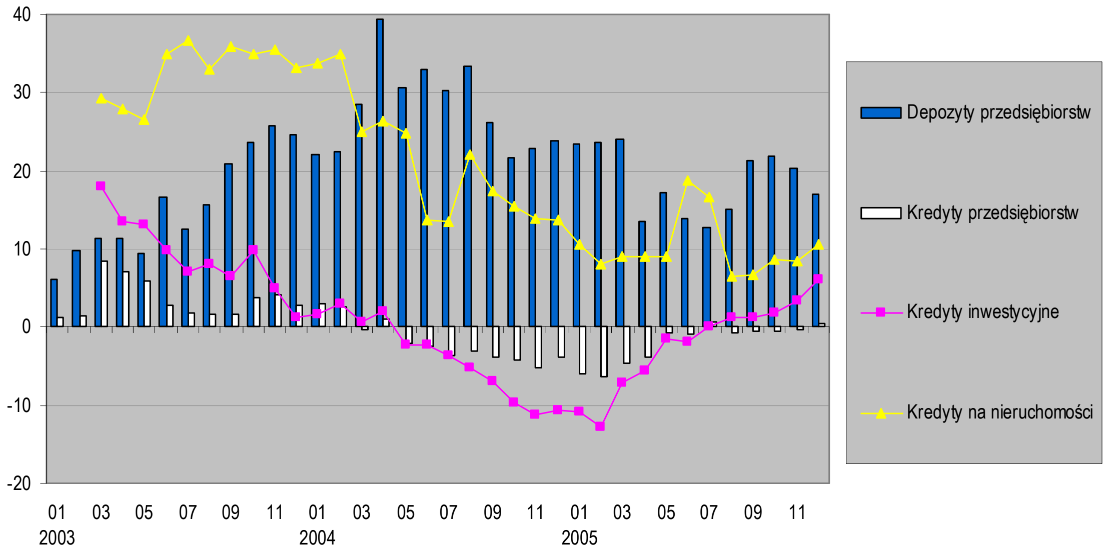
Chart description:

Kredyty dla przedsiębiorstw, ogółem – Loans for enterprises, total

Depozyty terminowe złotowe przedsiębiorstw – Time deposits of enterprises in zloty

pkt - point

Chart 6: Deposits and loans of enterprises, 2003-2005 (growth y/y in %)



Source: NBP

Chart description:

Kredyty przedsiębiorstw – Enterprise loans

Kredyty inwestycyjne – Investment loans

Kredyty na nieruchomości – Real estate loans

Deposits in the banking sector rose by 8.7% y/y in December last year, which shows stronger growth than last year (by 4.9% y/y). However, the growth of deposits in zloty in 2005 was not fundamentally different from that in 2004 (7.2% y/y in 2005 and 6.9% in 2004), so the acceleration was due to a bigger accumulation of currency deposits (increase by 17.1% y/y in 2005 against the fall by 5.3% y/y in 2004). The growth of currency deposits is probably the result of very good export performance of enterprises, because their currency deposits rose by as much as 37.2% y/y in December last year. The enterprise deposits in zloty also showed strong growth – 12.7% y/y in December last year. Total enterprise deposits reached the record level of PLN 100.6 billion by the end of 2005, while the household deposits amounted to PLN 220.8 billion. Thus, it seems that while the financial situation and strategy of enterprises did not change much (companies still do not allocate savings to investments), the situation of households began to improve.

Financial performance of banks

In the three quarter period of 2005, the assets of the banking sector (PLN 584 billion) increased by 7.2% compared with the end of last year, i.e. analogically to 2004, when this increase amounted to 7.6%. The source of financing the increment of commercial banks' assets were fist of all the deposits of economic entities, which reached the level 9.2% (by PLN 7.7 billion) higher than in December 2004. Most (59%) of the increment of these deposits consisted of time deposits. The increase of household deposits by o 2.7% was in turn the consequence of higher (by 12%) levels in current accounts, because the time deposits decreased. A significant source of financing the asset increment were also the deposits of central-level government institutions, which rose by 52.3% (by PLN 5.9 billion) as a result of transferring the account of the Ministry of Finance to the state bank. The dynamics of self-government institutions' deposits was also high (137.1%).

The capital (funds) and subordinate liabilities indicated in the balance sheets of commercial banks rose by 4.5% (by PLN 2.2 billion) compared with December 2004, mainly due to the division of profit for 2004 and the reduction of past year's loss in the 3rd quarter.

The gross and net performance of banks in the 3rd quarter of 2005, after the record year 2004, was still very advantageous. The gross performance for nine months of 2005 was 32.0% (PLN 1.9 billion) higher than in the parallel period last year, and the net performance – 23.1% (PLN 6.6 billion) higher. The growth of gross performance was the consequence of the following factors: increased result from interests and commission (by PLN 0.8 billion, by 4,8%), form financial operations (by PLN 0.6 billion, by 84.0%), from the exchange (by PLN 0.5 billion, by 23.4%) and the revenue from stocks and shares (by PLN 0.2 billion, by 79.9%) and the lower (by PLN 0.4 billion, by 26,8%) balance of created and released reserves/write offs due to property loss.

Credit risk, measured in share of threatened liabilities in the portfolio, decreased by 2.9 percentage points (to 12.7%), out of which 1.3 percentage points was the result of growth (by 9.8%) of total liabilities, and by 1.6 percentage points due to the decrease (by 10.3%) of threatened liabilities. Crediting in foreign currencies (especially of mortgage loans for private persons) at the end of 2005 was of particular attention of the banking supervision, because of the exchange risk of debtors, which can develop into the credit risk of banks. Therefore, in 2006 it can be expected that the KNB (Commission for Banking Supervision) will take action intended to restrict the expansion (rise of granting costs) of currency loans.

High profits of banks resulted in the growth of average return rates from ROE capital (by 2.9 percentage points) and from ROA assets (by 0.2 percentage points) of commercial banks. Mainly the universal and corporate banks contributed to this, because the profitability of car and retail banks decreased.

II. SHAREHOLDERS, CAPITAL AND FUNDS

A. Share capital

As at December 31, 2005, the Bank's share capital amounted to PLN 30,155,400 and was divided into 15,077,700 common bearer shares of PLN 2 nominal value each. In 2005, no changes as regards the share capital occurred.

B. Changes in the ownership structure in 2005

As at December 31, 2005 shareholders' structure specifying the major shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

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

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

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

The Bank was informed that Fortis Bank SA/NV based in Brussels 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 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, 2005, the equity capital of Fortis Bank Polska SA amounted to PLN 691,785 thousand, i.e. by 16.2% more as compared to December 31, 2004 (PLN 595,176 thousand).

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

The Bank's equity as a category calculated for the needs of specifying the capital adequacy ratio amounted to PLN 560,404 thousand as at December 31, 2005 and exceeded the capital level required to secure the Bank's business, which was PLN 407,231 thousand as at the end of December 2005.

In accordance with regulatory requirements concerning capital adequacy and exposure, the Bank deducted PLN 15,360 thousand from equity with regard to its net capital exposure in shares of Fortis Securities Polska SA (FSP) and PLN 14,522 thousand representing 100% of net intangible fixed assets.

The equity structure as of December 31, 2005, compared to December 31, 2004 for the purpose of capital adequacy ratio calculation was the following:

Category	December 31, 2005 PLN thousand	December 31, 2004 PLN thousand
Share capital	30,155	30,155
Additional capital	349,539	349,539
Reserve capital	17,018	17,018
General risk fund	136,816	112,263
Fixed assets revaluation reserve fund	510	511
Financial assets revaluation reserve fund	1,905	(674)
Retained earnings	54,343	11,811
Capital exposure relating to FSP	(15,360)	(62,582)
100% of net intangible assets – 2004	(14,522)	(10,380)
Total equity for the purpose of calculating the capital adequacy ratio	**560,404**	**447,661**
Total capital requirement	**407,231**	**293,408**
Capital adequacy ratio	**11.11%**	**12.26%**

III. FINANCIAL RESULTS

A. Profit and loss account

1. Income on banking activity

Interest income amounting to PLN 301,694 thousand remained the principal component of the banking activity income structure.

The interest income consists mainly of the following items:

- interest on loans: PLN 238,033 thousand as compared to PLN 209,875 thousand in 2004,
- interest on inter-bank placements: PLN 21,370 thousand versus 14,817 thousand in 2004,
- interest on securities: PLN 30,860 thousand versus PLN 43,735 thousand in 2004,

The Bank recorded a slight (3.1%) increase in fee and commission income up to PLN 87,531 thousand in 2005 as compared to PLN 84,924 thousand earned in 2004.

In 2005, the Bank's FX result reached PLN 74,282 thousand, which was higher by 23.2% than in 2004 when it amounted to PLN 60,286 thousand.

Income on financial instruments operations amounted to PLN 93,015 thousand and was by 15.7% lower than in 2004, when it amounted to PLN 110,344 thousand. Costs of securities operations amounted to PLN 87,687 thousand and the result on securities operations amounted to PLN 5,328 thousand as compared to PLN (3,607) thousand loss in 2004.

2. Banking activity costs

Interest expenses reached PLN 136,780 thousand and were higher by 9.4% than in 2004, when they totalled 125,032 thousand.

The interest expenses include the following items:

- interest on customer deposits: PLN 58,639 thousand as compared to PLN 44,314 thousand in 2004,
- interest on inter-bank deposits: PLN 13,217 thousand (PLN 14,916 thousand in 2004),
- interest on credits and loans contracted: PLN 23,169 thousand (PLN 22,105 thousand in 2004).

In 2005, commission and fee expenses amounted to PLN 8,919 thousand and were lower by 30.1% than in the previous year when they equalled PLN 12,759 thousand.

Structure of result on banking activity in 2005 and 2004

	2005	2004
- on interest	51.03%	54.59%
- on commission and fee	24.33%	25.43%
- on FX difference	22.99%	21.25%
- on financial operations	1.65%	(1.27%)

3. Other income and expenses

The balance of other operating income and expenses was positive and amounted to PLN 6,258 thousand. Among other operating income, which grew by 46.9% compared to 2004, income on account of lease amounted to PLN 1,613 thousand as the main item. Other operating expenses went down by 23.6% as compared to 2004.

In 2005, operating expenses reached PLN 160,695 thousand and were higher by 9.3% compared to 2004, when they amounted to PLN 147,074 thousand.

Depreciation of fixed and intangible assets amounted to PLN 21,129 thousand in 2005 and was similar to the level in 2004.

In 2005, costs on account of creating provisions, including general risk reserve, amounted to PLN 51,875 thousand and were higher by 7.6% than in 2004. Without this reserve, specific provision creating expenses amounted to PLN 42,965 thousand, i.e. were lower by 2.6% 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 26,697 thousand.

In 2005, the balance of provisions made versus provisions released equalled PLN (25,178) thousand, whereas in 2004, this difference amounted to PLN (34,883) thousand.

Provisions for at risk receivables constituted the largest item affecting the provisioning level. At the end of 2005, the level of provisions for receivables at risk amounted to PLN 33,587 thousand, as compared to PLN 33,728 thousand in 2004. In 2005, the Bank released provisions for at-risk receivables in the amount of PLN 17,936 thousand, whereas in 2004 the level of provisions released reached PLN 14,270 thousand.

Furthermore, in 2005 the Bank created a general risk reserve of PLN 8,910 thousand.

4. Profit

In 2005, the Bank generated a pre-tax gross profit of PLN 122,392 thousand, which was higher by 48.4% compared to 2004. The mandatory reductions of gross profit amounted to PLN 23,062 thousand.

The Bank's net profit (after tax) in 2005 amounted to PLN 101,499 thousand and was higher by PLN 26,946 thousand i.e. by 36.1% compared to 2004.

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

Profit & Loss Account (in thousands)	01.01.2005 -31.12.2005 in PLN thousand	01.01.2004 -31.12.2004 in PLN thousand	Change 2005 – 2004 (%)
Net interest income	164,914	154,903	6,5
Net fee and commission income	78,612	72,165	8,9
FX result	74,282	60,286	23,2
Result on banking activity	323,136	283,747	13,9
Net operating income	122,932	82,467	48,4
Gross profit	122,932	82,467	48,4
Income tax	23,062	11,784	95,7
Net profit	**101,499**	**74,553**	**36,1**

B. Balance sheet

1. Total assets

Total assets of Fortis Bank Polska S.A. as at December 31, 2005 amounted to PLN 6,369,903 thousand, which represents an increase by PLN 961,110 thousand i.e. 71.8% compared to the end of December 2004.

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

Balance-sheet item	December 31, 2005	Share in total assets	December 31, 2004	Share in total assets	Change 2005-2004 (%)
CASH AND CENTRAL BANK BALANCES	231,374	3.6%	146,381	2.7%	58

Due from financial institutions	1,310,948	20.6%	1,298,936	24%	1
Due from customers and the public sector	4,294,154	67.4%	3,381,638	62.5%	27
Debt securities	311,428	4.9%	346,505	6.4%	(10)
Due to financial institutions	2,178,376	34.2%	1,927,845	35.6%	13
Due to customers and the public sector	3,170,733	49.8%	2,647,317	48.9%	20
Equity (including net profit)	691,785	10.9%	595,176	11%	16
Retained earnings	54,343	0.9%	11,811	0.2%	360
Share capital	30,155	0.5%	30,155	0.6%	--
Total assets	**6,369,903**		**5,408,793**		**18**

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% of total assets as compared to 63% as at the end of December 2004.

The net portfolio of loans granted to the above customers increased by PLN 922,302 thousand up to PLN 4,394,996 thousand (a 27% increase versus December 31, 2004). Provisions for non-performing loans due from customers amounted to PLN 155,562 thousand as at December 31, 2005. The share of non-performing receivables due from customers in the amount of PLN 254,153 (excluding the watch category) stood at approximately 5.8%.

As at December 31, 2005, the value of debt securities amounted to PLN 311,428 thousand. Their share in the assets dropped from 6% as at the end of December 31, 2004 to 5% as at December 31, 2005.

As at December 31, 2005, the securities portfolio consisted of securities issued by the Polish State Treasury and the NBP. The composition of the portfolio was as follows:

- State Treasury bonds: PLN 281,288 thousand,
- Treasury bills issued by the Ministry of Finance: PLN 3,863 thousand,

The Bank also holds NBP bonds issued due to the reduction of the mandatory reserve rate: PLN 26,277 thousand.

As at December 31, 2005, the share of cash and funds on the National Bank of Poland account balances in total assets increased. As at December 31, 2005, it amounted to PLN 231,374 thousand, which made up 3.6% of assets; and as at December 31, 2004, it amounted to PLN 146,381 thousand, what also presented 2.7% of total assets.

Receivables due from the financial sector, including placements with other banks, accounted for 20.6% of total assets at December 31, 2005 and were lower as compared to December 31, 2004 when they accounted for 24% of total assets.

As at December 31, 2005, the following items are included:

- PLN receivables: PLN 298,910 thousand

- foreign currency receivables: PLN 1,012,038 thousand;

In comparison to the end of December 2004, the value of fixed assets increased by PLN 2,945 thousand. The fixed assets primarily include:

- leasehold improvements (on rented office space): PLN 23,767 thousand,
- means of transport: PLN 8,085 thousand,
- computer hardware: PLN 8,038 thousand,

Intangible fixed assets as at December 31, 2005 amounted to PLN 14,522 thousand, i.e. by 40% more than as at December 31, 2004. This item included computer software.

Other assets accounted for 0.9% of total assets. The most important items in this group include inter-bank settlements amounting to PLN 50,000 thousand.

Bank's commitment concentration structure data including main geographical regions of the country and specific sectors have been presented in Additional Notes, item 1.

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

3. Liabilities

Liabilities towards a non-financial and public sector on account of funds deposited on current accounts and term deposits make up the main item in the structure of liabilities. As at December 31, 2005 deposits from customers and the public sector reached PLN 3,170,733 thousand and increased by PLN 523,416 thousand as compared to December 2004. They represented 50% of total liabilities versus 49% in 2004. The major part of these deposits was denominated in zlotys and amounted to PLN 2,367,220 thousand, representing 74.7% of all customer deposits. Foreign currency deposits reached PLN 803,513 thousand as at December 31, 2005.

As at the end of 2005, the share of the financial sector's deposits in balance sheet total slightly decreased. As at December 31, 2005, it accounted for 34.2% of total liabilities, compared to 35.6% the year before.

Special funds and other liabilities accounted for 1.7% of the balance sheet total as at December 31, 2005. The main item (52.6%) concerns inter-bank settlements amounting to PLN 56,981 thousand.

Other provisions item increased from PLN 13,653 thousand as at the end of December 2004 to PLN 22,633 thousand as at December 31, 2005 and included general risk reserve (PLN 20,910 thousand), provisions for contingent liabilities (PLN 1,235 thousand), and provision for future liabilities (PLN 488 thousand).

4. Off-balance sheet items

As at December 31, 2005, off-balance sheet items stood at approximately PLN 14,446,430 thousand and were higher by PLN 4,405,448 thousand as compared to December 2004 (i.e. by 44%).

Off-balance sheet items consist of:

- Off-balance sheet items relating to commitments of the Bank:
  - items related to financing: PLN 1,966,069 thousand (up by 51%),
  - guarantees: PLN 553,177 thousand (up by 72%).
- Off-balance sheet items relating to commitments in favour of the Bank:
  - items related to financing: PLN 737,016 thousand (down by 8%),
  - guarantees: PLN 157 896 thousand (down by 73%).
- Commitments related to the carrying out foreign currency exchange transactions, which were concluded before year-end but not yet mature as at December 31, 2005, amounted to

PLN 5,851,830 thousand, i.e. increased by 37% as compared to December 31, 2004, when they amounted to PLN 4,284,187 thousand.

In connection with the extension of the Bank's offering by a wide range of derivative instruments, their value grew by 79% from PLN 2,755,698 thousand as at December 31, 2004 up to PLN 5,180,442 thousand.

Derivatives according to their par value include:

* hedging IRS contracts: PLN 150,000 thousand
* IRS contracts held for trading: PLN 428,860 thousand
* FX forward contracts held for trading: PLN 1,345,593 thousand
* FX swap contracts held for trading: PLN 1,277,572 thousand
* CIRS contracts held for trading: PLN 68,299 thousand
* FRA contracts held for trading: PLN 984,568 thousand
* FX options held for trading: PLN 1,448,847 thousand
* IR options held for trading: PLN 3,860 thousand

C. Performance indicators

Indicators	31.12.2005	30.12.2004
Return on assets (ROA)	1.8%	1.5%
Return on equity (ROE)	17.5%	15%
Net interest margin	2.98%	3.08%
Profit per share	6.73	4.94
Book value per share	45.88	39.47

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

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

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

As at December 31, 2005, the total outstanding balance on account of credit lines granted by Fortis Bank (Nederland) N.V. equalled PLN 1,038 million as compared to PLN 1,085 million as at December 31, 2004.

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

E. Interest rate

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

In 2005, the Monetary Policy Council reduced the level of official NBP interest rates by 200 base points. In 2006, interest rates were cut twice by subsequent 25 b.p. each.

In response to the situation at a 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 – 3.0645%
2. Foreign currency deposits – 0.8946%.

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

1. PLN loans – 6.6678%
2. EUR loans – 4.0742%
3. USD loans – 5.2582%
4. CHF loans – 2.6611%.

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. Such disadvantages may result in: late or incorrect recognition by the Bank of an actual interest rate risk position and, consequently, exposure to uncontrollable market interest rate risk; the Bank's failure to properly respond to a high market interest rate risk and then again exposure to risk exceeding an acceptable risk profile; the Bank's failure to properly respond to growing financial and capital losses which result from the Bank's interest rate risk position and adverse changes in market interest rates. This may cause losses jeopardizing the Bank's financial goal or even threatening its financial stability, and result in concluding transactions susceptible to market interest rate changes, on conditions which are not convenient for the Bank and differ from market conditions.

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

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

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

With the development of a more integrated risk management structure in view and intending to strengthen and adjust this function to the Fortis risk management structure, in the beginning of 2006, the Bank Board of Executives took the following decisions:

- to transform the Assets and Liabilities Management Committee (ALCO) into a Risk and Assets and Liabilities Management Committee (Risk & ALM Committee) whose scope of responsibility shall cover: assets and liabilities management, market and liquidity risks, operational risk, business continuity plans and strategic management of credit risk;
- to appoint a Chief Risk Officer, reporting directly to the President of the Board of Executives, and responsible for operational, liquidity, market risks and strategic dimension of credit risk;
- to extend the activity of the Risk Management Department by the Credit Risk Strategic Dimension Management.

2. Operational risk and Legal risk

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

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

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

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

The following programs are in force at Fortis Bank Polska S.A.; "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. Each employee of the Bank is obliged to comply with both programs.

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.

Credit risk management 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. The Bank's system applied to analyze credit applications and make credit decisions has several levels. This is to ensure a maximum objectivity in the assessment of a credit request and reduce the Bank's credit exposure risk.

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

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

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

The Bank uses internal IT tools to standardize the process of credit portfolio risk monitoring and classification process and to archive data for the needs of risk assessment models. The Bank uses a separate IT tool, i.e. WIND system implemented in 2004, to monitor and recover past due receivables.

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

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

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

In 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 (SZOK and Credit Calculator).

The new Strategic Dimension Management within the Risk Management Department 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.

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

4. Capital adequacy ratio

The capital adequacy ratio was 11.11% at the end of December 2005, compared to 12.26% at the end of December 2004. This indicator represents the relationship between the Bank's equity and risk-weighted assets and off-balance sheet items increased by capital requirements related to specific risks. The scope and detailed rules of capital requirements related to specific risks calculation and capital adequacy ratio calculation is defined in *Resolution No. 4/2004 dated 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 25% versus December 2004, while risk-weighted assets and off-balance sheet items increased by 38% in the corresponding period.

Capital adequacy ratio and its determinants

Indicator	December 31, 2005	December 31, 2004
Risk-weighted assets	4,576,388	3,360,477,
Risk-weighted off-balance sheet items	448,345	285,359,

Net equity for the purpose of capital adequacy calculation	560,404,	447,661
Short-term capital	5,253	1,776,
Credit risk	401,979	291,667,
Interest rate risk	3,294	514,
Delivery settlement and counterparty risk	1,958	1,262,
Total capital requirement	407,231	293,443,
Capital adequacy ratio	**11.11%**	**12.26%**

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

V. OPERATING ACTIVITY

A. Credit activity

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

a. Loans for enterprises:

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

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

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

- debit limit
- fast loan
- mortgage loans

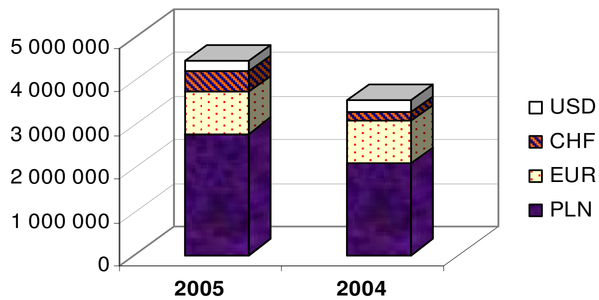
The Bank also issues PLN and FC guarantees, opens import letters of credit, advises and confirms export letters of credit.

1. Non-financial sector credit portfolio profile

The gross value of the credit portfolio (including interest, without provisions) totalled PLN 4,520,238 thousand and was by 26% higher than at the end of 2004. The value of outstanding loans portfolio (with interest) due from customers totalled PLN 4,449,185 thousand at the end of December 2005, i.e. rose by 26% as compared to PLN 3,541,066 thousand at the end of December 2005.

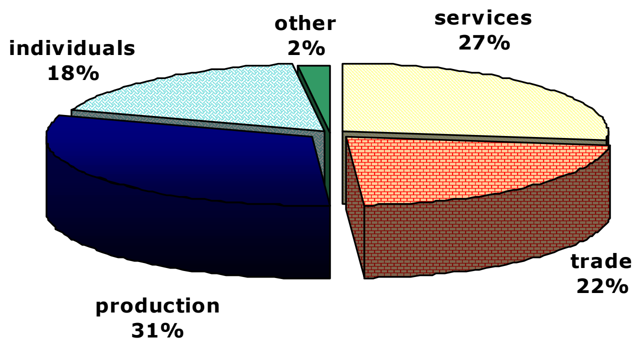
The value of the PLN non-financial sector loan portfolio (without interest) at the end of December 2005 totalled PLN 2,771,090 thousand and was by 33% higher as compared to December 2004. Whereas, the value of the EUR portfolio stood at PLN 947,600 thousand at the end of December 2005, which (converted to PLN) represented a 4% decrease as compared to December 2004. The balance of USD loans fell by 10% from December 2004 and amounted to PLN 245,321 thousand as of December 31, 2005. The volume of CHF loans at the end of 2004 totalled PLN 194,590 thousand at the end of December 2004 and increased by almost 150% up to PLN 484,601 thousand at the end of December 2005.

Chart 7. Currency structure of the credit portfolio (with interest) as at December 31, 2005 and December 31, 2004.



The Bank's exposure focuses on the sectors of production, services, trade and private individual customers and it amounts to 31%, 27%, 22% and 18% of the credit portfolio value respectively, as at the end of December 2005. As far as all other sectors are concerned, the exposure is relatively low. As compared to December 31, 2004, the Bank increased its exposure in production and private individual customers segment whereas the services and trade sector exposure went down.

Chart 8. Credit portfolio economic sector structure – December 31, 2005



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

In terms of original maturities, at the end of December 2005, the structure of receivables from the non-financial sector was as follows: 20% represented overdrafts (decrease of 3% versus the year 2004), 2% - with a maturity of maximum 1 month (increase by 1% as compared to 2004), 1% - with a maturity of 1-3 months (no change as compared to 2004), 19% - with a maturity of 3 months to 1 year (3% decrease), 17% - with a maturity of 1-5 years (no change) and 41% - with a maturity exceeding 5 years (7% increase).

2. Non-performing loans

As at December 31, 2005, the value of non-performing loans (without interest) due from non-financial entities (excluding the watch category) decreased by 15% to the amount of PLN 254 153 thousand, comparing with December 31, 2004, and made up 6% of the total loan balance in that sector. PLN 54 474 thousand represented substandard loans (i.e. 1% of the portfolio value), PLN 46,809 thousand – doubtful receivables (i.e. 1% of the portfolio value) and PLN 152,870 thousand – lost loans (i.e. 4% of the portfolio value).

3. Enforcement titles

In 2005, 73 enforcement titles for the total amount of PLN 11,070 thousand were issued with respect to the Bank's receivables, as compared to 161 titles of the total of PLN 33,672 thousand in 2004.

B. Issued guarantees and letters of credit

As of the end of December 2005, the amount of guarantees issued by the Bank reached PLN 414,356 thousand, which represents a 48% increase in comparison to the end of December 2004, when it equalled PLN 279,630 thousand.

In the 3rd quarter 2005, total value of existing sureties or guarantees issued to a single entity (subsidiaries included) exceeded 10% of the Bank's equity and amounted to PLN 52,825 thousand (as at September 30, 2005, 10% of the Bank's equity capital equalled PLN 51,408 thousand). Considering the Bank's equity capital increase in the 4th quarter 2005 up to PLN 560,540 thousand, the exposure went down below 10% of the Bank's equity capital.

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

As at the end of December 2005, the Bank's commitments under opened import letters of credit totalled (in the PLN equivalent) PLN 99,495 thousand, i.e. by 22% higher than at the end of December 2004, when they totalled PLN 81,824 thousand. Moreover, the Bank has on its books confirmed export LCs in the PLN equivalent of 84,834 thousand.

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

C. Deposits

As at the end of December 2005, the balance of funds deposited by customers of non-financial and budgetary sector likewise financial sector (banks excluded) totalled PLN 3,324,607 thousand, and was by 19% higher as compared to the end of December 2004, when deposits amounted to PLN 2,801,316 thousand. Customers may make deposit also in foreign currencies, however the majority of deposits are held in PLN (76%).

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

The Bank offers current and auxiliary accounts, FC accounts, PLN or FC accounts for non-residents, Silver, Gold, Platinum accounts, PLN and FC fixed and variable interest deposits with different maturity dates, including deposits with negotiable interest rates (depending on the deposit amount, term and the situation on the interbank market), and collective accounts for non-residents. Institutional clients are also offered deposits priced based on interest rates on the interbank market and also the Bank offers savings individual pension accounts (IKE).

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

D. Custody services

The Bank offers services related to custody and transaction settlement with respect to securities traded on the Polish regulated and non-regulated markets and acts as an agent in transactions concluded on international markets. 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 its capacity as Paying Agent, the Bank also monitors, by the Custody Services Group, the distribution of participation units in foreign investment funds from operational perspective. 12 sub-funds were offered under Luxembourg Fortis L Fund managed by Fortis Investment Management in Luxembourg at the end of 2005. Furthermore, in November 2005, the Custody Services Group was busy with the process of subscription to the Luxembourg L-Fix 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 is responsible for the Bank's liquidity and interest rate risk. This involves ensuring funding sources for the Bank's assets and investment of financial surpluses. To this end, the Treasury Department makes placements and deposits on the interbank market, FX swap transactions and investments in State Treasury bills and bonds and NBP bills.

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

F. Clearing activity

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

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

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

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

Since July 2005, there is a Shared Service Center in the Operations Department of Fortis Bank Polska which has been operating as a back-office for foreign East Central European outlets of Brussels-based Fortis Bank SA/NV. Now the Shared Service Center effects and clears local and international payments for the newly opened Business Centers located in Prague, Budapest and Vienna. For 2006, the Shared Service Center expansion is planned; services will be rendered to

Business Centers also in other countries.

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

G. Co-operation with international financial institutions

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

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

H. Development of banking services

In 2005, the Bank continued the project: *In the European Union with Fortis Bank,* which was started in mid-year 2003 in view of opportunities and challenges that SMEs were to face when Poland joined the European Union. Within the project, the Bank financed investments supported with EU subsidies and conducted a number of training-advisory actions addressed to entrepreneurs.

The Bank continued to develop its offer of mortgage loans for companies, launched in December 2004. The loan advantages appreciated by customers are long financing period up to 15 years and a wide range of purposes it may be designated for, e.g. purchase or construction of a real property for conducting business or lease, refinancing of investment expenditure or loan repayment in another bank.

Fortis Bank Polska SA extended its offer also by new attractive investment products. In February 2005, the Bank was selling participation units in the closed fund, Torrus Merrill Lynch Protected Global Index (MLPGI), owned by Merrill Lynch – one of the largest investment banks worldwide; the product ensures security of funds invested and offers the possibility of making exceptionally high profits by investing in leading world stock indices: American Standard & Poor's 500R, European Dow Jones EURO STOXX 50 and Japanese Nikkei 225.

Furthermore, the Bank expanded its cooperation with Fortis Investments, Fortis asset-management company. As a result of the cooperation, open-end investment fund Fortis L was launched in June. This is an umbrella fund registered in Luxembourg and composed of 12 sub-funds denominated in USD and EUR adjusted to the investor's profile in terms of differentiated risk level and rate of return.

In November, during two-week subscription, the Bank offered participation titles to closed-end Fortis L FIX Equity 5 investment fund. The fund's structure guarantees the security of 100% of invested capital and offers the possibility of making profits by increasing the value of carefully selected basket of shares of international companies.

Last year, the Bank also offered Fortis PI investment programme to private individuals; this is a long-term investment and savings product. Fortis PI is offered in cooperation with AEGON Towarzystwo Ubezpieczeń Na Życie SA (life insurance company, formerly Nationwide). The product combines a portfolio of investment funds wrapped up in an insurance policy and an additional 6-months high-interest bank deposit. Such a product structure enables customers to invest in one or several funds selected from 23 renowned investment funds (e.g. ARKA BZ WBK, Pioneer, Union Investment) and freely transfer funds between the funds. One of them is a guaranteed fund from which investors are assured to yield a minimum, predetermined rate of return.

The Bank extended its offering by VISA Classic and VISA Gold credit cards with 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.

In October, the Bank made far-reaching changes in the offering of mortgage loans for private individuals, for instance by taking into consideration persons exercising professions of public trust, and thus becoming one of very few banks on the Polish market that accept customer's statement of loan repayment ability. Other changes include: no commission for granting a loan, extension of the financing period up to 35 years and low interest rates of CHF mortgage loans.

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.

I. Charity

Although not involved in charity on any large scale, 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 some local communities.

For a few years now the Bank has been co-operating with the United Way Poland foundation. The Bank employees voluntarily deduct a declared portion of their salaries and donate it to the disabled, terminally ill and poor. 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 2005, the Bank also supported financially institutions which it has been related with for several years, such as Integracyjny Klub Sportowy (Integration Sports Club), and engaged in a number of undertakings, for instance "Pajacyk" of Polska Akcja Humanitarna (Polish Humanitarian Action), and support for Dziecięca Fantazja (Child's imagination) Foundation.

J. Investments in Information Technology

In 2005, projects supporting operational activity of the Bank were continued. Orlando system was customized to handle other types of options offered by the Bank; Notional Pooling facility was extended by Cross-Border Notional Pooling. A new module of the payment cards supporting system (SWOK) for servicing credit cards was launched. A software application providing workflow and supporting credit cards granting (SZOK) was designed and implemented.

In 2005, the Bank continued to improve the system to support mortgage loan processing management and to adjust IT systems to the requirements of Basle 2 reporting.

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

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

K. Agreements significant for the Bank's activity

1. Credit Agreements of January 30, 2004 signed with 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.

2. Co-operation agreement of 7 January 2000 made with Fortis Securities Polska S.A.

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

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

3. Agreement on sale of shares signed with Fortis Securities Polska SA on December 30, 2005

Under the agreement, the Bank sold to Fortis Securities Polska SA 1,832,746 R series shares and 99 S series shares that jointly account for 82.94% of FSP share capital in order for FSP to redeem them and decrease the share capital. The total price of the purchased shares was PLN 50,000,011.60.

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

a. Cooperation agreement of January 2, 2002

b. Cooperation agreement of February 17, 2005

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

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

Agreements regarding transactions with parent entities and subsidiaries are presented in

Sections 16.1 and 2 of the Additional Notes.

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

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

In 2003, the Bank discontinued granting new loans from EBRD funds; however, it still provides services for already granted credit facilities until they are paid off. Outstanding debt balance amounted to PLN 28,949 thousand (EUR 7.5 million) as at December 31, 2005 compared to PLN 50,988 thousand (EUR 12.5 million) as at December 31, 2004.

6. 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 December 30, 2005 Annex no. 1 to the above Agreement was signed.

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

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

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

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

7. 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 VISA Electron and Charge cards issued by the Bank. Valid until October 31, 2006
- **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). Valid until October 31, 2006;
- **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 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, 2006.

8. Bank insurance policies

a. **Insurance policy with Allianz Polska S.A. insurance company, from October 1, 2003 until September 30, 2006**

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

b. **Insurance Policy with Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A. from October 1, 2004 until September 30, 2006**

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

9. 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.

10. 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.

11. 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 insurance capital fund.

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

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

13. General Co-operation Agreement with Fundusz Górnosląski SA

dated August 24, 2004

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

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

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

15. Agreements with Bank Gospodarstwa Krajowego (BGK)

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

This agreement concerns suretyships/guarantees for companies issued by BGK from the funds of the National Credit Guarantee Fund (Krajowy Fundusz Poręczeń Kredytowych) established under Act on guarantees issued by the State Treasury and some legal entities (Dz.U. 79 item 484 as amended). On November 18, 2005, Annex No. 6 thereto was signed.

b. **Co-Operation 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 to the maximum amount not exceeding PLN 20 million from the funds of EU guarantee Fund. On April 26, 2005, Annex No 1 thereto was signed. This cooperation finished in 2006.

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

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

17. 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.

18. Agreements related to stock-exchange maintenance

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

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

19. 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.

20. 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.

21. Significant loan agreements

As at December 31, 2005, the Bank did not exceed a maximum exposure limit towards one client or capital group as stipulated under the Banking Law. The Bank's exposure exceeded 10% of capital equity towards 18 customers, and totalled PLN 1,355 million. To compare, as at December 31, 2004, the Bank's exposure exceeded that level in the case of 10 customers and totalled PLN 670 million.

L. Information on the agreement concluded with Auditor

At the meeting held n September 22, 2005, the Bank's Supervisory Board chose PricewaterhouseCoopers Sp. z o.o. with the registered office in Warsaw as the auditor of the Bank's financial statements for 2005 and the entity reviewing the Bank's financial statement for the first half of 2006 (Supervisory Board's Resolution No. 25/2005 of September 22, 2005) The agreement with the auditor was signed on March 13, 2006. The expected amount due for the audit of the Bank's financial statements for 2005 and for the review of the Bank's financial statements for the first half of 2005 will be PLN 268 thousand (net) and up to PLN 25 thousand on account of additional costs incurred in connection with the audit or review and reimbursement of other documented costs, if any, of the auditor.

In previous reporting periods, the function of auditor of the Bank's financial statements was performed by KPMG Audyt Sp. z o.o. The payment under the agreement for auditing the Bank's financial statements for 2004 and an agreement for reviewing financial statements for the first half of 2005 amounted to almost PLN 387 thousand (gross) jointly and was made in 2004 and 2005.

VI. ORGANIZATIONAL AND CAPITAL ASSOCIATIONS WITH OTHER ENTITIES

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

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

Fortis is an international financial services provider active in the fields of banking and insurance. With a market capitalization of EUR 35 billion as at the end of December 2005 and 56,000 employees over the world, Fortis ranks in the top 20 of European financial institutions. As at December 31, 2005, Fortis total assets equalled almost EUR 739 billion (and were by over EUR 168 billion, i.e. 29% higher than at the end of 2004, when they totalled EUR 571 billion).

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

With a view to pursuing its strategic plan to achieve 30% net profit on activity conducted outside the Benelux countries by 2009 (in 2005, Fortis continued to develop the network of outlets, among other things by opening 21 new Business Centers and taking over the Turkish Dişbank and Dryden in Great Britain).

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

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

Net profit generated (before divestment) of EUR 3,498 million was by 45% higher than in 2004 when it amounted to EUR 2,410 million. Operating performance continued to improve thanks to higher results on banking and insurance and in particular to the material growth (by 53%) of banking activity results. Net profit increased by 32% to the amount of EUR 3,941 million compared with EUR 2,995 million in 2004.

Net profit on banking activity (before divestment) increased significantly by 53% from EUR 1,590 million in 2004 to EUR 2,434 million in 2005. Income increased by 17% to the level of EUR 8,991 million but expenses rose by only 5% to EUR 5,603 million.

Fortis maintains a high level of net core capital of EUR 23,1 billion, which exceeds the threshold required by prudential standards by EUR 12,2 billion (i.e. 89%) and the threshold adopted by Fortis by 20%.

Key financial data:

All data in EUR million	**2005**	**2004 (pro-forma)**	**2005/2004 change**
Net profit (before divestments), including	**3,498**	**2,410**	**45%**
- banking	2,434	1,590	53%
- insurance	1,225	1,126	9%
- other	(161)	(306)	(48%)
Results on divestments	**443**	**585**	**(24%)**
Net profit	**3,941**	**2,995**	**32%**

Banking	**2005**	**2004 (pro-forma)**	**2005/2004 change**
Total income	8,991	7,692	17%
Total expenses	5,603	5,344	5%
Profit before taxation	3,179	2,140	49%
Net profit	**2,434**	**1,590**	**53%**
Result on divestment	-	18	
Net profit	**2,434**	**1,608**	**51%**

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

B. Fortis Securities Polska S.A.

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

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

At the end of 2005, assets under management of Fortis Securities Polska S.A. totalled over PLN 432 million as compared to almost PLN 377 million at the end of December 2004.

FSP offers share, debt securities and balanced portfolios.

FSP provides management of investment portfolios of GTFI (Górnośląskie Towarzystwo Funduszy Inwestycyjnych S.A.). Moreover, the Company provides 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 subfunds. The Fund comprises two subfunds: Fortis share subfund and Fortis stable growth subfund. Fortis FIO also maintains Individual Pension Accounts, IKE Fortis FIO.

Under the Polish Securities and Exchange Commission's decision of December 20, 2005, Xelion. Doradcy Finansowi Sp.z o.o. has been entered into the investment company agents register as an agent of Fortis Securities Polska SA and has become authorized to offer portfolio management services of brokerage financial instruments provided by FSP.

In connection with the Bank's cooperation with FSP to provide agency services of sale of financial instrument portfolio management, Fortis Bank Polska SA likewise intends to become FSP's agent in 2006. The Bank was registered by the Polish Securities and Exchange Commission as an investment company agent on February 21, 2006.

FSP bought back series R and S shares accounting for 82.94% of FSP's share capital from Fortis Bank Polska SA in order to redeem them at its own initiative. Upon registering FSP's share capital decrease resulting from the redemption by FSP of its own shares, the Bank's interest in FSP's share capital will remain unchanged, i.e. 100%. Over the entire period of the procedures provided in Article 456 §1 of the Polish code of commercial companies and partnerships, the Bank will retain the 100% of votes at the General Meeting of FSP.

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

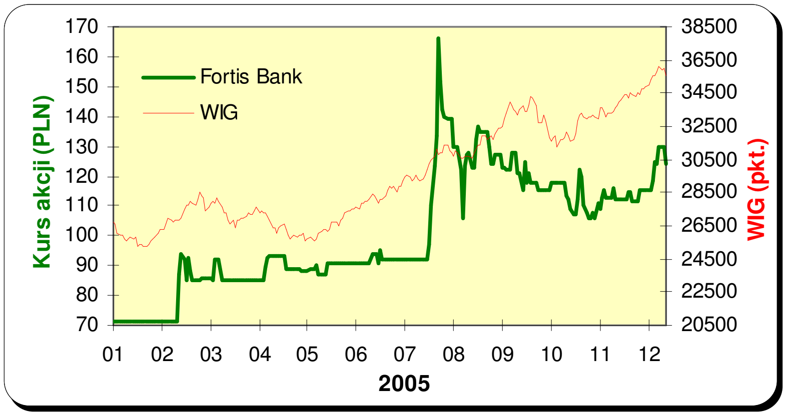
VII. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

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

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

At the first session in January 2005, the share price amounted to PLN 71.00. The price of the Bank's shares rose to PLN 124.00 as of December 31, 2005, i.e., by 75%. The average turnover in the Bank's shares in 2005 was 45 shares per session in comparison to 137 shares per session in 2004. Given such a small number of shares, the relative growth in the turnover and price was on the one hand due to the general recovery on the Stock Exchange following the accession of Poland to the EU, and on the other hand very good financial results of the Bank.

Chart 9. Quotations of the Bank shares and the WIG index from January1, 2005 until December 31, 2005



The WIG index rose from 26,636.19 as at December 31, 2004 to 35,600.79 as at December 30, 2005 (change by 34%) and WIG-banks sector sub-index grew from 35,454.37 as at December 31, 2004 to 46,787.80 as at December 31, 2005 (change by 32%). Due to the slight 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, 2005	December 31, 2004
EPS ratio	6.73	4.94
P/E ratio	18.42	14.36
BVPS ratio	45.88	39.47
P/BV ratio	2.70	1.80

The book value per share is PLN 45.88. For proper calculation, the share capital, reserve capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the net profit for the fiscal year were included in equity capital.

VIII. CORPORATE GOVERNANCE

Under §27 items 2 and 3 of the Warsaw Stock Exchange Regulations and Resolution No 44/1062/2004 of the Warsaw Stock Exchange Management of December 15, 2004, and Resolution No 445/2004 of the Warsaw Stock Exchange Supervisory Board, the Bank's Board of Executives, in compliance with the intention of the Shareholders expressed at the General Shareholders Meeting and in compliance with the intention of the Supervisory Board, adopted the *Best Practices in Public Companies in 2005*. A statement of the Board of Executives on that was made public in current report no 8/2005 of May 25, 2005. In 2005, no breach of the adopted rules was reported.

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 the ensuring effectiveness of internal control systems at Fortis Bank Polska S.A and monitoring of financial information reliability.

IX. DEVELOPMENT PROSPECTS FOR BUSINESS ACTIVITY

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

"Fortis back to growth" is the generic theme of the strategy update and the ambition of Fortis is to grow from the leadership position in Benelux into a strategic position in Europe. The growth will be measured by the double-digit growth of 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 (compared to 15% now).

The following elements should contribute to achieving these goals:

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

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

It is Fortis Bank Polska S.A. objective to generate growth of the Bank's incomes by 15% annually, likewise achieve ROE of minimum 12%.

Continuing its policy from previous years, the Board of Executives of Fortis Bank Polska will not make any financial forecasts public for 2006.

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

Thanks to the support of the Fortis group, both in financial and organizational terms, the Bank has acquired important customers, improved efficiency of lending procedures and different risk management and expanded the Bank's activity on financial markets. Starting with the establishment in 2005 of the Shared Services Center in Cracow, 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.

In particular Fortis Bank Polska S.A. 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.

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

- focus on internationally active customers, be it either multilocal (active in several countries) or having cross-border business (significant imports or exports).
- offering products through a cohesive network of business centers supported by professionals providing specialist financial products. In contact with a customer, electronic delivery channels are preferred.
- offering solutions and not merely marketing/sale of products and services,
- further development of skills, including specialization in international trade finance
- close cooperation with Global Markets BL to offer the customers financial market products (money market transactions and derivatives),
- cooperation with the Private Banking department and Fortis Securities Polska in order to develop a comprehensive offering of banking and investment services for affluent individuals, including owners and managerial staff of companies – clients of CB business line,
- development of business centers network – in 2006 it is planned to open 3 new bank units.

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

The mission of the Retail Banking is to perfectly, and in a long-term manner, satisfy financial needs of small enterprises and individual affluent clients thanks to professional counselling and our offering of individual solutions in the scope of financing and assets management, and thanks to engagement and skills of our employees.

In 2006 activities of the Retail Banking business line will be focused on the following areas:

- development of branch network – in 2006 as many as 6 new branches of the Bank will be opened, and 20 branches in 2007,
- development of an external sales network comprising over 270 financial advisers dealing with acquiring mortgage loans and small companies,
- development of electronic distribution channels intended for individuals and companies,
- implementation of the Personal Banking strategy that focuses on having edge over

competition in such areas as asset gathering and mortgage loans,

- focusing on high-net-worth clients through changing target segments and client servicing model, likewise changing client portfolio management,
- development of the offering related to asset gathering,
- development of the network and skills of Personal Banking Advisers and Portfolio Building SE Advisers,
- improvement of sales effectiveness through the introduction of a new sales management model,
- improvement of the quality of operating and credit processes.

Consumer Finance is a new business line that started its operations in Q4 2005. The operations of the Consumer Finance business line will focus on acquiring a significant share in the retail market of credit cards and cash loans.

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

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

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

X. ORGANIZATIONAL STRUCTURE

A. Bank authorities

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

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

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

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

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

The Assets and Liabilities Committee (*ALCO*) is an advisory and decision-making body supporting the Board of Executives in effective management of the Bank's assets and liabilities by setting the main assumptions for the policy and the management of the balance sheet structure, setting minimal margins of the Bank for specific products, approval of assumptions for the internal transfer price system and issuance of opinions on the introduction of new products that affect the structure of the balance sheet. In specific matters, in particular, as far as liquidity and market risk management is concerned, ALCO can take decisions. The scope, organization and tasks of ALCO are defined in the Regulations approved by the Board of Executives. In the beginning of 2006, ALCO was transformed into the Risk and Asset and Liability Management Committee (Risk and ALM Committee) whose scope of tasks includes also the management of operational risk and strategic credit risk.

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

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** has been setting up its structure since 2005 and will focus on the service of individual customers with regard to credit cards and cash loans.

In 2006, the Private Banking Business Line will become operational that offers professional services to affluent individual customers.

In 2005, the Bank opened four (4) new small Branches in Olsztyn, Opole, Rzeszów and Toruń. These outlets provide banking services in respect of granting investment loans for small companies, accumulating assets of the Personal Banking segment customers, selling mortgage loans and daily banking through electronic channels. In 2006, their further development is planned.

As at December 31, 2005, the Bank conducted operations through the following units:

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

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

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

In 2006, it is planned to open six new branches and three new business centers.

The Bank's organization chart as at December 31, 2005 has been 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, 2005, the Board of Executives composition was as follows:

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

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

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

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

Supervisory Board

As at December 31, 2005, the Supervisory Board composition was as follows:

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

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

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

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

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

Three members of the Board of Executives of Fortis Bank Polska S.A. that are at the same time members of Supervisory Board of Fortis Securities Polska S.A. (Jan Bujak, Alexander Paklons and Bartosz Chytła) did not receive remuneration for this, either in 2004 or in 2005.

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

As at December 31, 2005, none of the Board of Executives Members owned any shares of or interest in, Fortis Bank Polska S.A. or affiliated entities.

Mr. Luc Delvaux, Chairman of the Supervisory Board until June 30, 2005, held 25 shares in the total nominal value of PLN 50. Following his resignation, none of the Supervisory Board Members held any shares of the Bank or rights to shares as at December 31, 2005.

5. Employees

The number of people employed was 894 FTE (full time equivalents) as at the end of December 2004. Over the next 12 months the employment increased by 123 FTEs to 1,017 FTE at the end of December 2005. The majority of the employees, i.e. 59%, were university graduates.

<u>*Signatures of the Members of the Board of Executives (on the Polish original):*</u>

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 …………………………………