

Board of Executives' Report on the Business Activity of the Capital Group of Fortis Bank Polska SA in 2010



BNP PARIBAS
FORTIS

| Bank zmieniającego się świata



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1. SUMMARY OF FORTIS BANK POLSKA SA CAPITAL GROUP ACTIVITY IN 2010

In 2010, Poland recorded stable economic growth despite unfavourable external conditions. The Capital Group of Fortis Bank Polska S.A. (hereinafter, "the Group"), closed 2010 with a net profit of nearly PLN 42 million.

Fortis Bank Polska S.A. (hereinafter: "the Bank") has started to implement a new business strategy under the brand of BNP Paribas Fortis and focuses on building sustainable relations with its customers. Consistent risk management has resulted in a considerable reduction of net write-downs for impairment.

1.1. Key factors and events that affected the Group's financial performance in 2010

After the merger with Dominet Bank SA, Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with respective items of Dominet Bank SA included in comparative data.

The result of Dominet Bank SA for the reporting period from 1 January to 31 July 2009 is not included in the result of the merged Bank for 2009. The data of the merged Bank are presented starting from August 2009. The lack of retrospective data presentation of the merged banks affects the number of comparisons made and ratios calculated.

The Group's total assets as at 31 December 2010 amounted to PLN 18,539,076 thousand and were lower than the total assets as at the end of December 2009 by PLN 1,755,407 thousand, i.e. 9%.

The Group's net income in 2010 stood at PLN 848,940 thousand, which represents growth by 49% compared to 2009.

The Group's net interest income grew up by 39%, while the net fee and commission income grew up by 7% as compared to 2009. As a result of an improved net income on derivative instruments in 2010, the Group observed a positive net trading income as compared to the last year's loss. At the same time, a 67% decrease in net write-downs for impairment was noted.

The improved net interest income was primarily attributable to lower costs of customers' deposits and credit facilities received from the BNP Paribas Group. In 2010, interest expenses decreased by 36%, down to PLN 313,349 thousand in comparison to PLN 489,228 thousand recorded in 2009. On the other hand, interest income earned in 2010 amounted to PLN 898,044 thousand, or less by 1% than PLN 911,091 thousand recorded in 2009.

The return on equity (ROE) increased up to 3.04% as compared to (34.14%) noted in 2009. The return on assets (ROA) stood at 0.23% as compared to (2.05%) noted in 2009. Earnings per share were PLN 1.72.

Net loans to customers stood at PLN 13,151,131 thousand as at the end of December 2010 which was 5% less than at the end of December 2009, due to a lower credit action which was affected both by companies' smaller demand for investment loans, and a more prudent credit policy. The net loans to customers accounted for 71% of total assets.

The decrease in volume of loans granted related mainly to institutional customers. The balance of commercial loans decreased by 11% as compared to the end of 2009, i.e. by PLN 856,398 thousand. As a result of their decrease in value, their share in total gross loans to customers went down to 49% from 53% noted as at the end of December 2009, however they continued to constitute the largest item in the structure of loans to customers. Balance of working capital loans decreased by 18% as compared to the volume as at the end of December 2009, however investment loans (including loans for purchase/construction of commercial real estate) went down by 11%.

As at the end of December 2010, the gross value of mortgage loans stood at PLN 5,051,494 thousand and was by 11% higher than as at the end of December 2009.

As at the end of December 2010, liabilities due to customers decreased to PLN 8,195,268 thousand in comparison to PLN 9,226,324 thousand noted at the end of December 2009. This significant decrease was mainly the result of the policy of not competing with high interest rate of deposits, considering good liquidity situation and lack of credit balance growth, which brought an outflow of funds of price-driven customers. Term deposits continue to prevail in the structure of liabilities due to customers and amount to PLN 5,440,993 thousand which accounts for 66% of total liabilities due to customers, despite a 24% decrease in their value as compared to the end of December 2009. Sight deposits reached PLN 2,579,374 thousand as at the end of December 2010 which means growth by 35% as compared to December 2009. Liabilities due to banks decreased by 63%.

In 2010, the Group's personnel costs stood at PLN 233,838 thousand and were higher by 3% compared to 2009, when they amounted to PLN 226,695 thousand. The cost increase resulted mainly from a higher headcount related to the integration with Dominet Bank SA. Moreover, depreciation costs increased by 30% also due to the integration with Dominet Bank SA.



The Group's other expenses reached PLN 288,942 thousand and were higher by 26% compared to 2009, when they stood at PLN 229,612 thousand. The main items of other expenses are rents (PLN 64,164 thousand), information systems and technologies (PLN 41,881 thousand), marketing and advertising (PLN 26,821 thousand), postal and telecommunication services (PLN 25,913 thousand). The increase in other costs results from integration with Dominet Bank SA.

In 2010, net impairment losses amounted to PLN 192,666 thousand i.e., they were lower by PLN 383,628 thousand compared to 2009. The decrease in net impairment losses is attributable to restructuring activities undertaken by the Bank and consistently performed cautious policy of granting new loans. 88% of net impairment losses in 2010 were attributable to customers of the Retail Banking Business Line.

The Group's consolidated profit earned in 2010 resulted from both an improved net trading income, likewise from significantly lower than in 2009 net impairment losses related to credit receivables. The Group's gross profit generated in 2010 accounted for PLN 57,463 thousand as compared to the gross loss of PLN (521,161) thousand recorded in 2009. The Group's net profit amounted to PLN 41,574 thousand as compared to the net loss of PLN (429,880) thousand incurred in 2009.

1.2. Other factors – cooperation with BNP Paribas SA Branch in Poland

On 30 March 2010, an agreement was signed between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland. The purpose of the agreement was the acquisition by the Bank of the organised part of the bank enterprise of the Branch upon fulfilment of the terms and conditions specified in the agreement. On 26 May 2010 the Polish Financial Supervision Authority issued a permit to conclude that transaction.

Under the above agreement, the sale agreement regarding the organised part of the enterprise was concluded on 1 July 2010 between Fortis Bank Polska SA as a purchaser and BNP Paribas SA Branch in Poland as a seller. In two stages, in July 2010 and October 2010, the Bank took over the organised part of the banking enterprise run by the Branch, including selected assets and liabilities due to a part of the Branch customers which represented in total nearly 150 capital groups, i.e. approximately 350 customers of the Enterprise and Transaction Banking Business Line. The organised part of the enterprise included such banking business segments as: credit activity, issuance of bank guarantees and providing other typical bank services.

The purpose of the transaction was to make a clear division of the activities as regards servicing enterprises between the Branch and the Bank within the framework of the integration of BNP Paribas Group in Poland. The Bank focused on rendering services related to daily banking operations for enterprises, including cash management, full credit service, global trade finance and selected forward transactions. The Branch's priority is to serve the largest corporate and institutional customers of the BNP Paribas Group and offer advanced investment banking products.

The final acquisition price of PLN 334.9 million was agreed in December 2010. The price was established on the basis of the net book value of assets acquired and liabilities assumed as at 30 June 2010. As at that date, the value of transferred loan receivables stood at PLN 257 million, and liabilities related to deposits exceeded PLN 1 billion. The difference of PLN 78 million between the book value of net assets and acquisition price is recognised in the Bank's equity funds.

In the financial report the Bank adopts a prospective method of presentation of comparative data applicable to the transfer.

1.3. Fortis Bank Polska SA operating activity optimisation project

In 2010, the Bank undertook actions aimed at an enhancement of business effectiveness and optimisation in the context of the integration with Dominet Bank SA completed in 2009 and new integration tasks and benefits related to the integration within the BNP Paribas Group. The measures undertaken were to improve the Bank's financial performance and constituted part of the rehabilitation program.

On 9 March 2010 the Bank was notified about the approval by the Polish Financial Supervision Authority (hereinafter, "the KNF") of the "Rehabilitation Program for Fortis Bank Polska SA". The most important assumptions of the rehabilitation program include risk mitigation and proper control in various areas of the Bank's business and improvement of business effectiveness. The program implementation is scheduled to be completed by the end of 2012.

The key goal of the program has been achieved as risk of further Bank's activity was limited. Some positive effects of the program implementation have already been noticed especially as regards the reinforcement of credit risk management. The Bank's capital and liquidity situation have considerably improved. Thanks to this the Bank has reached positive financial results. However, prudent risk management translates also into a lower than planned income level.

The most important assumptions of the program, whether completed or under implementation, include:

- risk management improvement, including strengthening of the liquidity management and preparation of the Bank to maintain the liquidity in a crisis situation;



- stable and balanced development of the Bank's activity as a universal bank, working out a target activity structure after the merger of Fortis Bank Polska SA and Dominet Bank SA and carrying out an effective integration within the BNP Paribas Group in Poland;
- improvement of efficiency by implementation of a program on limitation of costs and sales processes efficiency improvement;
- strengthening the Bank's capital position;
- ensuring liquidity sources, both in the form of a support from the capital group and ensuring financing from the Polish interbank market and European Investment Bank;
- mitigation of risk related to credit portfolio by strengthening and developing credit analysis, monitoring and debt collection;
- hedging a credit and counterparty risk arising from derivative instruments purchase/ sale transactions with their customers.

Pursuant to the obligation imposed on the Bank's Board of Executives to provide the KNF with quarterly reports on the Rehabilitation Program implementation, in 2010 the Bank submitted subsequent reports. On 20 January 2011 (after the balance sheet date), the Bank submitted "The Quarterly Report on the Rehabilitation Program Implementation in the Fourth Quarter of 2010" to the KNF.

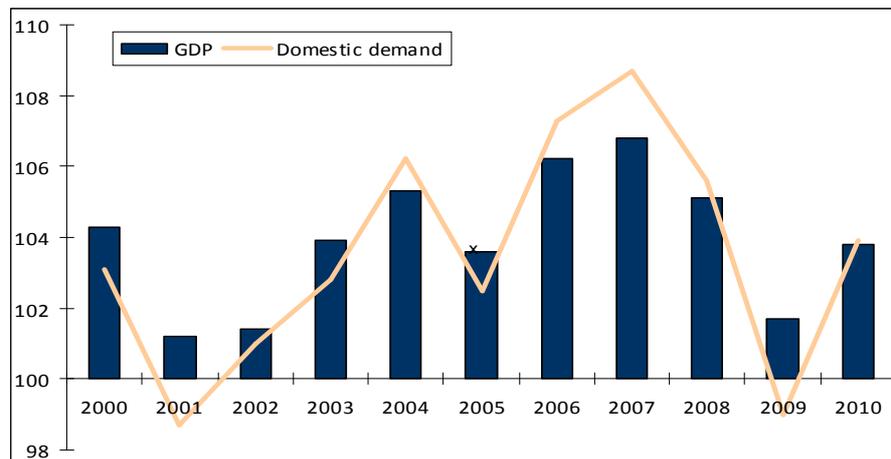
1.4. Outside factors that influenced the operation and development of the Group in 2010

Economy in 2010

GDP – growth rate and components

Since the beginning of 2010, the economic situation gradually improved. The GDP growth rate accelerated from 3% in the first quarter up to 4.2% in the third quarter of the year. As a result, an economic growth rate amounted to 3.8% over the entire year. The main growth drivers included stable consumption growth rate (growth by 3.2%) and a process of supply recovery in the economy. The poorer results were noted in investments though also in the case of this indicator an improvement could be observed: the investments annual growth rate increased in the third quarter by 0.4% YOY which meant a significant improvement compared to the decrease by (12.8%) YOY noted in the first quarter of 2010. The investments however noted a 2% fall throughout 2010.

In 2010, as regards the main sectors of the economy the best financial results were recorded by industry (+9.2% YOY) as well as construction (+3.8% YOY). The weakest results were observed in the sector of market services where the growth rate of the gross value added reached 1.5% YOY.



Labour market

In 2010, the situation on the labour market noticeably improved. In the entire year, 0.8% growth of employment in the sector of enterprises was recorded which indicates a gradual revival of demand for work after a decline reported the year before when it was at (1.2)%. However, an improved demand for work did not translate into a higher salary pressure. In 2010, an increase in nominal remuneration stood at 3.3% YOY and was thus noticeably lower than 4.4% and 10.1% reached one year and two years before, accordingly.

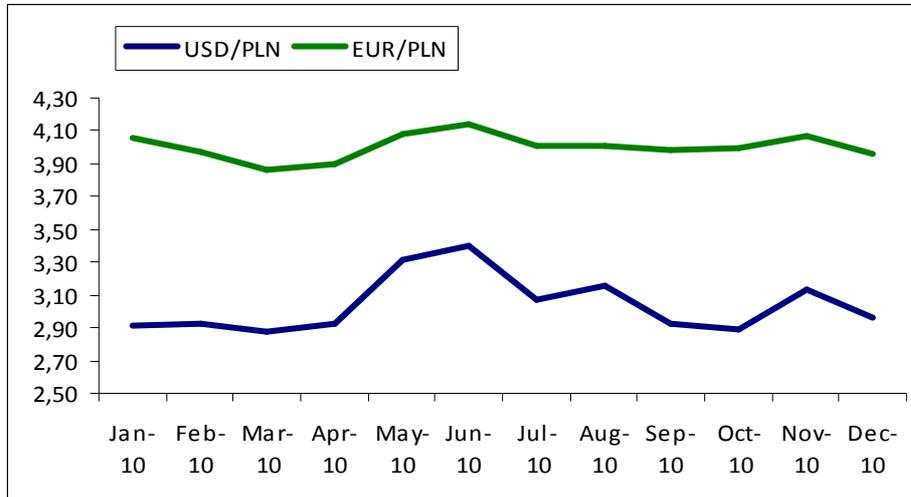
Exchange rate and inflation

In the first half of 2010, a downward inflation trend was observed. In July, the main inflation rate was 2% YOY, i.e. much less than 3.5% recorded in January 2010.



However, an inflationary pressure increased in the second half of the year and in December the main inflation rate reached 3.1% YOY, exceeding again the inflation target set by the Polish Monetary Policy Council (2.5%). Prices of fuels, energy and food were the most significant inflation factors.

In 2010, the Polish zloty market continued to be characterised by an increased volatility resulting from a considerable dependency of domestic financial markets on global market trends. Nevertheless, throughout 2010 the average annual exchange rate of Polish zloty was stronger than the year before, both in a relation to US dollars and euros (by 3.2% and 7.7%, respectively).



Foreign trade and balance of payments

In 2010, the current account deficit gradually grew. In the period analysed, the cumulated 12-month current account deficit equalled EUR (11.6) billion and was thus much higher than in the previous year, when it stood at EUR (6.8) billion. The main reason of growing current account deficit was an increasing imbalance of the commodity trading balance (this imbalance was EUR (6.4) billion in 2010 and it nearly doubled the balance reported in 2009). At the same time, a considerable inflow of foreign capital continued, mainly on the portfolio investments side, thanks to which the balance of payments showed a surplus of EUR 11.5 billion in 2010.

At the end of 2010, the NBP foreign currency reserve reached EUR 69.9 billion and was by 26.7% higher than the year before.

Public finances

After the eleven months of 2010, the State budget deficit stood at PLN 42.5 billion or 81.4% of the annual plan assumed in the Budget Act. In the same period, the budget revenues accounted for 91.1% while expenses for 89.5% of the plan assumed in the 2010 Budget Act.

Financial performance of enterprises

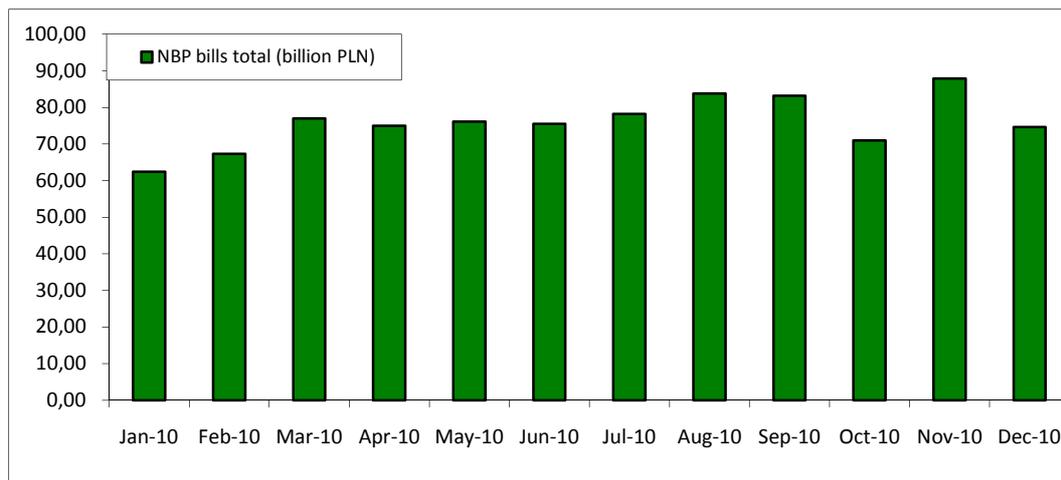
In 2010, financial performance of the enterprise sector improved. In the first three quarters of 2010, the net profit/loss of the non-financial sector reached PLN 67.5 billion, and was higher by 12.5% than in the corresponding period of the preceding year. In the same period, the net profit was generated by 72.6% of all enterprises, similarly as in the previous year (72.5%).

Banking Sector in 2010

Monetary policy of the NBP and interest rates of commercial banks

In 2010, the central bank interest rates remained unchanged. In that period, the reference rate was at a record low level of 3.50%. In October 2010, the Polish Monetary Policy Council decided to increase the mandatory reserve rate by a half of a percentage point, i.e. from 3% up to 3.50%. The decision applies to the mandatory reserve to be maintained since 31 December 2010.

The significant liquidity surplus is maintained. At the end of 2010, the balance of issued NBP bills reached PLN 74.6 billion and was thus by PLN 82% higher than in December 2009. In 2010, the average annual household deposit growth rate reached 10.1% YOY, i.e., half the size reported the year before (20.1%). On the other hand, the deposit growth rate in the enterprise sector improved. In 2010, deposits held by the enterprises' sector increased by 11.7% as compared to 4.6% the year before. As regards loans, results also varied. Loans to households grew on average by 10.9% YOY while the value of loans for enterprises decreased by 4.2%.



Financial performance of banks

According to the KNF's data, in 2010, the banking sector performance was positive and reached PLN 11.7 billion. This was much better result compared to 2009 when it stood at PLN 8.3 billion (growth by 41%). The banking result recorded in 2010 totalled PLN 53 billion which represents a 7% growth compared to the previous year. The net interest income noticeably improved, showing a growth by 16.9% YOY.



2. SHAREHOLDERS AND STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

As at 31 December 2010 and the 2010 annual report publication date, i.e. 18 March 2011, the share capital of Fortis Bank Polska SA was PLN 1 206 175 300 and was divided into 24 123 506 ordinary bearer shares with a nominal value of PLN 50 each, which did not change since 31 December 2009.

All the shares of Fortis Bank Polska SA are bearer ones and entail no limits with respect to any ownership transfer or exercise of voting rights. All the shares entitle their holders to the same rights. Any limitations can only be based on specific provisions, e.g. of the Banking Law Act or Public Offering Act.

In 2010 and until the report publication date, i.e. 18 March 2011, the Bank has not taken any actions yet to introduce L and M series shares to stock exchange trading. All other series A to K shares are admitted to trading and listed on the stock exchange.

2.1. The shareholder structure

As at 31 December 2010 and the 2010 annual report publication date, i.e. 18 March 2011, shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

Shareholder	Number of shares held	% of the share capital	Number of votes at the GM	Share (%) in the total number of votes at the GM
Fortis Bank SA/NV*	18 848 593	78,13%	18 848 593	78,13%
Dominet SA**	5 243 532	21,74%	5 243 532	21,74%
Others	31 381	0,13%	31 381	0,13%
Total:	24 123 506	100,00%	24 123 506	100,00%

* BNP Paribas SA is the parent entity (74.93% shares) of Fortis Bank SA/NV based in Brussels.

**Fortis Bank SA/NV based in Brussels is the parent entity (100% shares) of Dominet S.A.

BNP Paribas SA holds, via Fortis Bank SA/NV, 24,092,125 shares that constitute 99.87% of share capital of Fortis Bank Polska SA that entitle to 24,092,125 votes, constituting 99.87% of the total number of votes at the General Meeting of Fortis Bank Polska SA.

Fortis Bank SA/NV based in Brussels holds directly 18,848,593 shares in the Bank representing a 78.13% stake in the share capital and giving the right to exercise 18,848,593 of total votes at the general meeting. Dominet SA (a subsidiary of Fortis Bank SA/NV) holds 5,243,532, i.e. 21.74% of the share capital.

2.2. Changes in the shareholder structure of Fortis Bank Polska SA

In 2010, no changes as regards the shareholder structure or share capital of the Bank took place. The Bank has not been informed of any agreements that may lead to changes in the proportions of shares held by the present shareholders in the future.

2.3. Stock performance on the Warsaw Stock Exchange

The Bank's shares have been quoted on the primary market of the Warsaw Stock Exchange since 7 November 1994. Since 2004, the Bank's shares have been quoted in the continuous trading system.

Since 1999, i.e. after Brussels-based Fortis Bank took over 98% of the Bank's shares, the liquidity of shares stood at a low level. As at 31 December 2010, the free float included 31,381 shares held by other shareholders, i.e. 0.13% of all the Bank's shares. In October 2008, the Bank joined the *Liquidity Support Programme* implemented by GPW SA to increase the liquidity of stock trading on the WSE.

At the first session in January 2010, the Bank's shares were traded at PLN 164.50. As at 31 December 2010, the Bank's share price went down to PLN 129.90, i.e. by 21.03%.

The highest Bank's share price in 2010 was recorded on 16 March 2010, when it stood at PLN 175.90. The lowest Bank's share price was recorded on 28 December 2010, when it was PLN 122.20. The average share price in 2010 was PLN 152.29 compared to the average price of PLN 196.60 in 2009.

An average turnover in the Bank's shares was only over 7 shares per session in 2010 and was lower in comparison to the average turnover recorded in 2009 (over 32 shares per session). An average value of the turnover in the Bank's shares in 2010 was PLN 1,077 and was lower than the average value of the share turnover in 2009 of PLN 13,325 per session.

Quotations of the Bank shares from 4 January 2010 to 31 December 2010



Source: <http://www.money.pl>

WIG, a stock exchange index, rose from 40,775.24 points noted on 4 January 2010 to 47,489.91 points recorded on 31 December 2010 (increase by 16.5%). The WIG index recorded its lowest level at 37,322.52 points on 11 February 2010. However, it was higher by 75% than the minimum noted in February 2009. Also WIG-Banks, a sector sub-index increased in 2010 from 6,003.13 points noted on 4 January 2010 to 6,921.28 points recorded on 31 December 2010 (growth by 15.3%).

Minor liquidity of the Bank's shares prevents them from being classified to any of the indexes.

Below there are market indices for the Bank's shares with respect to the Group's consolidated data.

Ratio	31.12.2010	31.12.2009	31.12.2008
Return on assets (ROA)*	0.2	-2.1	0.4
Return on equity (ROE)*	3.0	-34.1	6.2
Earnings (loss) per share	1.72	-21.92	4.68
Book value per share	55.30	56.73	72.62

The book value per share is PLN 55.30. For proper calculation, the share capital, additional capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the consolidated net profit (loss) for the fiscal year were included in equity capital.

*These ratios were calculated per annum as follows:

Return on assets (ROA)	Net profit/loss / average assets as at the end of four subsequent quarters
Return on equity (ROE)	Net profit/loss / average equity as at the end of four subsequent quarters



3. THE BANK'S PRODUCTS AND SERVICES AND DEVELOPMENT OF BANKING BUSINESS IN 2010

3.1. Retail Banking

Retail Banking which comprises now small enterprises, individual and private banking customers offers comprehensive services to the following customer groups: individual customers, including affluent customers segment, and enterprises that meet the criterion of annual turnover of less than PLN 30 million. In particular the Bank targets its offering at the following segments:

- Mass Retail segment – customers of monthly net income below PLN 7,500, where additionally a sub-segment of Mass Retail Aspiring Customers, with income of over PLN 2,500, has been separated.
- Mass Affluent Customer segment – customers of net monthly income at minimum PLN 7,500 and/or investing assets through Fortis Bank Polska SA in the minimum amount of minimum PLN 100 thousand however no more than PLN 1 million.
- Affluent Banking (HNWI) segment – customers who invest assets through Fortis Bank Polska SA in the minimum amount of PLN 1 million, including the Ultra-HNWI group of customers holding assets above PLN 5 million.
- Micro enterprises (MICRO) segment – business entities generating annual revenues below PLN 500,000.
- Small and Medium Enterprises (SME) segment – business entities with annual turnover ranging from minimum PLN 500,000 up to maximum PLN 30 million.

In 2010, Personal Finance which deals in particular with a preparation of product offering and management of consumer loans offered via branches and external distribution channels, continued to develop.

I. Products and services offered to Individual Customers

Mass Retail and Mass Affluent segments

The product offering for individual customers was in 2010 developed according to the strategy adopted for this year. The Bank consistently developed its offering in all areas to establish safe customer relations with the Bank and to make the offering comprehensive and tailored to customer needs, chiefly in target segments, i.e. Mass Retail and Mass Affluent.

Customer relations were based on four basic personal accounts with packages introduced into the offering at the end of 2009:

- Account with the S Package – dedicated to customers who contact the bank for the first time, e.g.: minor customers, first jobbers and the elderly,
- Account with the M Package – its core is a standard bank account giving access to a full range of banking transactions,
- Account with the L Package – for more aware and demanding customers,
- Account with the XL Package – mainly for Mass Affluent customers.

All packages enable an effective and safe management of funds deposited on savings and checking accounts. Additionally, M, L, XL Packages and accounts for Affluent Banking customers give access to a wide range of assistance services, helpful in everyday life of customers. The packages offered by the Bank also include saving and investment products, loan products, payment cards and e-banking services.

The following products and services are available for holders of Packages:

- overdraft facility within current account and Authorised Debit Balance,
- savings account with the interest capitalisation on each business day,
- settlement services: standing orders, direct debits, domestic and international transfers,
- debit cards: Visa and MasterCard,
- Pl@net Internet banking system,
- Call Centre;
- assistance insurance (with the exception of the S Package).



Furthermore, holders of packages are offered:

- foreign currency accounts: in EUR and USD,
- stock Investor's accounts, earmarked for the service of investment portfolios (asset management service). The Bank maintains such accounts for customers using the services of TFI Fortis Private Investments S.A.
- term deposits with various maturity terms, bearing fixed or variable interest rate, standard and negotiated deposits in PLN, EUR and USD,
- overnight deposits (a surplus of funds is automatically deposited on an overnight deposit),
- "Pure Profit" (*Czysty Zysk*) and "Pure Profit Plus" (*CzystyZysk Plus*) insurance policies that are savings products in nature. This is an insurance which aims at financial security of: a policyholder – in the event of living until the end of the insurance period, or a beneficiary – in the event of death of the policyholder.

The offering of savings accounts underwent modifications. New standard accounts "Very" (*Bardzo*) and promotion accounts "More" (*Więcej*) were introduced into the offering, with a guarantee that the account interest rate would be kept unchanged for 12 months of the account opening.

In 2010, holders of personal accounts were offered AXA MED medical insurance by the Bank. The insurance ensures private health care in over 1,200 medical centres in Poland in four variants: basic and extended variant for individuals and basic and extended variant for a family.

Furthermore, in the insurance area, the Bank's offering was extended by a third party liability (OC) and vehicle accident and theft (Auto-Casco) insurance of motor vehicles.

Changes were also applied to the offering of mortgage loans to individual customers. Two new products were launched:

- Mortgage loan "Family's own home" (*Rodzina na swoim*) under the government program implemented under Act dated 8 September 2006 regarding Financial Support for Families to Purchase Their Own Home, enriched by an offer of real estate insurance for 96 months for PLN 0;
- Dual Currency Housing Loan, where 50% of the loan amount is granted in PLN and 50% in EUR, supplemented by a life insurance policy.

The investment product offering was enriched by:

- Fortis K2 – a 3.5 year Luxembourg fund based on the WIG20 index. Its aim is to generate profits based on the index growth while protecting the principal at the end of the investment period,
- Two issues of "Planet Profit". It is a three-year structured product in the form of group whole life insurance of AXA Życie TU SA, based on the BNP Paribas Millenium Long Short Commodities 6% PLN ER index, designed to include commodities of the highest forecast return level (e.g. gold, oil, sugar) with a guarantee of the principal protection at the end of the investment period.

In 2010, the Bank's offering was adjusted to the changing market environment, to meet customer expectations while retaining transparent rules of cooperation with customers. These adjustments are supposed to build long-lasting relations with customers based on transparent offering and friendly service processes.

In 2010, the Bank undertook a number of local initiatives to build customer relationships and improve awareness of the BNP Paribas Fortis brand under which the Bank runs its business in Poland. Promotion actions under the name of "We prolong weekends" (*Wydłużamy weekendy*) and „Neighbour's Day" (*Dzień sąsiada*) were organised during which customers could buy products offered by the Bank on attractive prices.

Affluent Banking segment

In addition to all products and services available to individual customers of the Bank, in the Private Banking segment the capital group of Fortis Bank Polska SA provides integrated services and solutions in terms of asset management for affluent Private Individuals. The services offered include:

- savings and investment products,
- credit products,
- daily banking products,
- special legal and tax structures.



Private Banking customers are also given access to services and products offered by the international BNP Paribas network.

1. Deposit and investment products,

The Bank offers the following savings and investment products:

- deposits (in PLN and in foreign currencies, for various terms, overnight deposits with negotiated interest rates);
- savings account with the interest capitalisation on each business day;
- structured deposits;
- a wide selection of domestic and international external investment funds (207 funds);
- BNP Paribas L1 international funds;
- periodical subscriptions for international investment funds of BNP Paribas L Fix, or term funds, mainly with the principal amount protection, whose profits are related to stock markets or other instrument markets;
- the offer of assets management by TFI Fortis Private Investments S.A. which includes:
 - model portfolios and investment strategies tailored to individual customer needs as regards acceptable risk, expected yield and investment horizon;
 - investment fund portfolios actively managed by investment advisors who customise the portfolio structure by selecting the funds they view as the best investments. Within the fund portfolios, cooperation with the following investment companies has been established: Franklin Templeton International Services S.A., HSBC Trinkaus & Burchardt AG, BlackRock Merrill Lynch Investment Managers, AIG Towarzystwo Funduszy Inwestycyjnych S.A., ING Towarzystwo Funduszy Inwestycyjnych SA, Union Investment TFI SA;
 - Individual pension accounts;
 - FORTIS FIO umbrella fund;
 - Fortis FIO deposit which is a combination of a 6-month term deposit with a selected Fortis FIO sub-fund: Fortis FIO Stocks or Fortis Stable Growth;
 - IKE Fortis FIO.
- structured products prepared within and outside the Bank, including instruments that are custom-built for customers.

In addition to investment products, the Bank offers also products combining insurance and investment (actively managed portfolios of selected investment funds sold on the Polish market linked to insurance).

2. Credit products

The following loans are available to customers:

- mortgage loans - long-term loans for the purchase of an apartment or house on the primary or secondary market, for construction or refurbishment of real estate and land plot purchase;
- any purpose cash loans, short and medium-term facilities,
- credit lines available in a current account – the maximum financing term for a credit line is one (1) year with a possibility to extend it,
- other types of loans tailored to individual needs of customers.

3. Daily Banking products

Private Banking customers have access to, among others, the following:

- accounts in PLN and main convertible currencies;
- foreign exchange transactions executed at negotiated rates;
- Pl@net Internet banking system;
- assistance insurance;
- AXA MED medical insurance;
- Call Centre;
- Visa and MasterCard payment cards;



- credit cards (Visa, MasterCard), in particular Gold and Platinum cards which give access to insurance services, assistance and concierge services and Traveller Package;
- charge cards (American Express) - best customers may apply for a titanium card "Centurion." Holders of the card may use concierge and insurance services likewise privileges during stays in hotels of various chains, and a number of other additional services.

Personal Finance

Personal Finance deals in particular with the preparation of product offering and management of consumer loans offered via external distribution channels.

The main products offered by Personal Finance include:

- cash loans;
- car loans (for the purchase of both new and used cars),
- credit cards unrelated to current accounts.

The Personal Finance products are mainly sold through the Bank's branches. Other distribution channels include the Internet, call centre, insurance institutions and financial brokers. Personal Finance uses external distribution channels, such as used car brokers, car dealers and independent financial partners.

1. Cash loans

- Classic loan,
- Extra loan.

The loans are offered to Mass Retail customers, but they can also be used by Mass Affluent customers. In addition to the above, the Extra loan is offered to selected customer groups such as VIPs, Professionals. The above products are sold in the Bank branches.

The introduction of new cash products was to both position the offer anew on the market and improve processes, and also to introduce a new system servicing products sale (Rat@tu).

In the last quarter of 2010, a cash loan promotion was launched under "Execute Your Plan" catchphrase (*Zrealizuj swój plan*).

2. Car Loans

In April 2010 a loan for purchase of a vehicle at an authorised car dealer was included in the offering and a new credit application, Rat@tu was launched. The product is sold by employees of a car dealer.

In May 2010 a new offer for the "Kredyt Elastyczny" (*Flexible loan*) was introduced. The loan conditions have been significantly changed:

- non-obligatory life insurance and insurance against job loss,
- lower interest rates,
- loan agreement in the form of bi-contract (credit card).

The product is sold in the Bank branches and by the network advisors (mobile advisors) and financial brokers.

In the second half of 2010, several sales force motivation actions were carried out likewise a credit promotion of 8.9% for vehicles not older than 7 years.

II. Products and services offered to Enterprises

SME and MICRO Enterprises

A share of micro companies and small and medium enterprises in generating the Polish GDP amounts to 50% and keeps growing. Therefore these are significant segments of the enterprise market in Poland. As regards the Bank, the SME segment is of strategic nature, which means that the needs of customers from this segment come under particular scrutiny of the Bank. As a consequence, the Bank's offering addressed to the SME customers is successively developed and modified.

Retail Banking targets at Micro and SME customers with an annual turnover below PLN 30 million. Product offering of the Bank for these entities includes:



1. accounts and packages,
2. deposits,
3. payment cards,
4. credit products,
5. Internet banking,
6. trade finance,
7. risk management,
8. other financial services (API, lease facilities, cash collection, financing agreement, purchase/sale of foreign currencies),
9. EU offering.

1. Accounts and packages

In the second half of 2009 and at the beginning of 2010 Fortis Bank Polska SA modified its package offering for Micro and SME customers and introduced four packages under the common name of "Biznes Profit": Biznes Profit Moja Firma, Biznes Profit Class, Biznes Profit Premium and Biznes Profit Organizacja. Additionally the package offering was extended by assistance services and placement account for companies.

Biznes Profit Moja Firma

'Biznes Profit Moja Firma' Package is addressed to individuals conducting a business activity and to civil law partnerships. In particular it is addressed to start-ups with an annual turnover of up to PLN 500 thousand that apply a simplified accounting system.

The package comprises a current account in zlotys, term deposit account and overnight deposits, placement account, debit card along with insurance, access to the basic version of the BiznesPI@net Internet banking system, access to the Call Centre and assistance services package.

Biznes Profit Class

'Biznes Profit Class' Package is addressed to companies with an annual turnover from PLN 500 thousand to 3 million that apply a full or simplified accounting system, members of liberal professions, farmers who conduct business activity.

The package comprises a current account in zlotys, placement account, term deposit account and overnight deposits, debit card along with insurance, access to the basic version of the BiznesPI@net internet banking system, access to the Call Centre and assistance services package in a variant adequate for the needs of such companies.

Biznes Profit Premium

'Biznes Profit Premium' Package is addressed to companies with an annual turnover from PLN 3 million to 30 million that apply a full accounting system, actively use electronic channels and make FX transactions.

The package comprises a current account in zlotys, placement account, term deposit account and overnight deposits, debit card along with insurance, access to the extended version of the BiznesPI@net Internet banking system, access to the Call Centre, foreign currency account, FX limit, extensive package of assistance services (office assistance, car assistance, travel assistance) and financial consulting provided by a dedicated Relationship Manager.

Biznes Profit Organizacja

'Biznes Profit Organizacja' Package is addressed to non-profit organisations, foundations, regional governments, housing cooperatives, universities and schools.

The package comprises a current account in zlotys, placement account, term deposit account and overnight deposits, debit card along with insurance, access to the basic version of the BiznesPI@net Internet banking system, access to the Call Centre and a financial consulting provided by a dedicated Relationship Manager.

In 2010, the above packages were supplemented by legal information insurance in two options, i.e., legal information assistance added to all packages and additionally, legal expenses insurance. The insurance covers reimbursement of legal assistance costs related to running business by the Bank's customer.

In 2010, a placement account was also introduced, initially for customers who use "Moja Firma" Package (micro companies). The placement account enables an efficient management of company's financial surpluses. Customers can invest PLN funds in the placement account in any amount, and make payments or withdrawals at any moment without losing the interest accrued.



2. Deposits

The Bank has on its offer an array of deposits allowing effective management of financial surpluses. The Bank offers various deposit types, both in PLN and in foreign currency, with attractive interest rates and in terms adjusted to company's needs.

Deposits offered by the Bank to micro companies and SME customers include:

- 21-day deposit,
- e-deposits,
- deposits in PLN opened through the Internet or Call Centre,
- deposits in PLN with fixed and variable interest rates,
- deposits in USD and EUR with fixed and variable interest rates,
- overnight deposit – automated depositing of a surplus of funds while keeping access to these funds;
- negotiated deposits with parameters individually agreed with the customer.

3. Payment cards

Cards for micro and SME companies

Micro companies and SMEs are offered debit cards (VISA Business, MasterCard Business) and charge cards (VISA Business, VISA Business Gold) by the Bank.

Debit card users can use it to pay for goods and services in service facilities and shops and withdraw cash at branches of banks and in ATMs both in Poland and abroad.

Charge cards enable payments for goods and services in service facilities and shops in Poland and abroad, and making payments via the Internet or on the phone.

4. Credit products

Credit products offered by Fortis Bank Polska SA enable its customers to choose the best financing method adjusted to their current operational activity and investment activity.

4.1. Financing of the current business activity:

For financing of the current business activity, Fortis Bank Polska SA offers:

- debit limit,
- overdraft facility,
- revolving working capital loan,
- non-revolving working capital loan,
- multi-option credit line,
- payroll line – a credit facility for remuneration (implemented on 1 June 2010),
- Stock Financing Loan for car dealers who report increased demand for working capital.

4.2. Financing the investment project:

Credit products for financing investment projects that enable a dynamic development of companies through purchase and modernisation of production means or real estates are an essential component of the offering of Fortis Bank Polska SA for small enterprises. Enterprises that look for investment project financing the Bank offers:

- investment loan,
- EIB (European Investment Bank) investment loan – this product has by principle lower interest rates and relatively longer financing term (up to 10 years) as compared to a standard offer. Lower interest rates for a customer result from the application of so-called EIB bonus that is a percentage discount guaranteed under the agreement between the Bank and EIB;
- loan against European Union subsidies,
- mortgage loan – investment loan earmarked for a purchase or construction of real estate for commercial purposes,
- home equity loan – earmarked for financing any purposes related to pursued business activity,



- lease facility,
- commercial car loan.

In January 2010, the Bank introduced an investment loan based on European Investment Bank credit line.

Within the cooperation with Fortis Lease Polska Sp. z o.o., the Bank offers lease services: financial lease and operating lease including sale-and-leaseback. The lease can include means of transport, machines and equipment as well as real estate.

5. Internet banking

The Bank offers a functional and secure Internet banking system - BiznesPI@net. The system functionality is tailored to the needs of business Customers. For example, it enables differentiation of rights assigned to system users and integration with the financial and accounting system of the company (file import/export).

BiznesPI@net is a system which:

- allows users to effectively manage all banking products: accounts, cards, loans, deposits, letters of credit, transaction hedging against foreign exchange and interest rate risks;
- presents data transparently and allows for an intuitive usage, so even those who have not previously used the Internet banking system have no troubles using it;
- is secure – thanks to the application of multiple complementary security mechanisms,
- provides an integrated access to all accounts and banking products,
- ensures access to always updated data and current banking services.

6. Trade finance

An essential part of enterprise's activity is purchase of goods, raw materials, materials and services and subsequent sale of products or services on domestic or foreign markets. To ensure adequate sources of financing is a key role in this process, likewise is the need to settle purchase and sale transactions in a safe way.

6.1. Trade transaction risk mitigation

The Bank offers a comprehensive range of instruments that minimise risk inherent in trade cooperation with suppliers and customers, including:

- documentary collection,
- import letters of credit,
- service of export letters of credit,
- guarantees.

These are traditional banking products, yet the advantage of the offering of the Bank over offers available on the market consists in swift response, efficient operational service, individual advisory services and assistance in choosing appropriate solution – taking into account both costs and minimising commercial transactions risk.

6.2. Trade finance – micro companies

Micro companies that need support in trade finance can use the following products:

- documentary collection - a conditional form of payment in which the Bank collects a given sum from the buyer for the account of the seller upon delivery of documents received from the seller, according to agreed conditions;
- bank guarantees – securing the company against situations in which partners to transactions fail to meet their obligations arising under the contract.

6.3. Trade finance - Small and Medium Enterprises (SME)

Trade finance products available to small and medium companies include:

- documentary collection,
- documentary letter of credit - a conditional, written obligation of the issuing Bank to transfer a fixed amount to the seller, against presentation of documents; the type of documents and their presentation period are precisely defined in the letter of credit;
- bank guarantees,



- foreign bank guarantees – the most effective form of collateral for payments under international contractual obligations;
- pre-export financing – a solution earmarked mainly for financing export contracts in progress, i.e. before the subject of a contract has been manufactured or sent abroad.

7. Financial risk management

Offering of Fortis Bank Polska SA is an ideal solution for companies looking for possibilities to reduce financial risks in pursued business. On its offering the Bank has products that enable exporters/importers to manage FX risk and interest rate risk.

7.1. FX risk management – exporters / importers

- spot / outright transaction

Spot transaction is an agreement between the Bank and a customer in which parties to the transaction commit to buy or sell currency on a second business day after concluding the transaction.

- forward transaction

Forward transaction is an agreement between the Bank and a customer in which parties to the transaction commit to buy or sell currency in the future at the previously determined rate.

- FX swap

Swap transaction consists of two operations of which the first is usually a spot transaction and the second is forward transaction.

7.2. Interest rate risk management

Interest Rate Swap (IRS). The IRS is an agreement between the Bank and a customer on a future swap of credit or investment interest rate from variable to fixed (or vice versa).

8. Other financial services

Other services of the Bank addressed to micro or SME companies include:

- cash collection – a service consisting in depositing described cash to the Bank without counting it at the moment of making the deposit,
- Automated Identification of Payments (AIP) – a product for companies that have a lot of crediting transactions and want to automate accounting processes and reduce unit costs related to the service of mass payments,
- general financing agreement,
- currency purchase/ sale,
- system of sureties and credit guaranties for companies (individual mode) in cooperation with Bank Gospodarstwa Krajowego; the system may cover: overdraft facility, revolving/ non-revolving working capital loan, investment loan, credit facility against subsidies and mortgage loan.

3.2. Enterprise and Transaction Banking

Enterprise and Transaction Banking (ETB) provides comprehensive services through the network of its Business Centres. ETB targets at corporate customers with an annual turnover over PLN 30 million. It focuses also on companies that are part of international capital groups, irrespective of their annual turnover. Thanks to cooperation within the international group of BNP Paribas, ETB offers access to a rich selection of products and services.

The capital group of Fortis Bank Polska SA offers a wide variety of financial solutions for this market segment. They include:

- financing working capital,
- financing investment projects,
- FX risk and interest rate risk management,
- liquidity management,
- trade finance,
- European Union funds.



1. Financing working capital

The business of the Bank is characterised by readiness to provide services tailored to individual customer needs based on a thorough analysis of his expectations using an international network of partners. The financing is available in the form of a multi-option credit line, overdraft facility, revolving working capital loan, guarantee credit line or letter of credit line.

2. Financing investment projects

Enterprises that look for investment project financing the Bank offers:

- investment loans,
- lease, including lease of real estate and a wide range of fixed assets, including means of transport, construction equipment, typesetting machines and other equipment;
- performance bonds,
- advance return guarantees,
- bid bonds.

3. FX risk and interest rate risk management

Solutions in FX risk and interest rate risk management are offered to ETB companies by the Fixed Income and Treasury Line.

ETB companies have a direct phone connection to the FX Support Group dealers in order to effect transactions, obtain information on situation on the FX market or preliminary valuation of a hedging strategy.

Within the FX risk management, the Bank offers:

- forward transactions,
- FX swap,
- foreign currency options.

In addition to FX risk management services, the Bank offers also interest rate risk management, including:

- Forward Rate Agreement (FRA),
- Interest Rate Swap (IRS) – a swap transaction of variable interest rate of liabilities or assets into a fixed interest rate or vice versa,
- interest rate options (CAP, FLOOR),
- Cross Currency Swap (CCS) – a swap of currency of liabilities or assets along with a change from a variable interest rate into a fixed interest rate or vice versa.

The following products are available for the Bank's customers who wish to invest a surplus of funds:

- term deposits in PLN and foreign currencies (e.g. USD, EUR); free funds can be invested on overnight deposits or long-term deposits (up to one year);
- treasury bills on the primary and secondary markets; "buy sell back" and "sell buy back" transactions,
- State Treasury bonds.

4. Liquidity management

Liquidity management or cash management include products that enable a company to streamline the management of funds accumulated on its bank accounts.

With the use of the full range of cash management products, the Bank's Customers can effectively accelerate the cash flow process and reduce their administrative and financial costs by:

- current control over receivables collection,
- current control over payables balance,
- efficient management of information and liquidity.

Thanks to solutions that are used in the Bank, Customers can control, effectively and on an ongoing basis, the collection of their receivables from a big number of their counterparties in a given period. Under the Automated Identification of Payments (AIP), a settlement between the counterparty and the Customer takes place through an individual account number assigned. A counterparty can make a payment at any



place (post office, branches of the Bank or branches of other banks). A new service, Payment Identification and Reconciliation (PIR) provides customers with bigger possibilities for controlling receivables collection:

- reports generated in any text form,
- providing reports even several times a day.

The Bank also offers tools necessary to enable easy, fast and safe method of an effective management of company's payables.

Fortis Bank Polska SA offers enterprises functional and secure Internet banking systems: BiznesPI@net and Connexis.

BiznesPI@net, an Internet banking system, is one of the basic tools of access to accounts. A corporate customer does not need to visit a branch to get information on turnover on the company's accounts, he can initiate transfers taking into consideration various levels of authorisations to administer the accounts. Furthermore, there is an option of cooperation between the Bank's software applications with Customer's financial and accounting systems. Apart from a basic transactional functionality, the system ensures an access to other services like:

- cards management,
- letters of credit service,
- foreign currency exchange platform,
- current information about utilisation of an overdraft and specific purpose loan.

Within the efficient information and liquidity management, the Bank offers products that enable not only forwarding information to the Customer but also remote management of accounts in other banks, as well as management of liquidity on specific accounts in the Customer's capital group.

- Multi Bank Reporting (MBR),
- Remote Payment Initiation (RPI),
- Notional Cash Pooling,
- Cash Collection.

The Cash Collection service consists in collecting pecuniary values from points appointed by a customer, then sorting, counting and booking them to the customer's account at Fortis Bank Polska SA. Payments are posted on the next business day. Besides cash collection, the Bank also offers a possibility of cash supplies to points indicated by a customer. The service is provided nationwide and refers to payments in zlotys.

The service is rendered in cooperation with Asekuracja Cash Handling Sp. z o.o., which for many years has been providing services of cash processing and cash transports; the company renders its services to reputable financial institutions in Poland.

Within the liquidity management, the Bank offers also a non-resident collecting account which is maintained for a business entity having its registered office abroad. The account can be opened in the following currencies: PLN, USD, EUR, CHF, GBP or JPY. The account is earmarked for making settlements in the form of transfers and cheques. Instructions are performed on the basis of SWIFT orders sent by the Customer's foreign bank, and also within standing payment orders and cheque settlements. Funds deposits on the collective account in foreign currencies bear no interest.

5. Trade finance

5.1. Trade transaction risk mitigation

The Bank offers a comprehensive range of trade finance instruments that minimise risk inherent in trade cooperation with suppliers and customers and also facilitate settlements in international trade. The product portfolio includes: documentary collection, letters of credit (import and export), stand-by letters of credit and foreign guarantees.

5.2. Accounts receivable financing

Acquisition of financial resources through the sale of trade receivables provides a flexible source of financial liquidity. As regards forfaiting solutions, the Bank also offers financing without recourse to the seller. The Bank finances both short-term and long-term receivables based on invoices or receivables resulting from export documentary letters of credit. Financing of long-term export contracts can serve as an example. Attractiveness of the Bank's offering is further improved by cooperation with the Export Credit Insurance Corporation (KUKI S.A.) and also Bank Gospodarstwa Krajowego (BGK).



5.3. Bank guarantees

The Bank offers both domestic and foreign guarantees. The Bank services various guarantee types, including bid bonds, advance return guarantees, performance bonds and payment guarantees. As regards cross border trade, the Bank issues both own guarantees by the order of its customers and counter guarantees of other foreign banks, and also the Bank services guarantees received in favour of its customers.

5.4. Pre-export finance

The service is convenient in a situation when an exporter looks for funds to buy raw materials needed to produce the goods exported or to finance its inventory stock, prior to finishing the production or delivery of supplies.

The collateral for and source of repayment of such loans can be future export receivables arising under a contract signed, while the contractual payments can be secured by a documentary letter of credit, bank payment guarantee, insurance policy or receivables due to the exporter under the export contract signed.

5.5. Export letters of credit: buyer credit

Thanks to the Bank's cooperation with specialised institutions dedicated to support Polish exports such as KUKA S.A. and BGK, the Bank can offer its Customers comprehensive solutions in the area of medium- and long-term financing for export contracts related to the sale of goods and investment services.

They include buyer credit granted to a foreign importer or its bank.

6. European Union funds

Since 2004, the Bank conducts an information project for customers called "In the European Union with Fortis Bank," aimed at providing advice to Polish entrepreneurs on how to acquire EU funds. Money for enterprises is available primarily under operating programmes co-financed with structural funds and the Cohesion Fund. Under the project, the Bank finances investment projects subsidised with the European Union funds and conducts training and advice actions for entrepreneurs.

In cooperation with the *Gazeta Prawna* daily, the Bank runs an educational project under the name of "European Union Funds 2007-2013." The aim of the project is to provide practical knowledge about opportunities, requirements and obstacles related to the utilisation of EU funds. The project is divided into 19 regional seminars to enable interested entrepreneurs from all parts of Poland to participate.

3.3. Other Banking Activity

In 2010, organisational changes took place in this area and three types of activity were separated: the Treasury, Fixed Income and Assets and Liabilities Management (ALM).

Products and services offered to the Fixed Income and Treasury Line customers

The Fixed Income and Treasury Line is a business line operating on the financial markets that specialises in servicing banks and other financial institutions, and also a selected group of customers. The Line carries out operations on the money market and FX market, it also participates in trading in securities. The Fixed Income and Treasury Line supports other business lines providing a selected group of customers with financial market products and instruments via standard and off-balance sheet transactions.

Furthermore, the Bank offers its Customers FX transactions and transactions designed to hedge FX risk and interest rate risk.

FX transactions include, in particular:

- spot transactions,
- forward transactions,
- foreign currency options;
- zero-cost structures.

Interest rate risk currency transactions include:

- Forward Rate Agreement (FRA),
- Interest Rate Swap (IRS) – a swap of variable interest rate of liabilities or assets into a fixed interest rate or vice versa,
- Interest Rate Options (IRO): CAP/ FLOOR,



- Currency Interest Rate Swap (CIRS) – a swap of currency of liabilities or assets along with a change from a variable interest rate into a fixed interest rate or vice versa.

The following products are available for the Bank's Customers who wish to invest a surplus of funds:

- treasury bills on the primary and secondary markets; "buy sell back" and "sell buy back" transactions,
- State Treasury bonds.

The activity related to financial instruments offering at the Bank has been adjusted to the amended Act on trading in financial instruments, which implemented requirements of the EU Directive, Markets in Financial Instruments Directive (MiFID). Appropriate actions have been undertaken in this regard, they include for example:

- modification of the derivative product offering and new product acceptance process at the Bank,
- modification of procedures, documents' models and operation of the IT systems that support the sales and customer service processes,
- modification of legal aspects of master agreements on financial instruments so as to enhance the applied security measures,
- far-reaching information campaign for customers and additional training for the Bank's employees.

Money market and debt securities operations

The Bank's activities on the money market and the market of debt securities may be grouped into three 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 Group is responsible for the Bank's liquidity and interest rate risk on the operational level. This involves ensuring funding sources for the Bank's assets and investment of financial surpluses. To this end, the Treasury Group makes placements and deposits on the interbank market, FX swap transactions and investments in State Treasury bills and bonds and NBP bills.

Foreign exchange transactions concluded by the FX Support Group makes it an active player in forex market. The FX Support Group manages the Bank's FX risk occurring in relation to the Bank's FX positions and FX transactions concluded by customers.

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

3.4. Average interest rate of deposits and loans

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.

In 2010, the Monetary Policy Council left the level of official NBP interest rates unchanged.

In 2010, the average nominal interest rate of current and term deposits at the Bank stood at:

- PLN deposits – 3.21%,
- foreign currency deposits – 1.24%.

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

- PLN loans – 8.94%,
- EUR loans – 3.64%,
- USD loans – 3.04%,
- CHF loans – 1.39%.

To compare, in 2009, the average nominal interest rate of current and term deposits assumed the following values:

- PLN deposits – 4.68%,



- foreign currency deposits – 1.77%.

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

- PLN loans – 7.32%,
- EUR loans – 3.63%,
- USD loans – 2.81%,
- CHF loans – 2.02%.

3.5. Custody services

The Bank offers custody services related to maintenance of securities accounts, safekeeping customer assets and settlement of transactions concluded on domestic and international markets. Under the Decision issued by the Securities and Exchange Commission of 14 July 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure.

Until 30 March 2010, the Custody Services Group acted as a Depositary for two sub-funds under open investment fund, FORTIS FIO, set up by Towarzystwo Funduszy Inwestycyjnych Skarbiec S.A. As a result of the transformation of Fortis Private Investments Polska SA into an Investment Fund Company and a takeover of the Fortis FIO fund, the Depositary function had to be passed over to another bank.

In connection with the Bank's obligations of a Service Agent and Paying Agent in favour of foreign investment funds – BNP Paribas L Fix, BNP Paribas L1 (former Fortis L Fix and Fortis L Fund), managed by BNP Paribas Investment Partners Luxembourg, the Custody Services Group coordinates the distribution of participation units in Poland. At the end of December 2010, there were 32 sub-funds of various participation classes offered under BNP Paribas L1 fund.

3.6. 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.

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. Effective February 2008, Fortis Bank Polska SA provides its customers with SEPA credit transfers (both incoming and outgoing ones).

Since July 2005, there was a shared service centre at the Bank, which operated as a back-office for foreign outlets of Fortis Bank SA/NV in the Central and Eastern Europe. In the second half of 2010, the centre was moved to Warsaw.



In the second half of 2010, Business Centres in Switzerland, Hungary and France were also integrated with BNP Paribas Branches, and therefore the service of those outlets was transferred to the BNP Paribas Branches in relevant countries.

For these services the Bank was paid remuneration to cover operating costs of the Payment Shared Service Group, increased by a margin determined in the agreements. The total remuneration paid to the Bank in 2010 stood at PLN 2,176 thousand as compared to PLN 2 262 thousand paid in 2009.

In 2010, the Bank signed an agreement regarding maintenance of a nostro account in PLN in the BNP Paribas Branch in Warsaw. The Bank opened the following new nostro accounts: in EUR in BNP Paribas in Paris, in USD in BNP Paribas in New York and in GBP in Barclays.

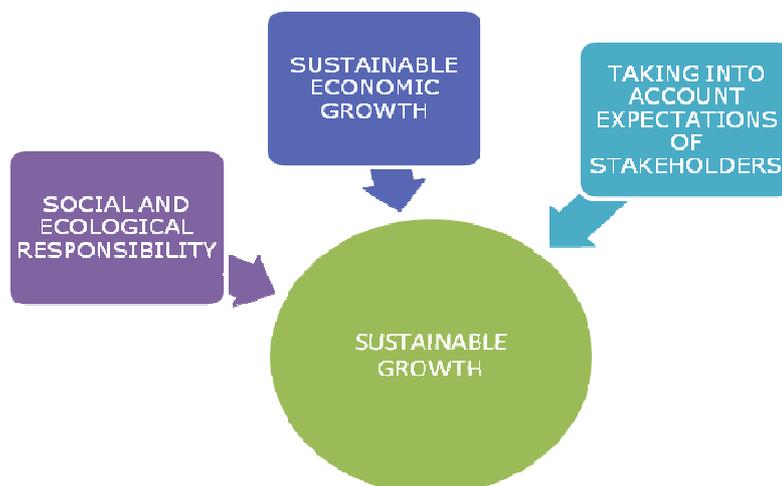


4. CORPORATE SOCIAL RESPONSIBILITY

Fortis Bank Polska SA applies the principle of corporate social responsibility to its undertakings.

In its operations, it focuses on two aspects of corporate social responsibility, namely sustainable development and social involvement.

1. **Sustainable development** is understood as generating sustainable economic growth while taking into account expectations of stakeholders and also a responsible approach to social and ecological challenges.



Supply chains

We try to get to know and identify elements of supply chains where we, our customers and our business partners operate. It helps us to promote sustainable development on each of their stages.

One of basic management tools of a sustainable supply chain is an adjustment of all products, services and procedures applied in our Bank to ISO/IEC 27001/2005 standards.

We also take care that our business follows guidelines such as "The Best Practices in Companies Listed on Warsaw Stock Exchange."

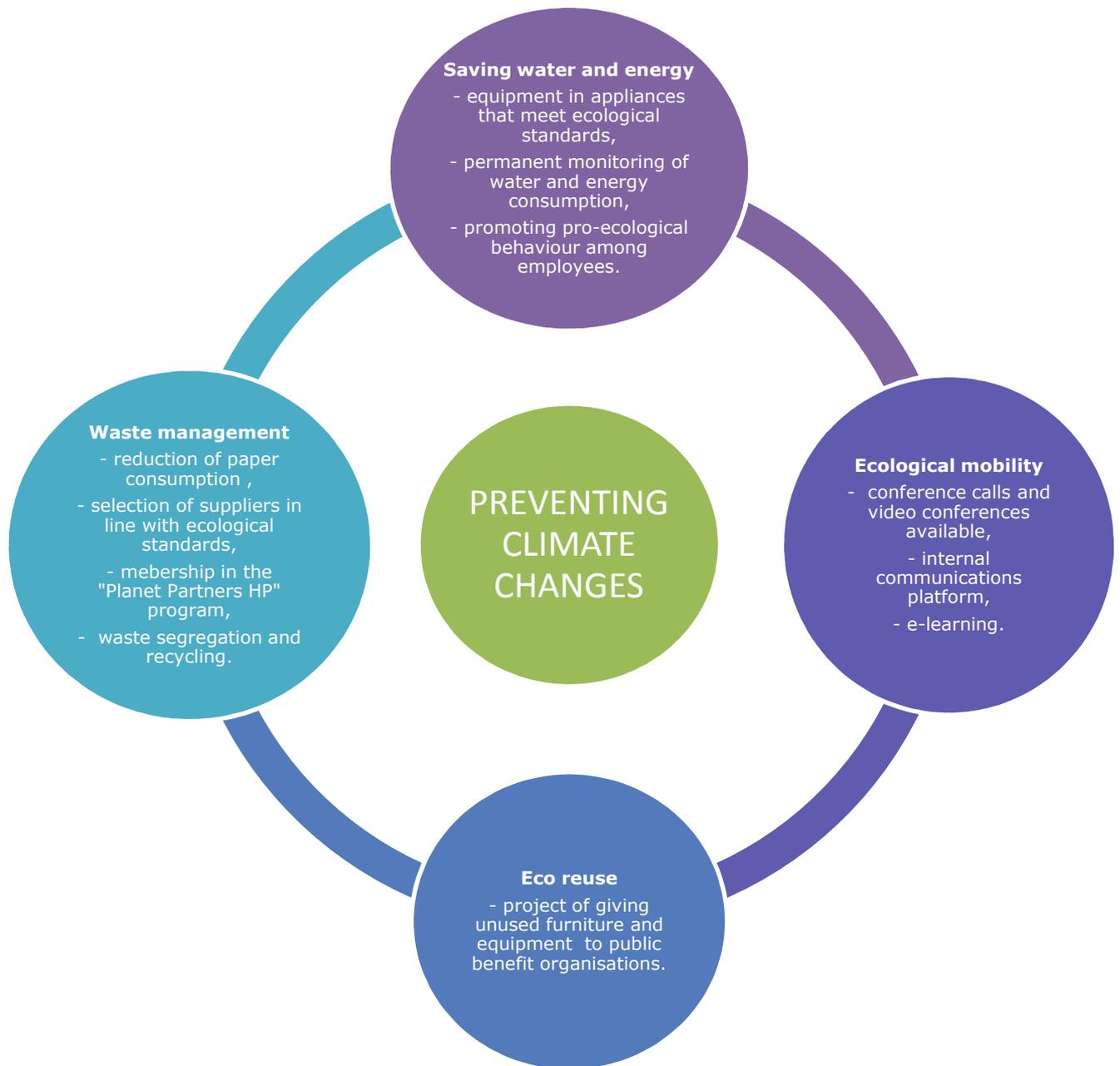
With respect to specific supply chains we try to formulate such policies and internal regulations regarding proper operation that are consistent with the CSR rules.

Eco-sales

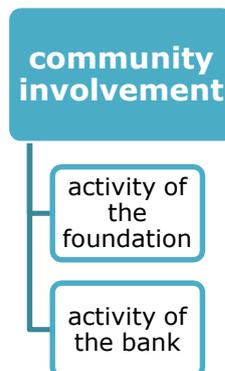
Continued development of alternative customer service channels, i.e. PI@net and BiznesPI@net, likewise the call centre.

Preventing climate changes

In everyday operations of the Bank, we strive to minimize ecological effects of our business. In connection with the above, projects aimed at implementation of ecological standards in the Bank are successively carried out.



2. For us, **community involvement** means support provided to local communities through volunteer actions in the local environment. The community involvement program is implemented through three main pillars of the Bank's activities, and through the BNP Paribas Fortis Foundation dedicated to undertaking actions for the benefit of community.





Actions undertaken by the Bank:

Third Sector Academy

The Bank assumed patronage over the "Third Sector Academy" (ATS), the project of the Foundation for the Jagiellonian University aimed at improvement of qualifications of people who either work or wish to act in support of the third sector. The Project was inaugurated at the end of 2009 and lasted until July 2010.

It was a project targeted at improving and complementing the competences of employees and volunteers of non-governmental organisations. The second edition training schedule included for example the following courses:

- building image of an organisation including in particular cooperation with the media,
- human resources management in a non-governmental organisation including cooperation with volunteers,
- time management,
- development of personal skills as regards public speaking,
- assertiveness and development of leadership skills,
- development of interpersonal skills.

1% tax deduction – promoting the idea among the Bank's customers

In the period from January to April 2010, customers visiting the Bank's Branches in Poland had an opportunity to get familiar with two Public Benefit Organisations – the Society of the Friends of Children (Towarzystwo Przyjaciół Dzieci) and United Way Poland Foundation – by reading their promotional materials (leaflets, posters and newsletters) and they could decide whether they would like to allocate 1% of their personal income tax for 2009 to public benefit organisations. Information about those organisations was also passed to the Bank's customers through the BankNotes periodical.

Pay-roll program

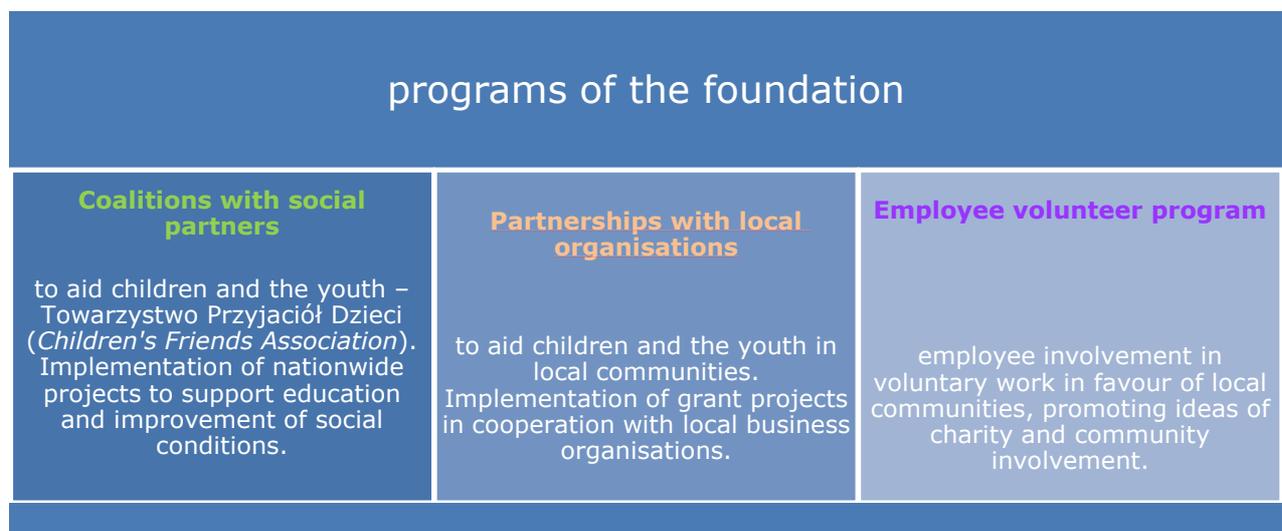
In cooperation with the United Way Poland Foundation, a scheme of employee voluntary remuneration deductions is carried out. Every employee interested in the scheme may declare aid to support a selected goal pursued by the United Way Poland Foundation, while the donated amount can be deducted from the employee's income.

Actions undertaken by the BNP Paribas Fortis Foundation

Basic information and objectives of the Foundation actions

The Foundation's aim is to prevent social exclusion especially among children and the youth. The objectives are accomplished through initiation, support and performance of social programs, providing financial and non-cash support for institutions of similar goals, support for social activity of the Bank's employees and involving them in the Foundation actions on a volunteer basis, likewise promoting charity ideas.

Main pillars of the Foundation actions





Coalitions with social partners

In 2010, under the cooperation with Towarzystwo Przyjaciół Dzieci (Children's Friends Association, TPD), the Foundation implemented projects supporting local childcare centres and TPD day rooms (Środowiskowe Ogniska Wychowawcze and Świetlice TPD) as regards improvement of the centres' infrastructure and performance of educational actions for the TPD charges:

- „Uwolnij potęgę swojej pasji!” (Release the power of your passion!) grant program – completion of five (5) projects that supported development of TPD charges' passions and interests in 5 childcare centres in various regions of the country (nationwide project, January – June 2010);
- Wakacyjne Biuro Turystyczne (Holiday Tourist Office) grant program – a project consisted in selection and financing of the most interesting ideas for the upcoming holidays. Out of almost 60 contesting centres from all over Poland, 7 the most interesting projects were selected. They were awarded equal grants for the organisation of the planned activities (nationwide project, May - August 2010);
- “Dzień Dziecka” (Children's Day) donation – nearly 5,000 of art sets went to TPD charges nationwide. They were given by Euro-Trade company in cooperation with the Foundation (nationwide project, June 2010).
- “Wiem, że mogę...” (I know I can...) contest – a literary contest for the charges of the TPD Centre “Helenów” – disabled children and youth. Eight contest winners were selected who went for a few-day trip to Wrocław, where, among other things, they participated in a wheelchair tennis tournament sponsored by the BNP Paribas Group, “Wrocław Cup 2010”. During the tournament, children and the youth met professional tennis players and observed the finals (local project, May – July 2010).
- “Pomóż przez klik” (Help by clicking) campaign on Facebook. With the “Help by clicking” application, users of the BNP Paribas Fortis service on Facebook could indicate an institution that they wanted to give a grant to. By selecting one of four towns and clicking “I help,” they thus facilitated raising funds by a given TPD day room for its planned actions. Krakow was the first to have the required number of votes thanks to which the Krakow day room obtained a double grant of PLN 6,000. Other day rooms, in Wrocław, Szczecin and Łódź, received grants of PLN 3,000 each. Funds donated by the Foundation are earmarked by day rooms for buying equipment and renovation of respective day rooms.
- “Gwiazdkowe Świąta” (Star Christmas) art contest for TPD charges in the Podlasie region. The contest task was to design a Christmas card with a reference to the Foundation's logo. There were 50 entries of children for the contest. All TPD institutions in the region participated in the contest. Awarded designs were used in the production of cards sent by the Bank to customers and business partners and as visuals in the Bank's communications (e-mails, website, Facebook). Additional prizes for children (rucksacks and pencil cases) were endowed by Euro-Trade company from Krakow.

Additionally, the TPD was also supported by Fortis Bank Polska SA, which provided assistance by giving computer equipment and furniture. The donation was passed to the TPD centres in Warsaw, Gdańsk, Złotów, Łódź, Bydgoszcz, Nowy Dwór Mazowiecki and Krakow.

Partnerships with local organisations

In 2010, within cooperation with aid organisations, based on partnerships with local business organisations, the Foundation accomplished three projects in the Kujawy and Pomerania, Małopolska and Pomerania regions. The projects aimed at aiding children and the youth who are at risk of social exclusion, and promoting the corporate social responsibility:

- Two grant program were carried out under which seven (7) institutions were granted cash and a subsidy was awarded to one project,
- Relationship with three regional business organisations were started to promote the corporate social responsibility among entrepreneurs – members of those organisations, and cooperation aimed at helping children and the youth who are at risk of social exclusion.

Volunteer activities of employees

It is just with the Bank's employees in mind that a program supporting volunteer work and charity ideas has been developed. Thanks to this program, employees are sensitised to social problems and encouraged to undertake steps to provide support and assistance to people at risk of social exclusion. Employees are involved in educational and integration projects. The Foundation offers grant contests for the best social projects whose winners carry out their projects by themselves using the Foundation's funds.

In 2010, under the program, the following actions were carried out:



- "Na skrzydłach wiosny" (On the wings of spring) grant program. There were 19 project proposals, developed by the Bank's employees, entered into the program. Seven projects, assessed as the best, were awarded a grant for project execution (March – August 2010).
- Collection of gifts for flood victims. The collected gifts, food and cleaning products were passed to Bank Żywności (food bank) association, which redistributed them among the needy in the Małopolska and Mazovia regions. The support donated by the Bank's employees was evaluated at approx. PLN 20 thousand (nationwide project, May 2010).
- "Gwiezdny Patrol" (Star Patrol) grant program. There were 20 project proposals, developed by the Bank's employees, entered into the program. Seven projects, assessed as the best, were awarded a grant for project execution (December 2010 – February 2011).
- "Mikołajki" (Santa Claus day) project. Organisation of a Santa Claus event for children of poor families from Czernichów, Wielka Wieś and Zabierzów municipalities near Krakow. Volunteers were engaged in the preparation of the décor of the event room, packing gifts, organisation of art and eurhythmic workshops likewise contests and games for children. There were 16 employees of the bank involved in the project. Prizes for children who participated in contests were endowed by Euro-Trade company from Krakow.

Awards for the Foundation

The Foundation was honoured with the title of "Krakow Philanthropist of the Year". The award committee appreciated the support granted by the Foundation to its strategic partner – Towarzystwo Przyjaciół Dzieci.

Participation in conferences

The Foundation took part in the Belgian – Polish Forum on CSR. At the Forum, the Foundation presented its experience as regards corporate social responsibility actions, on the example of the partnership program with the TPD, especially based on the "Help by clicking" campaign.

Summary of the Foundation expenses

In 2010, the Foundation allocated over PLN 230,000 in total for its statutory tasks performance. Funds spent for operating and current activity equalled almost PLN 90,000.



5. ANALYSIS OF PERFORMANCE OF FORTIS BANK CAPITAL GROUP IN 2010

After the merger with Dominet Bank SA, Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with respective items of Dominet Bank SA included in comparative data. The result of Dominet Bank SA for the reporting period from 1 January to 31 July 2009 is not included in the result of the merged Bank for 2009. The data of the merged Bank are presented starting from August 2009. The lack of retrospective data presentation of the merged banks affects the number of comparisons made and ratios calculated.

5.1. Consolidated Income Statement

Dynamics of selected Consolidated Income Statement items (in PLN thousand)

Consolidated Income Statement in PLN thousand	01.01.2010 -31.12.2010	01.01.2009 -31.12.2009	Dynamics of items (%)
			31.12.2010 -31.12.2009
Net interest income	584 695	421 863	39%
Net fee and commission income	159 065	149 086	7%
Net trading income	74 844	-34 412	not applicable
Net gain/loss on available-for-sale financial assets	1 376	6 300	-78%
Dividend and other investment income	81	-	-
Other revenues	28 879	26 980	7%
Total income, net	848 940	569 817	49%
Personnel expenses	-233 838	-226 695	3%
Depreciation of fixed assets and intangible fixed assets	-76 031	-58 377	30%
Other expenses	-288 942	-229 612	26%
Net impairment losses	-192 666	-576 294	-67%
Gross profit/loss	57 463	-521 161	not applicable
Income tax expense	-15 889	91 281	not applicable
Net profit/loss	41 574	-429 880	not applicable

The main item of the income statement is the net interest income, which in 2010 reached PLN 584,695 thousand and was higher by 39%, i.e. by PLN 162,832 thousand than the result of 2009. Average credit volumes went down by 5% in the analysed period, which is mainly attributable to a reduction of credit activity caused by a weaker demand, especially for investment loans for enterprises, likewise to a more restrictive credit policy. Average deposit volumes decreased in that period by 6%. It resulted from the policy applied by the Group to refrain from competing with high interest rate of deposits, considering good liquidity situation and lack of credit balance growth. A decrease of average deposit volumes observed since November 2009 was stopped in the fourth quarter, and in November and December their increase by 3% MOM was reported. It was partly attributable to a transfer of customers from BNP Paribas Branch in Poland, and partly thanks to an introduction of an attractive offering of savings accounts. The net interest income increase by 39% coupled with a decrease of average loan volumes resulted from lower costs of deposits and credit facilities received from the BNP Paribas Group. Thanks to reduced costs of financing from the Group and a lower deposit interest rate, the net interest margin improved materially and it increased from 2% in 2009 up to 3.2% percentagewise.

A major income item was the fee and commission income. In 2010, the Group generated net fee and commission income of PLN 159,065 thousand, i.e. by 7% more than in the previous year. The income improvement results primarily from an increase in revenues on sale of insurance products introduced into the offering after the merger with Dominet Bank SA, likewise from higher fee and commission income on cash settlements and guarantees issued. Furthermore, the lower credit activity entailed a lower income on credit fees and commissions that are settled using a straight-line method.

As at the end of 2010, the number of active business line customers stood at 365,615 which was less by over 21 thousand than in December 2009. The customer number decrease resulted to a great extent from an outflow of individual customers who were sensitive to deposit prices and who at the same time maintained a low level of relationship with the Bank, i.e. did not use any other products.

In 2010, the Group noted a net trading income of PLN 74,844 thousand. In comparison to the loss of PLN (34,412) thousand reported in 2009, it means an improvement by PLN 109,256 thousand. The net trading



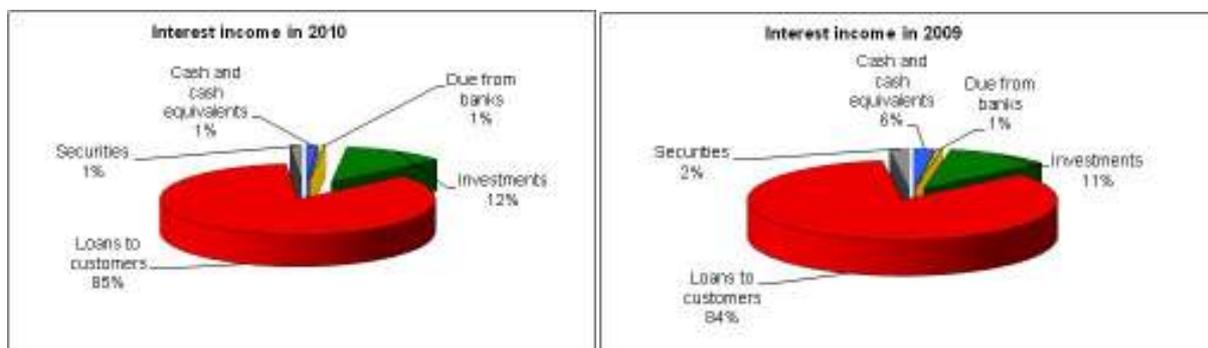
income improvement is related to a better result on derivative instruments. The total net income on derivative instruments in 2010 amounted to PLN (2,244) thousand, in comparison to the loss of PLN (138,544) thousand in 2009 which resulted from a high negative adjustment of fair value on account of credit risk related to option transactions concluded with customers of the Group, and a negative measurement to fair value of options bought to mitigate risk related to the FX rates increase with respect to EUR and CHF. On the other hand, a release of a fair value adjustment on account of credit risk of derivative instruments of PLN 25,936 thousand, had a positive impact on the 2010 result. The net FX income of PLN 75,347 thousand decreased in comparison to 2009 by 26% or PLN 26,618 thousand. The decrease resulted from a reduced volume of foreign currency transactions made by the Bank's customers (in 2010, an average volume declined by 42% as compared to 2009) and a lower new production of foreign currency loans. In 2010, the net result on valuation of securities held for trading amounted to PLN 1,741 thousand which means a decrease by PLN 426 thousand as compared to 2009 (the result of a negative valuation of securities).

Net income

The net income of the Group increased from PLN 569,817 thousand in 2009 up to PLN 848,940 thousand in 2010 (an increase by 49%). However, it should be taken into account that the changes arising from the merger of Fortis Bank Polska SA and Dominet Bank SA in 2009 affected these results.

Interest income decreased by 1% (PLN 13,047 thousand). This item stood at PLN 898,044 thousand in 2010 as compared to PLN 911,091 thousand in 2009. The main source of interest income included loans and credit facilities and investments. The interest income consists of interest on account of:

- Loans to customers: PLN 761,284 thousand versus PLN 766,125 thousand in 2009 (decrease by 1%);
- Available-for-sale investments: PLN 108,393 thousand versus PLN 100,070 thousand in 2009 (increase by 8%);
- Held-for-trading securities: PLN 12,043 thousand versus PLN 19,358 thousand in 2009 (decrease by 38%);
- Cash and cash equivalents: PLN 11,866 thousand versus PLN 20,306 thousand in 2009 (decrease by 42%);
- Due from banks: PLN 4,458 thousand versus PLN 5,176 thousand in 2009.



The interest expense dropped by 36% from PLN 489,228 thousand in 2009 down to PLN 313,349 thousand in 2010). The interest expenses include in particular interest on account of:

- Due to Customers: PLN (219,724) thousand versus PLN (343,523) thousand in 2009 (decrease by 36%),
- Loans and credit facilities received: PLN (43,752) thousand versus PLN (86,098) thousand in 2009 (decrease by 49%),
- Due to banks: PLN (24,797) thousand versus PLN (30,138) thousand in 2009 (decrease by 18%),
- Subordinated liabilities: PLN (21,568) thousand versus PLN (17,827) thousand in 2009 (increase by 21%).

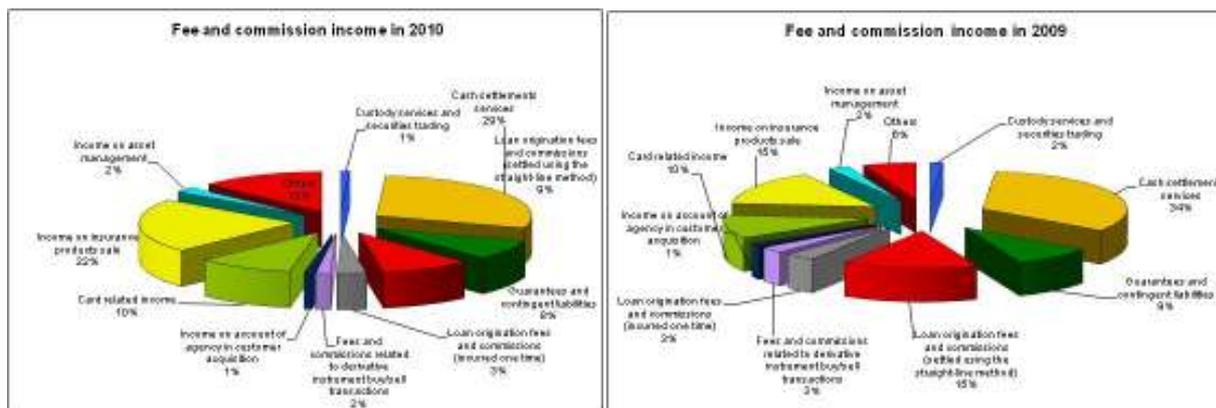
Fee and commission income increased by 21%. In 2010, this item stood at PLN 214,837 thousand as compared to PLN 177,704 thousand in 2009.

The main source of the fee and commission income were fees and commissions on cash settlement services, the ones related to the sale of insurance products, granting loans, issuing guarantees and related to cards.



The commission and fee income include in particular:

- fees and commissions for cash settlements services: PLN 62,408 thousand versus PLN 59,472 thousand in 2009 (increase by 5%);
- fees and commissions related to the sale of insurance products: PLN 47,209 thousand versus PLN 27,062 thousand in 2009 (increase by 74%);
- fees and commissions related to granting loans: PLN 26,520 thousand versus PLN 32,814 thousand in 2009 (decrease by 19%),
- card transactions income: PLN 21,485 thousand versus PLN 17,906 thousand in 2009 (increase by 20%);
- fees and commissions related to issuing guarantees and other contingent liabilities: PLN 17,567 thousand versus PLN 15,895 thousand in 2009 (increase by 11%).



In 2010, fee and commission expenses amounted to PLN 55,772 thousand and were higher by 95% than in 2009 when they equalled PLN 28,618 thousand.

The fee and commission expenses include in particular the following items:

- fee and commission expenses related to the franchisee branch network: PLN (18,780) thousand as compared to PLN (9,441) thousand in 2009, when these expenses were incurred only since August 2009 (in total, they concern the costs related to the franchise branch network of former Dominet Bank SA and they decrease the Group's result since the merger date);
- card related expenses: PLN (13,191) thousand versus PLN (9,871) thousand in 2009 (increase by 34%);
- expenses related to the sale of insurance products: PLN (2,123) thousand versus PLN (1,168) thousand in 2009 (increase by 82%);
- settlement commission expenses: PLN (1,508) thousand versus PLN (1,537) thousand in 2009 (decrease by 2%).

Personnel costs and other administration expenses

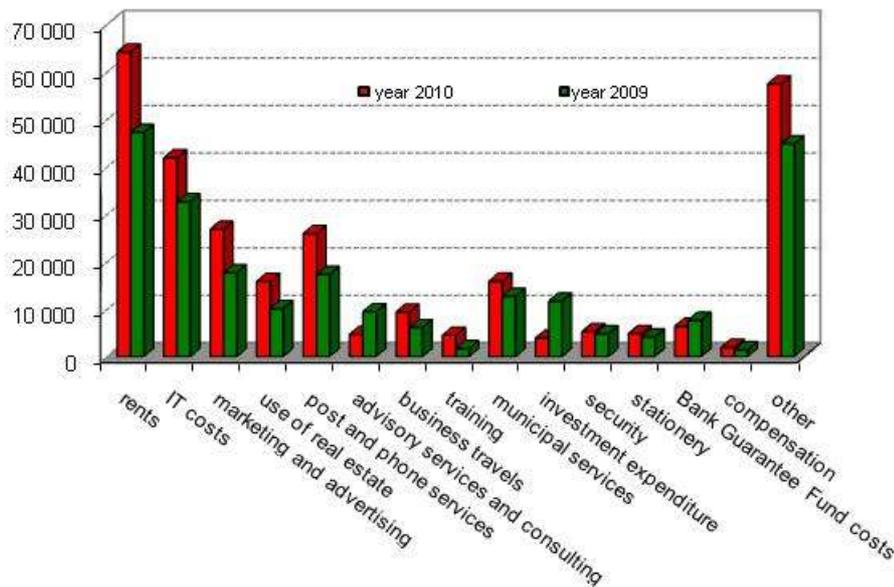
In 2010, the Group's personnel costs stood at PLN 233,838 thousand and were higher by 3% as compared to 2009, when they amounted to PLN 226,695 thousand. Higher costs resulted mainly from a higher headcount related to the integration with Dominet Bank SA. On the other hand, severance pay costs incurred in 2010 in relation to the employment restructuring turned out to be lower than expected.

The depreciation of fixed and intangible assets amounted to PLN 76,031 thousand and was higher by 30% than in 2009 as a result of an increase of the Group's property, plant and equipment after the merger with Dominet Bank SA.

The Group's other expenses reached PLN 288,942 thousand and were higher by 26% compared to 2009, when they stood at PLN 229,612 thousand. The main items of other expenses are rents (PLN 64,164 thousand), information systems and technologies (PLN 41,881 thousand), marketing and advertising (PLN 26,821 thousand), postal and telecommunication services (PLN 25,913 thousand).



Other costs in 2010 and 2009



Net impairment losses

In 2010, net impairment losses amounted to PLN (192,666) thousand i.e., they were lower by PLN 383,628 thousand as compared to 2009. The decrease in net impairment losses is attributable to restructuring activities undertaken by the Bank and consistently performed cautious policy of granting new loans. 88% of net impairment losses related to credit receivables in 2010 were attributable to customers of the Retail Banking Business Line, of which over 70% concerned individual customers of the Mass Retail segment (consumer loans for natural persons). The net impairment loss amount in this customer segment was affected by a review carried out in the fourth quarter of 2010 of the rules of the impairment identification policy and determination of write-downs pursuant to the requirements of Recommendation R of the KNF, likewise by the resulting reduction of the expected consumer loan recovery rate. In consequence, additional write-downs were made in the amount of PLN 43.7 million. The other 12% refers to corporate customers of the Enterprise and Transaction Banking where the highest decrease of write-downs was reported YOY.

Result

The Group's consolidated profit earned in 2010 resulted from both an improved net trading income, likewise from significantly lower than in 2009 net impairment losses related to credit receivables.

The Group's gross profit generated in 2010 accounted for PLN 57,463 thousand as compared to the gross loss of PLN (521,161) thousand recorded in 2009. The Group's net profit amounted to PLN 41,574 thousand as compared to the net loss of PLN (429,880) thousand incurred in 2009.

5.2. Balance Sheet

Consolidated balance sheet

The Group's total assets as at 31 December 2010 amounted to PLN 18,539,076 thousand and were lower than the total assets as at the end of December 2009 by PLN 1,755,407 thousand, i.e. 9%.

Loans to customers constitute the principal item of the asset structure. They decreased by PLN 660,425 thousand in comparison to the end of December 2009, as a result of a lower than planned credit action. The share of loans to customers in the structure of total assets was 71% as at the end of December 2010 and 68% at the end of December 2009, accordingly.

Customer deposits together with loans and credit facilities received continue to constitute the main source of asset financing. Customer deposits went down by 11% which was a consequence of the Group's policy of not competing with high term deposit interest rates in a situation of declining credit balances and possibility of getting financing from the BNP Paribas Group. Furthermore, loans and credit facilities received increased by 9% as compared to December 2009 following a new credit line taken with the BNP Paribas Group in the third quarter of 2010 (a tranche of EUR 50 million was disbursed) and drawing funds under the credit line of the European Investment Bank for PLN 80 million.



Structure and pace of growth of selected balance-sheet items (in PLN thousand)

Balance sheet items	31.12.2010	Structure	31.12.2009	Structure	Dynamics
					31.12.2010 -31.12.2009 (in %)
ASSETS					
Cash and cash equivalents	1 172 870	6%	832 724	4%	41%
Financial assets held for trading	194 290	1%	664 305	3%	-71%
Due from banks	159 013	1%	1 573 242	8%	-90%
Loans to customers	13 151 131	71%	13 811 556	68%	-5%
Investments - Available for Sale	3 248 293	18%	2 785 842	14%	17%
Other investments	12	0%	12	0%	0%
Property, Plant and Equipment	157 499	1%	188 372	1%	-16%
Intangible assets	23 673	0%	42 229	0%	-44%
Assets Held for Sale	4 785	0%	-	0%	-
Settlements on account of income tax	84 015	0%	48 554	0%	73%
Deferred tax assets	215 280	1%	227 819	1%	-6%
Other assets	128 215	1%	119 828	1%	7%
TOTAL ASSETS	18 539 076	100%	20 294 483	100%	-9%
LIABILITIES					
Financial liabilities held for trading	97 699	1%	171 474	1%	-43%
Due to banks	745 774	4%	2 011 154	10%	-63%
Due to customers	8 195 268	44%	9 226 324	45%	-11%
Loans and credit facilities received	7 163 459	39%	6 560 893	32%	9%
Liabilities related to issuance of debt securities	30 000	0%	30 000	0%	0%
Subordinated liabilities	565 236	3%	582 984	3%	-3%
Current tax liabilities	92	0%	107	0%	-14%
Other liabilities	386 046	2%	286 140	1%	35%
Provisions	21 419	0%	56 773	0%	-62%
Total equity	1 334 083	7%	1 368 634	7%	-3%
TOTAL LIABILITIES	18 539 076	100%	20 294 483	100%	-9%

As at the end of December 2010, due from banks decreased by PLN 1,414,229 thousand or 90% in comparison to the balance noted at the end of 2009 (i.e. from PLN 1,573,242 thousand to PLN 159,013 thousand). As a result, their share in total assets went down from 8% as at the end of December 2010 to 1% at the end of December 2009.

Financial assets held for trading decreased by 71%, i.e. PLN 470,015 thousand in comparison to the balance as at the end of December 2009, which in effect decreased their share in total assets from 3% as at the end of December 2009 to 1% as at the end of December 2010. The decrease concerned primarily the reduction of the portfolio of held-for-trading Treasury bonds and bills (by PLN 395,450 thousand, i.e. 81%). The remaining part of the portfolio of held-for-trading financial assets (53% as at the end of December 2010) constitute derivative financial instruments.

Cash and cash equivalents increased in comparison to December 2009 by 41% and their share in total assets increased from 4% in December 2009 to 6% in December 2010.

Other assets stood at the level similar to the one reported as at the end of December 2009, and made up 1% of total assets.

In comparison to the end of December 2009, the value of property, plant and equipment decreased by 16%, i.e. PLN 30,873 thousand.

Investments available for sale increased by 17% over the end of December 2009, i.e. by PLN 462,451 thousand, and their share in total assets went from 14% up to 18%.



As at the end of December 2010, the Group held securities issued by the Polish State Treasury, the national Bank of Poland and other entities.

Investments available for sale comprised:

- Treasury bonds: PLN 1,887,461 thousand;
- NBP cash bills: PLN 899,475 thousand;
- Treasury bills: PLN 349,699 thousand;
- Bonds issued by banks: PLN 80,768 thousand;
- Shares and stock: PLN 24,316 thousand;
- Bonds issued by non-finance entities: PLN 6,474 thousand;
- Other: PLN 100 thousand.

As at the end of December 2010, intangible fixed assets stood at PLN 23,673 thousand and were lower by 44% than at the end of 2009.

Customer credit portfolio profile

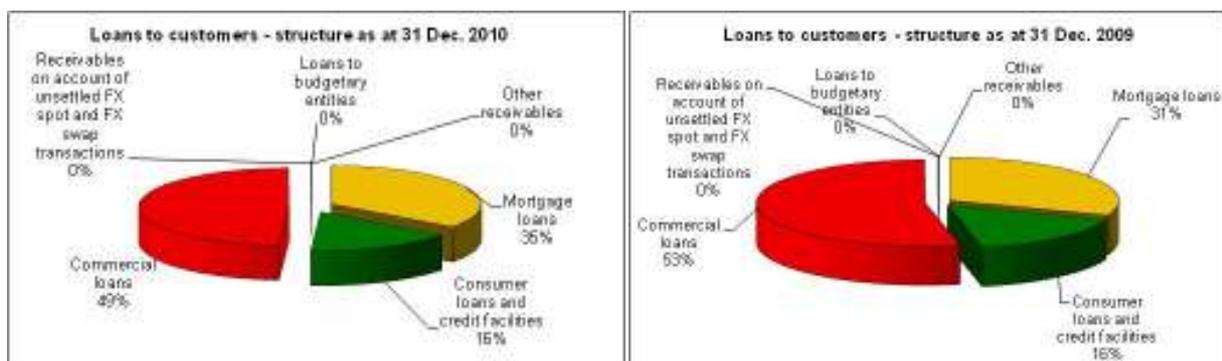
As at the end of December 2010, the net loans to customer decreased as compared to the end of December 2009 by PLN 660,425 thousand or 5%.

Commercial loans granted to companies constituted the major item in the structure of loans to customers. Their share in the total gross loans to customers constituted 49% as at the end of December 2010, down from 53% recorded as at the end of December 2009. The value of commercial loans decreased by PLN 856,398 thousand or 11% as compared to the end of 2009. It resulted from a lower demand for investment loans among companies observed throughout the major part of the year, and also from the continuation of a stricter credit policy. Over the year 2010, the Bank disbursed significant amounts of loans for financing companies (in the amount of PLN 6,526 thousand), but new production did not reach the level of repayments of the existing loans.

The decrease in volume of loans granted related mainly to institutional customers: the balance of working capital loans decreased by 18% as compared to the volume noted as at the end of December 2009, while investment loans (including loans for purchase / construction of commercial real estate) went down by 11%. Furthermore, a 7% decrease of the overdraft balances was observed, while the value of cash loans for individual customers went down by 5%. At the same time, the balance of mortgage loans for individual customers increased by 11% as compared to the balance as at 31 December 2009.

The mortgage loan balance reached PLN 5,051,494 thousand as at the end of December 2010 which means growth by 11% as compared to December 2009 when it stood at PLN 4,532,934 thousand. However their volume growth resulted primarily from higher FX rates, especially as regards CHF. Excluding the impact of FX rate changes (weakening Polish zloty resulted in the mortgage loan value increase by PLN 529,837 thousand), the foreign currency mortgage loans decreased by 4% as compared to December 2009. The balance of PLN loans which account for 15% of the overall mortgage loan portfolio, was reported to grow by PLN 143,800 thousand or 24%. The share of total mortgage loans in gross loans to customers grew from 31% recorded as at the end of December 2009 up to 35% at the end of December 2010.

The value of impairment losses and IBNR totalled PLN 1,235,537 thousand as at the end of December 2010, as compared to PLN 1,015,426 thousand recorded at the end of December 2009. The increase of impairment losses and IBNR results chiefly from delayed effects of deterioration, observed in 2009, of the situation on financial markets and economic downturn, due to which some customers of the Groups are unable to meet their financial obligations.



As at 31 December 2010, the gross loans reached PLN 14,386,668 thousand, which means a decrease by PLN 440,314 thousand or 3% as compared to the end of December 2009. Foreign currency loans accounted



for 46% of gross loans to customers. Excluding the impact of FX rate changes, the gross loans decreased by 6% as compared to December 2009.

PLN loans hold the biggest share in the gross loan volume and constitute 54% of the total volume. As at the end of December 2010, their value stood at PLN 7,829,834 thousand, which means a decrease by PLN 316,477 thousand or 4% as compared to the balance as at 31 December 2009.

Gross loans granted in CHF (in PLN equivalent) at the end of December 2010 reached PLN 4,446,892 thousand and grew by 9% as compared to PLN 4,088,948 thousand at the end of December 2009 (an effect of the weaker zloty). As at the end of December 2010, such loans made up 31% of total gross loans, as compared to 28% recorded as at the end of December 2009.

The balance of loans granted in EUR (in PLN equivalent) decreased from PLN 2,525,328 thousand as at the end of December 2009 down to PLN 2,525,328 thousand (drop by 19%). Their share in the total volume of gross loans decreased from 17% recorded as at the end of December 2009 down to 14% noted at the end of December 2010.

Structure and dynamics of loans to customers (in PLN thousand)

Loans to customers	31.12.2010	Structure	31.12.2009	Structure	Dynamics
					31.12.2010-31.12.2009 (in %)
Loans to budgetary entities	44	0%	429	0%	-90%
Mortgage loans	5 051 494	35%	4 532 934	31%	11%
Consumer loans and credit facilities	2 294 406	16%	2 394 363	16%	-4%
Commercial loans	7 030 378	49%	7 886 776	53%	-11%
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	-	-	2 054	0%	-100%
Other receivables	10 346	0%	10 426	0%	-1%
Total loans to customers, gross	14 386 668	100%	14 826 982	100%	-3%
Impairment losses and IBNR	-1 235 537		-1 015 426		22%
Total loans to customers, net	13 151 131		13 811 556		-5%

As at the end of 2010, the Group's exposure focused mainly on natural persons and in the following sectors: wholesale trade, commercial construction and engineering, education and medical care and machines.

Credit portfolio by sectors	31 December 2010		31 December 2009	
	in PLN thousand	in %	in PLN thousand	in %
Natural persons	7 494 280	40,35	7 118 971	39,10
Wholesale	1 766 678	9,51	1 876 822	10,31
Commercial construction and engineering	1 263 175	6,80	1 243 866	6,83
Education, medical care	1 233 412	6,64	1 503 933	8,26
Machines	979 405	5,27	832 588	4,57
Other services	851 462	4,58	751 197	4,13
Retail trade	791 500	4,26	701 459	3,85
Food, tobacco, beverages	599 771	3,23	548 547	3,01
Chemicals and plastics	412 477	2,22	516 503	2,84
Furniture and electrical industry	366 599	1,97	180 572	0,99
Vessels	361 062	1,94	448 446	2,46
Sports, tourism, culture and arts	329 730	1,78	342 590	1,88
Wood, woodwork	292 157	1,57	377 601	2,07
Motor vehicles	291 205	1,57	273 060	1,50
Communications	260 496	1,40	16 087	0,09
Financial institutions	213 097	1,15	143 675	0,79
Ceramics and glass	177 767	0,96	194 773	1,07



Transport	172 515	0,93	171 628	0,94
Textiles, leather articles	95 170	0,51	120 223	0,66
Paper and stationery	93 242	0,50	101 218	0,56
Administration services	91 766	0,49	133 237	0,73
Print shops and publishers	74 128	0,40	59 925	0,33
Other means of transport	43 094	0,23	105 185	0,58
Production of metals and non-metals	22 231	0,12	101 106	0,56
Residential construction	9 235	0,05	30 135	0,17
Other production	81 273	0,44	63 335	0,35
Others	204 988	1,13	248 105	1,37
Total credit portfolio by sectors	18 571 915	100,00	18 204 787	100,00

The credit portfolio for natural persons accounted for 40% of the total credit portfolio as at the end of December 2010. The share increased by 5% as compared to December 2009.

As at 31 December 2010, the exposure to the wholesale trade reached 10% of the total credit portfolio and it was lower by 6% than as at 31 December 2009. Likewise, the share and volume of the exposure to education and medical care decreased - by 18% as compared to 2009.

The share of other sectors remain at the level similar to the end of December 2009. The share and level of exposure in sectors such as machines, retail trade, furniture and electrical industry and other services have been growing.

Liabilities

Due to customers on account of funds deposited on current accounts and term deposits make up the main item in the structure of liabilities. As at the end of December 2010, amount due to customers reached PLN 8,195,268 thousand, which means a decrease by PLN 1,031,056 thousand or 11% as compared to the end of December 2009. As at the end of December 2010, the share of due to customers accounted for 44% of liabilities and decreased in comparison to the end of December 2009 by 1 percentage point. This deposit balance decrease was related to the Group's policy of not competing with high interest rate of deposits, which resulted in an outflow of funds of price-driven customers. The effect of FX rate changes on the level of deposits was negligible (-0.1%). The customer deposit downward trend observed throughout much of the year was stopped in the fourth quarter, when a takeover of a group of customers from BNP Paribas Branch in Poland and an introduction of an attractive offer of savings accounts translated into an increase of the total balance of due to customers by PLN 863,753 thousand (i.e., 12%) as compared to the end of September 2010.

In the structure of due to customers, term deposits continue to prevail which at the end of December 2010 amounted to PLN 5,440,993 thousand, representing 66% of the total due to customers (as compared to 77% as at the end of December 2009). A decrease in their balance by PLN 1,679,430 thousand or 24% as compared to the end of December 2009 had however a major impact on the reduction of the total due to customers in 2010. Sight deposits reached PLN 2,579,374 thousand as at the end of December 2010 (which accounted for 31% in total liabilities to customers). Their share in the total due to customers have been growing (by 10 percentage points as compared to December 2009). Likewise, their value increased by PLN 661,728 thousand or 35%. 87% of all customer deposits are denominated in PLN.

As at the end of December 2010, loans and credit facilities received stood at PLN 7,163,459 thousand and accounted for 39% of total liabilities, compared to PLN 6,560,893 thousand at the end of December 2009 (32% of total liabilities).

91% of loans and credit facilities received are loans and credit facilities received from the BNP Paribas Group which increased by 9% (PLN 575,532 thousand) as compared to the balance reported as at the end of December 2009 as a result of the disbursement of a new credit line (EUR 50 million in the third quarter of 2010). As at the end of December 2010, the outstanding balance of such loans was PLN 7,083,459 thousand.

The share of subordinated liabilities stood at 3%, similar as the level reported at the end of December 2009. The value of such liabilities decreased by 3% down to PLN 565,236 thousand only because of FX rate changes.

The share of due to banks in total liabilities decreased from 10% at the end of December 2009 to 4% at the end of December 2010. In terms of value, the balance of due to banks decreased by PLN 1,265,380 thousand or 63% as compared to the end of December 2009, due to a reduction of liabilities related to recognition of financial instruments (FX spot and FX swap transactions) on the transaction date (their share in total due to banks decreased from 72% as at the end of December 2009 down to 7%; in terms of value,



by PLN 1,403,725 thousand or 97%). However, the share and balance of deposits placed by other banks in the Bank increased by PLN 138,345 thousand or 25%, as regards cash collateral and sight deposits. As at the end of December 2010, the balance of deposits placed by other banks was PLN 694,924 thousand, including cash security of PLN 552,706 thousand.

As at 31 December 2010, other liabilities made up 2% of total assets. The share of held-for-trading financial liabilities in total liabilities remained unchanged, i.e. at 1% as at the end of both December 2010 and 2009. Their value went down in comparison to the end of December 2009 by 43%. All the financial liabilities held for trading consisted of financial derivative instruments. The balance sheet value of derivative instruments held for trading went down from PLN 171,474 thousand as at the end of December 2009 to PLN 97,699 thousand as at 31 December 2010.

Provisions

The amount of provisions, recognised in the balance sheet, which decreased from PLN 56,773 thousand as at the end of December 2009 to PLN 21,419 thousand as at the end of December 2010, included reserves for incurred but not reported losses (IBNR) related to off-balance sheet commitments (PLN 8,224 thousand), provisions for off-balance sheet commitments (PLN 5,948 thousand), legal risk reserve (PLN 4,562 thousand) and office sub-lease reserve (PLN 2,685 thousand). The total provisions decreased by 62% as compared to the balance recorded as at 31 December 2009, however the decrease concerned mostly the provisions for off-balance sheet commitments.

Equity

As at 31 December 2010, the equity capital of the Bank amounted to PLN 1,334,083 thousand, i.e. by 3% less than as at 31 December 2009 (PLN 1,368,634 thousand). The decrease in equity results from an accounting settlement of the transaction under which the Bank acquired the organised part of enterprise from BNP Paribas Branch in Poland. The difference of PLN 78,010 thousand between the book value of net assets and the purchase price decreases the Bank's own funds. The share of equity in total liabilities remained unchanged at 7%.

On 29 April 2010, the General Meeting of Fortis Bank Polska SA decided to cover the Bank's after-tax loss of PLN 428.7 million (net financial result) for the fiscal year 2009 from the additional capital. Furthermore, the additional capital covered also the loss of PLN 23,982 thousand arising out of the merger of Dominet Bank SA and Fortis Bank Polska SA.

Capital Adequacy Ratio

As at 31 December 2010 the capital adequacy ratio was 13.64% in comparison to 13.38% as at the end of December 2009. In order to limit the negative impact of losses incurred by the Group in 2009 on the capital adequacy ratio, the Bank undertook a number of measures to improve its equity situation.

On 31 July 2009, the Bank's share capital increased by PLN 157.3 million following the Series L share issue addressed to the existing shareholder of Dominet Bank SA in exchange of the net assets of Dominet Bank SA taken over following as a result of the merger.

In September 2009, the Bank received a direct capitalisation through a share issue. The entire Series M share issue of PLN 440.7 million was acquired by the Bank's principal shareholder (Fortis Bank Belgium). The Bank recognised the funds derived from the new issue as capital when its increase was registered by the National Court Register on 14 September 2009.

In addition to the above, in September 2009, as a result of the increase in the nominal value of the existing shares from PLN 30 to 50, the Bank's share capital was increased by PLN 440.3 million.

As at the end of December 2010, the value of subordinated loans included in Tier 2 capital decreased as compared to the end of 2009 by PLN 23,748 thousand, i.e., from PLN 582,984 thousand down to PLN 559,236 thousand. In July 2010, pursuant to the provisions of the Banking Law Act, the amount of subordinated bonds included in the equity funds was reduced by PLN 6 million i.e. 20%. Their decrease was further affected by PLN appreciation against EUR.

The Group's capital situation in 2010 remained stable what allowed the Bank to continue its business activity and carry out plans in a safe manner.

5.3. Contingent Liabilities - Off-balance Sheet Commitments

As at the end of December 2010, the value of contingent liabilities granted reached PLN 4,394,847 thousand, which means an increase by 28% as compared to 31 December 2009.

Contingent liabilities granted (in PLN thousand)	31.12.2010	31.12.2009
Total contingent liabilities granted		



- items related to financing	3 117 642	2 628 305
- guarantees	1 277 205	805 490
Total contingent liabilities granted	4 394 847	3 433 795
Contingent liabilities received		
- items related to financing	2 861 891	4 242 177
- guarantees	275 223	259 672
Total contingent liabilities received	3 137 114	4 501 849
Total contingent liabilities	7 531 961	7 935 644

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2010 made up PLN 2,970,649 thousand or 95% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 2,518,271 thousand as at 31 December 2009 (96%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

The off-balance sheet financial commitments granted include also import letters of credit issued.

Off-balance sheet guarantee commitments granted result from guarantees issued in favour of customers and pertain chiefly to contract performance bonds and receivables repayment guarantees. The Bank offers its customers the issuance of guarantees under the standard credit offering addressed mainly to corporate customers. Commission and fee income related to guarantees issued are settled using the straight-line method and recognised in the commission and fee income in the Bank's income statement.

Off-balance sheet guarantee commitments granted include also export letters of credit issued and general guarantee agreements.

As at the end of December 2010, the contingent liabilities received stood at PLN 3,137,114 thousand and were lower by PLN 1,364,735 thousand or 30% than the balance as at 31 December 2009. The major item of off-balance sheet commitments received by the Bank constituted unused credit lines granted by the NBP and the entities affiliated by management which as at 31 December 2010 made up PLN 2,628,355 thousand, and, respectively, PLN 4,242,177 thousand as at 31 December 2009.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 275,223 thousand as at 31 December 2010 and PLN 259,672 thousand as at 31 December 2009.

Enforcement titles

In 2010, the Bank issued 188 enforcement titles in the enterprises and affluent individual customer segments for the total amount of PLN 149,654 thousand as at 31 December 2010. It was significantly lower than 315 enforcement titles issued in those segments in 2009 for the amount of PLN 97,551 thousand.

Further to the above, in the Mass Retail segment which was established in the Bank following the merger with Dominet Bank SA, in 2010 the Bank issued 61,567 enforcement titles for the total amount of PLN 369,840 thousand.

5.4. Management of funds

The basic sources of financing for credit activity of the capital group of Fortis Bank Polska SA include customer deposits which are accepted by the Bank both from enterprises and natural persons, and long-term credit facilities granted by financial institutions, including credit lines and subordinated loans from entities that are part of BNP Paribas Group.

In the Bank's opinion, the stability of financing sources is satisfactory.

Structure of sources of financing (in PLN thousand)	31.12.2010	31.12.2009	Change
Customer deposits	8 195 268	9 226 324	-11%
Long-term credit lines and subordinated loans	7 728 695	7 143 877	8%
Equity Capital	1 334 083	1 368 634	-3%

In 2010, the Group noted a decrease in deposit base by PLN 1.03 billion or 11% as compared to the end of 2009. It was predominantly the effect of high-interest PLN deposits' maturing in the first half of 2010 and the related outflow of customers who were not closely related to the Bank (i.e., who did not use other



products). The Bank maintains an attractive product offering however it is not the Bank's intention to acquire deposit customers who are the most price-sensitive.

As at the end of December 2010, the Bank had the following credit lines open and utilised in the BNP Paribas Group:

Agreement date	Party to the Agreement	Amount	Repayment date
2004-01-30	BGL BNP Paribas Luxembourg	EUR 200 million	2012-06-30
2006-07-03	BGL BNP Paribas Luxembourg	EUR 300 million	2011-07-03
2007-01-16	BGL BNP Paribas Luxembourg	PLN 1,300 million	2012-06-01
2008-04-18	Fortis Bank SA/NV	PLN 150 million	2014-03-31
2008-04-18	Fortis Bank SA/NV	PLN 240 million	2029-03-30
2010-01-04	Fortis Finance Belgium SCRL/CVBA	EUR 200 million	2011-02-04
2010-06-07	BNP Paribas	EUR 300 million	2012-06-07
2010-07-01	BNP Paribas	EUR 50 million	2015-07-02
2010-10-27	BNP Paribas	CHF 250 million	2013-10-29

In accordance with the adopted financing strategy, if liquidity needs grow, the Bank may take advantage of the BNP Paribas Group support.

In 2010, the amount of credit lines taken from the BNP Paribas Group have slightly changed, whereas the amount of subordinated loans remained unchanged.

Credit lines with the maturity falling in 2010 were renewed. In total, in 2010 the following credit lines were disbursed:

- 4 January 2010 – EUR 200 million
- 5 March 2010 – EUR 300 million (repaid on 7 June 2010)
- 7 June 2010 – EUR 300 million
- 1 July 2010 – EUR 50 million
- 29 October 2010 – CHF 250 million.

As at 31 December 2010, the subordinated loans taken were as follows:

Agreement date	Party to the Agreement	Amount	Repayment date
2004-07-13	External investors	PLN 30 million	2014-07-29
2007-10-23	BGL BNP Paribas Luxembourg	EUR 100 million	2017-09-28
2009-04-21	Fortis Finance Belgium SCRL/CVBA	EUR 20 million	2019-04-22
2009-04-21	Fortis Bank SA/NV	PLN 60 million	2019-04-22

The Bank ensures its liquidity also through credit lines available both on the domestic and international interbank market.

The policy applied by the Bank and approved by the owner as regards the financial support provided by the capital group assumes active financing of a part of the credit portfolio, in particular of foreign currency assets, with funds coming directly from the capital group.



6. PROSPECTS FOR ACTIVITY DEVELOPMENT OF FORTIS BANK POLSKA SA CAPITAL GROUP

The prospects for the activity development of Fortis Bank Polska SA Capital Group will be materially affected by an improving macroeconomic situation and financial sector condition as well as implementation of the BNP Paribas development strategy on the Polish market.

BNP Paribas is a leading European organisation operating in the financial sector, which focuses on investment, corporate and retail banking, asset and property management as well as insurance services. BNP Paribas is present in 85 countries worldwide. Belgium, France, Italy and Luxembourg are the key markets of the Group in Europe. The Group has been operating in Poland through a number of subsidiaries, in particular Fortis Bank Polska SA and BNP Paribas Branch in Poland.

Fortis Bank SA/NV based in Brussels has remained the direct parent entity of Fortis Bank Polska SA.

The BNP Paribas strategy for banking activities in Poland is based on the following key assumptions:

- BNP Paribas will develop an integrated "Universal Banking Activity Model" to reach all types of customers (individual customers, small and medium enterprises and corporate customers) while extending its product offering based on the combined know-how of BNP Paribas and BNP Paribas Fortis.
- BNP Paribas will use the existing customer base of Fortis Bank Polska and develop promotion of products offered within the group (cross-selling).
- BNP Paribas will implement the initial plans of Fortis regarding an increase of a market share and development of the branch network, supporting the strategy by its expertise in the following areas:
 - Consumer Finance (as regards bancassurance),
 - Corporate and Investment Banking.

After the merger of Fortis Bank Polska SA and Dominet Bank SA in 2009, the next stage of the strategy implementation was to formulate a new integrated strategic plan based on the shared expertise after an in-depth analysis of profitability and risk. BNP Paribas plans for the Bank were included in the so-called "Industrial Plan" that covered the scope of integration of selected business and operational parts of the activity conducted in Poland within the BNP Paribas Group. "One organisation" concept was introduced with a view to strengthening the cooperation and synergy between numerous entities representing the Group in Poland. Fortis Bank Polska SA and BNP Paribas Branch in Poland, in spite of preserving a separate legal status, cooperate closely to offer a full range of services to enterprises in Poland.

The Board of Executives and Supervisory Board adopted a new "Mission, Vision and Strategy for the years 2011 -2015" in 2010.

The ambition of Fortis Bank Polska is to build a strong universal bank on the Polish market that will be the key pillar of BNP Paribas operations in Poland. The Bank intends to develop its position on the financial market as a universal bank providing a wide range of financial services to the following segments: individual customers (inclusive of private banking), micro, small and medium enterprises as well as domestic and international corporate customers.

The Board of Executives has drawn up a list of the elements crucial for the organic growth plan – the strategy called "Kierunek 2015", which does not however exclude the possibility of development by acquisitions on the Polish market. The key pillars of the strategy for specific customers segments have been identified and elaborated in detail. The strategy main assumptions for the Bank are as follows:

- Focus on Mass Aspiring and Mass Affluent segment customers (wealthy and mid-wealthy);
- Position strengthening in the area of enterprises;
- Intensification of communication actions to strengthen BNP Paribas brand
- Active creation of modern products in all the areas;
- Reorganisation and development of sales network by opening new branches, including adjustment of the branch network structure with an emphasis put on agglomerations and cities with the largest business potential;
- Implementation of the multichannel integrated banking model (branches, Internet banking, Mobile banking, Call Centre) to boost sales effectiveness;
- Further development of Personal Finance, mainly personal loans and car loans;
- Development of the activity of Wealth Management and Investment Fund Company. The Bank will endeavour to gain a strong position based on the cooperation with the retail segment and access to



ETB and SME segment portfolio;

- Factoring – launch of a new area of BNP Paribas Fortis activities in Poland;
- Reinforcement of the following areas: leasing, cash management, trade finance;
- High quality of risk management in the Bank, mainly in credit risk and market risk area, to effectively monitor the existing exposures and ensure efficient debt collection.

Implementation of this strategy will ensure a dynamic and sustainable growth as well the position of one of the key universal banks on the Polish market.

As part of integration of the BNP Paribas Group in Poland in the corporate banking area, a new division of business competences between the BNP Paribas Branch and the Bank was introduced in order to ensure transparency and non-competition between the Group members in Poland. In 2010, under the agreement on sale of the organised part of the banking enterprise, concluded by Fortis Bank Polska SA (purchaser) and BNP Paribas SA Branch in Poland (seller), the Bank took over the organised part of the banking enterprise run by the Branch, including selected assets and liabilities due to a group of the Branch customers which represented in total nearly 150 capital groups, i.e. approximately 350 customers of the Enterprise and Transaction Banking Business Line. The organised part of the enterprise comprised the following banking activity segments: lending, bank guarantees and provision of other standard services. The purpose of the transaction was to make a clear division of the activities as regards servicing enterprises between the Branch and the Bank within the framework of the integration of BNP Paribas Group in Poland. The Bank focused on rendering services related to daily banking operations for enterprises, including cash management, full credit service, global trade finance and selected forward transactions. The Branch's priority is to serve the largest corporate and institutional customers of the BNP Paribas Group and offer advanced investment banking products.

The development strategy for the ETB segment is based on introduction of new product solutions for key products tailored to customer needs, competitive pricing offer and the so-called "one-to-one" relation with a customer adviser supported by a product specialist from the Head Office/Business Centres. Development of the full range of corporate banking products relies upon:

- focus on the following products: cash management, factoring, IF/FX/deposits, trade finance;
- development of competences in the following areas: structured financing and financing of projects and real estate.

Financing based on lease facilities and loans, with a growing share of lease products. Products will be viewed as hook products to start and maintain the relationship with customers. In addition, they will be accompanied by active cross-selling of such services as cash management, factoring, IF/FX/Deposits, trade finance.

The Bank strives to reinforce its position on the retail banking market. The Bank positions itself as a friendly and universal bank, which supports aspiring customers in building their future, offers them services and financial consulting in a friendly and modern environment.

The Personal Finance Business Line, created within the Bank as a highly specialized competence centre in charge of product development, management (granting and debt collection) of the portfolio of cash loans, car loans and credit cards for individual customers, will cooperate with the Retail Banking Business Line by selling PF products via the network of the bank own and franchisee branches.

As regards the SME segment, the Bank plans to develop a product offer that supports current activity of our customers and their development. This offer includes attractive transaction packages, credit products available at good prices (inclusive of working capital and investment loans) as well as access to cash management, factoring, FX, trade finance and leasing. The Bank's strength is expert knowledge about acquisition of EU funding and access to loans financed by the EIB and EBRD.

As a result of the formal and legal merger with Dominet Bank S.A. and integration of operating systems of both banks, the Bank completed the project of optimisation of its operations. The functions and operations carried out by the Head Office of Dominet Bank in Lubin were integrated with operating structures of Fortis Bank Polska SA to increase the operating efficiency of the Bank. The project led to employment reduction which between the fourth quarter of 2009 and the second quarter of 2010 covered 263 employees in the entire Bank.

The purpose of the actions targeted at increasing efficiency of the Bank's operation is to improve financial performance of the Capital Group of Fortis Bank Polska S.A. Further, these actions are a part of the Rehabilitation Program prepared in accordance with Article 142 of the Banking Law Act and implemented with the consent of the Polish Financial Supervision Authority. The most crucial assumptions of the Program are to undertake actions that ensure adequate risk control in various areas of the Bank activity, provide sources for loss coverage, enable stable growth of the credit portfolio and improve cost management.



Steps undertaken in the years 2009 and 2010 with a view to mitigating credit risk related to forward contracts held by the Bank, in particular FX options and FX forward transactions considerably decreased the Bank's exposure to this risk.

According to assumptions to the Rehabilitation Program, the Bank will achieve a positive financial result and, pursuant to the provisions of Article 142 Para. 4 of the Banking Law Act, its equity capital will gradually increase following the transfer of financial results into the additional capital. No dividend will be paid until 2012. The Bank capital adequacy ratio that stood at 13.40% at the end of 2009 and at 13.64% as at 31 December 2010, substantially exceeds the minimum level of 8% required by the Banking Law Act.

The Bank did not publish the financial performance projections for 2010. The Supervisory Board and Board of Executives adhere to the policy of non-disclosure of the financial performance projections for 2011.



7. BASIC RISK TYPES AND RISK MANAGEMENT

Taking into consideration the Group's top priority objectives, namely, protection of Customer deposits and securing of liquidity, Fortis Bank Polska SA capital group pays utmost attention to monitoring and mitigation of risks inherent in the business of the Bank and its subsidiary.

In 2010, the Bank completed in a number of areas its work on risk management system modification with a view to improve the system quality, taking into account changes related to the integration with the BNP Paribas Group. The risk management system profile was affected also by changes in the loan granting and financial instrument offering policy.

The risk management system organisation structure includes the Supervisory Board, Board of Executives, dedicated committees, Departments within the Risk Area, Compliance and Control Line (Conformité) and Information Security and Business Continuity Department.

The Bank's Supervisory Board oversees the consistency of the Bank's risk policy with the Bank's strategy and financial plan; in particular, it supervises the functioning of the risk management and the internal control systems, assesses the systems' adequacy and efficiency and approves policies and procedures in this regard.

At the Supervisory Board's level, there is also the Audit Committee, whose key tasks include monitoring of the internal control system quality and the assessment of the financial information integrity. Specifically, the Audit Committee assesses the Bank's business risk processes and control environment, supervises financial reporting process and assesses internal and external control processes.

The Bank's Board of Executives is responsible for the efficiency of the risk management system, internal control system and internal capital estimation process, and also reviews of the internal capital estimation and maintenance processes as well as supervision of the efficiency of these processes. The Bank Board of Executives' risk management activity is supported by committees.

Assets and Liabilities Management Committee (ALCO) supervises and takes decisions regarding Bank assets and liabilities management. The Committee is responsible for implementation and approval of new liquidity, currency and interest rate risk management methodologies and their further application. Furthermore, the Committee approves assumptions of the Bank's funding, sets transfer prices and oversees the observance of internal and regulatory measures for market and liquidity risks.

Risk Committee takes decisions on operational and counterparty risks and also on strategic aspects of credit risk. An important function of the Risk Committee is to consolidate information on various risk types arising at the Bank and provide final assurance that the risk management model is adequate to the scale of business and resources held. The Risk Committee closely cooperates with other committees at the Bank, in particular with the Assets and Liabilities Management Committee.

Credit Committee is a body authorised to take credit decisions at Fortis Bank Polska SA up to the level specified as the maximum credit limit, set up by the Supervisory Board of the Bank. The committee's key responsibilities include taking decisions regarding the following:

- granting, increase, decrease or renewal of loans and other products bearing credit risk, the establishment of legal collateral for loans, material changes in loan terms and conditions (including legal collateral), risk/rating classification determination/change;
- restructuring, conclusion of composition agreements, moving of assets from the balance-sheet to off balance-sheet records;
- changes to credit decision or agreement terms and conditions that do not affect the credit relations between the client and the Bank in fundamental way.

Other committees that have a direct impact on the Bank's risk profile are the following: New Products, Activities and Organizations and Exceptional Transaction Validation Committee and the Credit Risk and Provisioning Committee.

Key role in the monitoring and risk management system is played by the Risk Area, which is fully separated organisationally, and the Compliance and Control Line (Conformité) in which operate units such as the Oversight of Operational Permanent Control Department, responsible supervising the operational risk management process.

The consolidated Risk Area is headed by the Vice-president of the Bank's Board of Executives who performs the function of Country Chief Risk Officer.

The Bank identifies the following categories of risk monitoring, control and management:

- credit risk;
- liquidity risk;



- market risk;
- ALM Risk;
- counterparty risk;
- operational risk;
- compliance risk;
- business risk (break-even risk);
- strategic risk;
- reputation risk.

The Bank's Board of Executives defines the risk management policy for all risk types and policy for specific risk types. Strategy is approved by the Supervisory Board.

7.1. Credit risk

Credit risk is a risk for the Bank of incurring loss on account of granted loans as a result of customer's default on obligations and terms and conditions specified in the loan agreement.

Customer financing using various types of loans, credit facilities or credit lines constitutes the main risk source in the Bank's activity as it affects profits and capital of the Bank.

The Bank's credit risk management system has been defined in the *Credit Risk Management Policy at Fortis Bank Polska SA* accepted by the Board of Executives, and extended in 2010 by rules of risk management of retail exposure portfolio implemented under Recommendation T issued by the KNF in February 2010.

Fortis Bank Polska SA is a universal bank that provides services to retail and corporate customers. Retail customers of the Bank are not a homogenous group; they include mass retail customers as well as affluent customers of the Mass Affluent and Affluent Banking business lines. The retail customer segment includes also customers of the small and medium enterprise (SME) sector. The Enterprise and Transaction Banking (ETB) area provides services to customers of medium and large enterprise sector. The Fixed Income and Treasury Line and also the Foreign Currency and Deposit Transaction Department within the ETB Line ensure the service of ETB and RB customers in terms of foreign exchange products (spot, forward, FX swap) and money market products (deposits, Treasury bonds and bills).

The credit risk management process is adjusted to the business line structure adopted by the Bank. The functions of acquisition and sale of credit products and credit risk assessment are separated from each other thereby ensuring a clear division of responsibilities within the process.

Each business line has its own regulations (credit policies), developed in line with the credit risk management Policy, that define rules and criteria of financing within the credit offering for a given business line and specify customers not qualified for financing, types of loans available, financing purposes, conditions and limits. Under the credit policy criteria, the Bank's intention is to cooperate with customers with good reputation and satisfying financial situation (they are the Bank's target market).

Credit policies specify detailed rules of risk identification, measurement and acceptance, collateral for loan repayment and monitoring of customers over the loan agreement term.

With respect to retail customers, the accepted credit policies define likewise the following:

- credit products designed for specific entities;
- maximum loan amount;
- credit currency;
- maximum financing period;
- maximum grace period;
- maximum LTV level;
- DTI and DSCR ratios.

Each borrower is assigned a rating/scoring and a risk category under the IFRS classification, in line with the rules binding at the Bank. Assigned rating/scoring may be adjusted based on the "overrides" or "overruling" principle that allow for an expert adjustment to the amount-based rating/scoring system.

The rating/scoring and IFRS classification are synthetic measures of customer risk profile assessment, including customer's financial standing, to support the credit decision-taking process. In order to mitigate credit risk the Bank requires from applicants to offer legal collateral to loan repayment.



In 2010, ETB Credit Analysis Department was developed within the Enterprise and Transaction Banking business line; the new department took up from customer relationship managers the responsibility for preparing credit applications, customer risk assessment, drafting credit recommendations to the credit committee and customer portfolio risk monitoring.

Credit decisions are taken following the decision-making model approved by the Board of Executives and the Supervisory Board. In 2010 the Bank's decision-making model was adjusted to the binding standards of BNP Paribas. The decision-making model takes into consideration the business lines' structure, determines the structure of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Amount limits of decision-making authorisations depend on two basic criteria: customer's rating and financing term. The model provides for a possibility of delegating authorisation powers of credit committees in an "4-eye mode" (by two persons) or "2-eye mode" (by one person) to ensure an efficiency of the decision-making process.

The credit process employs IT workflow applications for the portfolio of retail customers likewise IT applications for assessment and monitoring of business customers' financial standing, such as: Rating Tool, Monitoring Card, Credit Risk Assessment (monitoring of collateral).

In 2010, within the currently developed MARS system, the Bank implemented the first monitoring process handled by the application: automatic monitoring of credit exposure repayment defaults; furthermore, works were initiated with a view to develop a workflow application (WENUS system) to handle the credit process for business entities SME and ETB.

7.2. Counterparty risk

Counterparty (credit) risk is the risk of the counterparty's default on its liabilities under transactions included in the Bank's trading portfolio. The counterparty risk is related to exposures at risk of such market factors as interest rates or FX rates. The impact of market factors on such transactions can result in a change in the exposure scale over time, thus affecting the customer insolvency risk. The exposure amount directly depends on a current valuation of transactions concluded. For the counterparty risk assessment, however, in addition to the transaction valuation, an additional surcharge is taken into consideration depending on the transaction type, settlement date, currency and current volatility of market parameters.

As at the end of 2010, the counterparty risk calculation covered the following transaction types included in the Bank's trading portfolio:

- day-to-day foreign exchange transactions;
- interest rate swap contracts;
- foreign currency options;
- interest rate options.

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for credit granting. Rules of entering into FX and derivative transactions, likewise granting, using and monitoring credit limits for such transactions with customers are regulated at the Bank in dedicated instructions. Under the policy adopted, the Bank enters into any transactions based on individually assigned limits and following the knowledge of customer. However, the Bank did not provide services that meet the criteria of investment advisory as regards financial instruments, within the meaning of MiFID.

The Bank defined product groups offered to customers depending on their individual experience and knowledge.

7.3. Liquidity and market risks (interest rate and FX)

The Bank defines liquidity risk as the risk of losing its ability to: meet its payment commitments when due, acquire funds which are alternative to funds currently held, generate a positive cash flow balance within a specified time horizon.

Market interest rate risk is related to unfavourable changes in the Bank's financial result or the Bank's capital, which arises from one of the following reasons:

- a different way of making interest rate of the Bank's assets and of liabilities financing such assets dependent on market rates (mismatch risk);
- changes in market interest rates that affect fair value of the Bank's open positions (interest rate volatility risk);
- exercise by customers of options built in the bank products which may be exercised as a result of changes in market interest rates (customer option risk).



Market FX risk is linked to adverse changes to the Bank's financial result caused by changes in market Forex spot rates.

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

A system of limits is imposed on the majority of analysed parameters of liquidity, FX and interest rate risks. The limits are set in such a way so as to:

- keep the desired market risk profile, determined in the Bank's strategies;
- keep the limits set out by the Bank within the limits, if any, determined for the same portfolios and risk types by BNP Paribas Group.

In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to undertake actions to enable reduction of a given risk pursuant to procedures binding in the Bank.

The Bank's IT system is developed so as to enable the Bank to monitor, analyze and report the Bank's liquidity, FX and market interest rate risk level on a daily basis, in a fully automated manner. Furthermore, the IT system ensures collecting (recording) data on interest rate operations and transactions, various risk indicators and market rates.

The Bank adopts the principle of independency of the control functions that make up the process of currency, interest rate and liquidity risk management. Control units are organisationally separated from other units and report to different Executives. Additionally, the Bank has introduced several-level control mechanisms in the risk management process.

The Bank has developed policies on operational risk control and management likewise on the procedure in the event of crisis situations. The said policies naturally refer to FX and interest rate risk management processes.

7.4. Operational risk

The operational risk management consists in continuous operational risk identification, analysis, monitoring, control and mitigation processes, including determination of relevant scopes of responsibility for the above processes at different organisational levels of the Bank. Operational risk is a basic risk inherent in the Bank's business activity which increases proportionally to the complexity of organisation, systems applied and products and services offered.

For the needs of the operational risk management, the Bank has adopted a definition recommended by the Basel Committee for Banking Supervision, according to which operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk.

The Bank's strategy and policy regarding the operational risk management are described in the document adopted by the Bank: "Operational Risk Management Strategy and Policy at Fortis Bank Polska SA."

The Bank's strategy consists in implementing and maintaining high quality standards for the operational risk management to guarantee that customer deposits and the equity are secure and the Bank's financial performance is stable.

The Bank's Board of Executives makes a periodic assessment of how the Bank operational risk management strategy assumptions are put into practice. With this end in view, the Bank's Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Oversight of Operational Permanent Control Department of the Compliance and Control Line. Additionally, co-ordination over the process of operational risk management in the units belonging to the Technology, Operations & Process Services Area is the responsibility of the Information Security and Business Continuity Department. As for definition and implementation of the Bank's strategy in terms of Bank insurance as a risk mitigation method, it falls within the competence of the Risk Transfer Group in the Facility Management and Procurement Line.

The Bank precisely divides duties related to operational risk management, adjusted to the existing organisational structure of the Bank, taking into account recording of operational losses, as well as monitoring, mitigation and reporting of the operational risk level.

Recording of operational losses enables effective analysis and monitoring of operational risk. The policy applied by the Bank as regards the manner of recording operational losses is to enable efficient and error-free registration of all operational losses. The loss recording process is supervised by the Oversight of



Operational Permanent Control Department which also keeps content-related documentation of the data recorded and is responsible for data quality and completeness.

The Bank is particularly committed to identification and assessment of reasons for current exposure to operational risk related to banking products, reduction of operational risk by improving internal processes and mitigation of operational risk that accompanies the introduction of new products and services. Therefore, each operational loss is classified taking into account operational incident type, reasons why operational risk has arisen, existence of an affiliated risk, accounting consequences and a claim lodged, if any, by third parties.

Under the Bank's policy, operational losses are allocated to business lines. The principal idea of allocation is to ensure that the business line management is directly interested in the control quality and efficiency of mitigation of operational risk accompanying the service of specific products.

Risk areas that are vital for products offered by the Bank are subject to ongoing monitoring of exposure to operational risk. To this end, the Bank controls the operational risk level on the basis of, performed regularly, permanent operational controls defined for the most essential areas of the Bank's activity. The system of permanent operational controls is being implemented at present.

The Bank shall periodically verify efficiency of the implemented operational risk management system and its adequacy to the Bank's current risk profile. The operational risk management system is supervised and regularly reviewed by the Audit Department, which is operationally independent and employs competent and appropriately trained staff. The Bank's Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and efficiency.

In order to compute the capital requirement for covering the operational risk, the Bank uses the Basic Indicator Approach.

As part of legal risk management, the Legal Department for Corporate Customers and the Legal Department for Retail Customers and Support Functions monitor and analyse the above-mentioned areas and notify the Compliance Department and the Audit Department about any risks or irregularities identified.

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved *modus operandi* of such incidents, the Bank extended and regularly enhances the process of counteraction, detection and examination of such cases. There is a specialised unit, the Fraud Protection Department that sees to accomplishment of these objectives.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

For the needs of operational risk management, Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (TFI FPI) has adopted definitions of risks consistent with the definitions applied at the Bank.

Under the New Capital Accord, the Bank shall evidence operational losses of its subordinated entity (TFI FPI). Operational losses suffered by TFI FPI are evidenced in a database kept by the Bank on the basis of information provided by this entity.

TFI FPI, as a company, to which the banking law requirements are not applicable, does not have to calculate capital requirement for operational risk. Still, as the Bank's subsidiary, TFI FPI shall provide financial data with a view to computing the capital requirement for further reporting by the Bank. In order to calculate the capital requirement for operational risk, TFI FPI provides financial data consistent with regulatory recommendations to the capital requirement calculation for operational risk according to the Basic Indicator Approach.

7.5. Compliance risk

The Bank considers its image and trust, which is systematically built in relationship with its customers, counterparties, shareholders and employee, one of the primary factors that conditions efficient operation and implementation of the Bank's mission and business strategy. The Bank's and its employees' failure to comply with governing law provisions or internal regulations is considered one of the greatest threats to the Bank's good reputation and image.

Therefore, in order to ensure security and stability of the Bank's business, especially through elimination or mitigation of compliance risk and the related risk of legal sanctions, financial losses or reputation loss, essential for the present and future position of the Bank in relation to its competitors and the public, a Compliance Risk Management Policy at Fortis Bank Polska SA has been implemented. At the same time processes of monitoring, identification and analysis whether the Bank's internal regulations, banking practice and the conduct of Bank's employees are compliant with binding regulations. The Compliance Department oversees the said processes.



The Bank developed an internal Customer Acceptance Policy, thus implementing necessary IT software to verify whether customers serviced were recorded on sanctioned entities lists or not, and adjusting the Bank's operation to the requirements of the *Act on Countering Introduction into Financial Circulation of Property Values Derived from Illegal or Undisclosed Sources, and on Counteracting the Financing of Terrorism* being amended, which is part of compliance risk management.

Additionally, there have been internal regulations of an ethical nature implemented, i.e. Code of Conduct of Employees, Regulations regarding employees' personal transactions or Rules for managing conflict of interests, which are presently applicable. With respect to ensuring compliance, the regulations related to acting in the interest of customers, in particular arising under the law provisions such as the financial instrument trading act, which is a transposition of the EU MiFID, play an important role.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

The Internal Compliance Team is responsible for ensuring and control of compliance of the activity of TFI Fortis Private Investments SA (TFI FPI) and conduct of its employees, both with the binding legal regulations and internal procedures of the Fund. The Team acts in accordance with the implemented Internal Controls Regulations and supervision of compliance with the law.

Procedures and organisational solutions required under the capital market regulations are systematically implemented in compliance with amendments to law provisions, if any. The Compliance Officer, responsible for supervising compliance of the TFI FPI activity with the law, develops and delivers reports on the application of supervision of compliance with the law to internal bodies and the Polish Financial Supervision Authority on dates specified by applicable laws.

7.6. Security policy

The Bank focuses on risk minimisation and therefore takes into consideration the need to ensure an adequate level of security of assets and information in legal and business aspects.

Considering that financial services require specialist knowledge and permanent access to data, while reliable information determines the financial entity's position, the Bank pays particular attention to system solutions that provide continuous and appropriate protection of information against threats.

The system solution that allows for improvement, monitoring and control over the information security at each level of the Bank's management is the Information Security Management System (SZBI in Polish). The system is built on the basis of a process approach with respect to the applied security measures that are driven by a need of a continued improvement of products and services provided to customers.

System measures, consisting in a risk analysis, information classification, incident management, centralised management and control of access to IT systems, likewise change management, systematised business continuity process, information exchange and access standards, property security standard, altogether lead to a comprehensive approach to the information security issue.

In order to plan and implement corrective and preventive actions, a system of gathering incident data has been put in place by the Bank.

The system enables the Bank to develop a database of threats and susceptibilities that affect confidentiality, availability and reliability of information and data processed in the Bank.

It is assumed that such actions contribute to mitigating the risk of losing availability, reliability or confidentiality of information, through anticipating and preventing negative factors that are reflected in the quality of products and services offered.

Fortis Bank Polska SA implements a plan of actions under ISMS through its Information Security Policy and area policies that comprise the Information Security Management System, i.e. Data Communication Security Policy, Physical Security Policy, Compliance Risk Management Policy, Personal Data Security Policy, Business Continuity Management Policy, and the Crisis Management Policy.

One of the paramount objectives of the Bank is ensuring a continuous operation of financial services, likewise ensuring the security of employees and customers as well as the Bank's tangible and intangible assets in crisis situations.

The Business Continuity Management Policy is in line with the guidelines of BNP Paribas, likewise international standards and best practices concerning business continuity management.

The Bank carries out analyses of business continuity, develops business continuity plans that precisely describe actions that should be taken to restore business functions before, during and after a critical incident.

The Bank makes tests of emergency solutions for critical processes in order to ensure their appropriate quality.



The Crisis Management enables the organisation to operate efficiently in crisis conditions and recover the normal business activity.

In 2010, in the process of supervision over the Information Security Management System conducted by an external auditor of Fortis Bank Polska SA, the System underwent a new assessment of its compliance with the requirements of international standard ISO/IEC 27001.

The audit was successful and resulted in maintaining the certification of the Information Security Management System of Fortis Bank Polska SA in full scope of standard ISO /IEC 27001 for year 2011.

The information security process and business continuity management in the Bank are coordinated by the Information Security and Business Continuity Department, Information Security and Business Continuity Committee and specialised units that perform their tasks in the following specific information security areas: Information Systems and Technology Line, Facility Management and Procurement Line, Compliance and Control Line and Human Resources.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA

Considering the size of the investment firm and the area of its operations, TFI FPI has introduced the "Information Security Policy at Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA" along with the "Instructions for management of IT system for personal data processing at Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA" and applies security measures to ensure confidentiality, reliability and availability of information, pursuant to the binding law provisions and requirements of the owner.

7.7. Business risk

Business risk is the risk of financial or non-financial losses resulting from changes in the Bank's competitive environment, current business activity or wrong business decisions. Although business risk results usually from external factors, it can be mitigated by efficient management actions.

In the business risk area, the Bank identifies strategic risk and reputation risk.

Strategic risk shall be construed as the risk of negative financial consequences of management decisions on the choice of business strategies and their implementation method, taking into account the ability to efficiently respond to external factors.

Bank reputation risk shall mean the risk that may adversely affect the business potential and scale of activity of the whole Bank as well as of other BNP Paribas Group entities. Reputation risk may have a material impact on present and future revenues of the organisation and its ability to acquire capital, which results directly from the negative perception of the institution by public opinion. Moreover, the risk also affects the Bank's possibilities of initiating new relations or continuing to provide services to existing customers.

Reputation risk is the Bank's risk of losing the image of a solid business partner and, consequently, of deterioration or loss of confidence of customers, shareholders or regulators as a result, for instance, of incorrect actions taken by the Bank or its employees, involvement of the Bank in unclear business relations, or as a consequence of lost lawsuits.

The Bank makes business risk assessment as part of regular (annual) Control and Risk Self Assessment (CRSA) sessions attended by the members of the Board of Executives and invited representatives of senior management of the Bank. During such sessions, the Bank determines an amount of internal capital for business risk in line with the methodology currently adopted by the Bank.

The Bank manages business risk by continuous monitoring and analysis of business decisions taken with respect to effects of their realisation and changes in market environment. The Bank's strategy consists in implementing and maintaining high quality standards for the operational and business risk management and assessment to guarantee that customer deposits and the equity are secure and the Bank's financial performance is stable.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

For the needs of business risk management, TFI FPI has adopted the definition of risks consistent with the definitions applied at the Bank.

TFI FPI makes business risk assessment as part of regular (annual) Control and Risk Self Assessment (CRSA) sessions attended by representatives of senior management of TFI FPI. During such sessions, TFI FPI determines an amount of internal capital for business risk in line with the methodology currently adopted.

Financial data regarding risk management in the Fortis Bank Polska SA capital group are presented in Item 15 of the Financial Statements.



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

Since 2001, proceedings have been continued before the Office for Competition and Consumer Protection ("the Office"), instituted at the request of the Polish Organisation of Commerce and Distribution (POHID in Polish) in Warsaw, as regards practices that limit competition on the payment card market and that are applied by VISA and MasterCard likewise 20 banks, including Fortis Bank Polska SA. The competition limitation charge referred to an agreement signed on collecting interchange fees. In the opinion of the Office, such fees are charged unduly which in turn affects prices of consumer goods. The Office President issued a decision under which a penalty of PLN 2.9 million was imposed on Fortis Bank Polska SA. The decision was given the order of immediate enforceability. In this respect, the Bank made a complaint on the decision of the Office President. On 13 November 2008, the District Court in Warsaw, the Court of Competition and Consumer Protection issued a decision stating that determination of commissions when accepting card payments did not constitute a practice that would restrict competition. The Office's President made an appeal against the said decision and the Bank applied for a dismissal of the appeal. On 22 April 2010, the Appellate Court overruled the decision of the court of first instance and asked for the reconsideration of the case. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 31 December 2010, the total value of 12 claims against the Bank regarding the FX derivatives made by the customers amounted to PLN 40.5 million. The highest claim in this group concerns the amount of PLN 27.6 million. The customer claimed a payment of EUR 7 million arising from the disputed option transactions.



8. AGREEMENTS SIGNIFICANT FOR THE GROUP'S ACTIVITY

8.1. Agreements with BNP Paribas SA

Loan agreements signed with BNP Paribas SA in 2010

On 5 March 2010 an annex to the loan agreement dated 25 February 2008 was signed between BGL BNP Paribas SA (former Fortis Banque Luxembourg SA) based in Luxembourg and the Bank. The agreement referred to a credit line granted to the Bank by BGL BNP Paribas SA with the limit of EUR 300 million (or its equivalent in USD or CHF) in order to finance the Bank's current operating activity. Under the annex, the credit line was renewed starting from 5 March 2010 and was to be available until 5 March 2011. The other financing terms and conditions remained unchanged and were not different from market conditions.

On 2 June 2010 a credit agreement was signed between the Bank and BNP Paribas SA based in Paris which has superseded the above agreement and the annex. The debt balance with BGL BNP Paribas was paid off and the Bank obtained from BNP Paribas SA a new credit line of EUR 300 million, available till 7 June 2012. The credit interest rate has been established based on the EURIBOR interest rate increased by a margin. Terms and conditions of the financing granted correspond to market conditions.

On 27 July 2010 an agreement was signed by and between BNP Paribas SA based in Paris and the Bank on granting a credit line up to EUR 100 million to the Bank. Till the agreement signing date a tranche of EUR 50 million was made available. Funds under the credit line will be allocated to the Bank's current operating activity and general corporate purposes. The financing term is up to fifteen years. The credit interest rate has been established based on the EURIBOR interest rate increased by a margin. The financing terms correspond to market conditions.

On 29 October 2010, the Bank received CHF 250 million under another loan agreement signed with BNP Paribas SA based in Paris. The funds will be allocated to the Bank's current operating activity and general corporate purposes. The financing period is three years of the disbursement date, i.e. until 29 October 2013. The financing terms correspond to market conditions. The credit line with BNP Paribas SA replaced the credit line that expired on 31 October 2010.

Facility Letter Agreement signed with BNP Paribas SA in 2011 (post balance sheet date):

On 9 February 2011, a facility letter agreement dated 31 January 2011 was signed between BNP Paribas SA based in Paris and the Bank. Under the agreement, the Bank was granted by BNP Paribas SA an uncommitted funding facility up to the equivalent of EUR 1,800 million. Under the funding facility the Bank may draw down tranches denominated in EUR, CHF or PLN.

The agreement covers funds of CHF 250 million disbursed 29 October 2010 and replaces the credit line with Fortis Finance Belgium SCRL/CVBA based in Brussels that expired 4 February 2011.

The tranche of PLN 800 million was disbursed 4 February 2011. The financing period for the aforementioned tranche is three years of the disbursement date, i.e. until 4 February 2014. The tranche interest rate was defined based on WIBOR 3M.

Agreements signed by and between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland

On 30 March 2010, an agreement was signed between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland. The purpose of the agreement was the acquisition by the Bank of the organised part of the bank enterprise of the Branch upon fulfilment of the terms and conditions specified in the agreement. On 26 May 2010, the Polish Financial Supervision Authority (KNF) granted its consent to this transaction.

The sale agreement regarding the organised part of the enterprise was concluded on 1 July 2010 between Fortis Bank Polska SA – as a purchaser, and BNP Paribas SA Branch in Poland – as a seller.

The organised part of the banking enterprise acquired by the Bank includes banking business segments such as: lending, cash management, trade finance, bank guarantees and other standard banking services.

This transaction enhances the transparency of activities pursued in Poland by the BNP Paribas entities and eliminates potential competition between the Bank and the Branch. The Branch's priority will be to serve the largest corporate and institutional customers of the BNP Paribas Group and offer advanced investment banking products. The Bank will focus on rendering services related to daily banking operations for enterprises, including cash management, full credit service, global trade finance and selected forward transactions. The activity of the two entities is not mutually competitive.

In November 2010, the sale of the organised part of the enterprise was finalised. As a result of the transaction, a comprehensive service of approx. 150 capital groups of Enterprises and Transaction Banking customers was transferred from the Branch to the Bank.

On 9 December 2010, the final acquisition price for the organised part of the enterprise was determined in the amount of PLN 334.9 million, i.e. more than 10% of the Bank's equity. The price was established on the basis of the net book value of assets acquired and liabilities taken over as at 30 June 2010. As at that date,



the value of transferred loan receivables stood at PLN 257 million, and liabilities related to deposits exceeded PLN 1 billion. The difference of PLN 78 million between the book value of net assets and acquisition price is recognised in the Bank's equity funds.

8.2. Cooperation Agreement with Fortis Lease Polska sp. z o.o.

On 18 March 2010 Fortis Bank Polska SA signed a cooperation agreement with Fortis Lease Polska sp. z o.o. under which the Bank informed its customers about financing available through lease at Fortis Lease Polska (FLP). On 27 May 2010, an annex to the above agreement was signed under which the cooperation agreements dated 2 January 2002 and 1 August 2009 were terminated.

Credit line agreement with Fortis Lease Polska sp. z o.o.

On 2 March 2010 the Bank signed an annex to the multioption credit line agreement with Fortis Lease Polska sp. z o.o. dated 17 November 2000. The credit line can be utilised as an overdraft facility, L/C line or guarantee credit line. The credit limit equals PLN 175 million. The agreement amendment referred to the credit term extension for the subsequent current term, i.e. until 29 July 2010.

On 23 July 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 29 September 2010.

On 4 October 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 28 October 2010.

On 18 October 2010, the Bank signed another annex to the multi-option credit line dated 17 November 2000. The financing period was extended until 18 January 2016, while the credit term was extended until 30 December 2010. The credit limit amount remained unchanged.

On 30 December 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 31 March 2011.

8.3. Closing of the securitisation transaction of Dominet Bank SA

As a result of the merger of Fortis Bank Polska SA and Dominet Bank SA, the loan portfolio covered by the securitisation agreement of 30 January 2006 was recognised in the books of the merged Bank. Dominet Bank SA entered into the securitisation agreement on receivables arising from granted retail loans (car and cash loans) with Polish Assets SPV Limited (SPV), a special purpose vehicle incorporated for the needs of the transaction, and Merrill Lynch International, as the financing entity. The securitisation transaction constituted one of the elements of Dominet Bank SA own funds management strategy. Dominet Bank SA sold a separated portion of its loan portfolio to the SPV; consequently, the value of credit exposures to be taken into account for calculation of capital requirements on account of credit risk was reduced. The credit portfolio acquisition by the SPV was financed through an issue of securities to Merrill Lynch Int. backed by the receivables being sold. As at 31 December 2009, the value of the securitised loans presented in the assets of Fortis Bank Polska SA stood at PLN 87,546 thousand. The Bank kept the entire risk as well as all benefits derived from the holding of the financial asset and therefore, receivables sold under the securitisation transaction were not excluded from the balance sheet. At the same time, the Bank disclosed in the liabilities the financial commitment up to the amount of payment received for the receivables sold.

On 11 February 2010 an agreement was signed by and between the parties to the securitisation agreement under which the Bank repurchased from the SPV the credit receivables that resulted from the securitisation of Dominet Bank SA consumer credit portfolio.

8.4. Annex to the Cooperation Agreement with Fortis Private Investments Polska SA

On 5 November 2007, Fortis Bank Polska SA signed a Distribution Agreement with Fortis Private Investments Polska SA regarding acquisition by the Bank of customers interested in using third party's brokerage financial instrument portfolio services provided by Fortis Private Investments Polska SA. On 27 April 2010 an Annex to the remuneration arrangement was signed. The amendment resulted from the intention to increase the sales volume of investment fund participation units.

Details regarding agreements and transactions with affiliated entities in 2010 and comparative data for 2009 are presented in Item 14 of the Financial Statements.

8.5. Significant agreements with entities unrelated with the Fortis Bank Polska SA capital group

Credit Agreement with the European Investment Bank

On 30 November 2009, a credit agreement was signed between European Investment Bank (EIB) based in Luxembourg and the Bank under which agreement EIB granted the Bank a credit line up to EUR 50 million. The Bank obtained funds allocated for financing of investment projects of small and medium-sized enterprises.



Financing details shall be defined for each credit tranche disbursed separately. Maximum repayment term for a credit tranche is 12 years. A fixed or variable interest rate will depend on the currency of the tranche disbursed (EUR, PLN, GBP, USD): relevant reference rate (EURIBOR, WIBOR, LIBOR) plus margin. The first tranche in the amount of PLN 80 million was disbursed in September 2010.

Fortis Bank SA/NV, based in Brussels, granted a guarantee for performance of the Bank's obligations arising under the credit agreement.

Loan agreement with the European Bank for Reconstruction and Development

On 26 January 2011, a loan agreement was signed between the European Bank for Reconstruction and Development (EBRD) and the Bank under which EBRD granted the Bank a loan up to EUR 30 million. The Bank will obtain funds allocated for financing of investment projects of small and medium-sized enterprises within the Sustainable Energy Financing Facility Programme.

The financing period will be five years of the agreement signing date, i.e. until 2016. The loan interest rate was determined based on EURIBOR 3M, increased by a margin. The agreement implementation depends on acquiring a guarantee from Fortis Bank SA/NV.

Conclusion of a significant agreement with a customer not affiliated with the Bank

On 2 April 2010, the Bank signed a master agreement on currency transactions with a customer not affiliated with the Bank; consequently, the total value of agreements concluded with the customer within the past 12 months amounted to PLN 154 million.

The largest agreement with the said customer pertains to a guarantee line concluded on 15 January 2010, as amended, with the credit limit of PLN 134 million. The credit limit is a non-revolving limit and the financing term is three years, i.e. till 14 January 2013.

The guarantee granting terms and conditions are not different from market conditions.

The aggregate value of the agreements concluded with this customer within 12 months meets the criteria of a significant agreement, because the value of the agreements exceeded 10% of the Bank's equity.

Conclusion of a significant agreement with a customer not affiliated with the Bank

On 26 January 2011 (post balance sheet date) the Bank signed a syndicated agreement with a customer not affiliated with the Bank; consequently, the value of agreements concluded with this customer within the past 12 months amounts to the total of PLN 200 million.

Under the consortium, the Bank granted to the customer a revolving loan up to the maximum amount of PLN 100 million. Funds under the loan will be allocated to the customer's current operating activity and refinancing previous obligations. The loan repayment deadline is fixed for 6 July 2016. The loan interest rate has been established based on the WIBOR interest rate increased by a margin. The financing terms correspond to market conditions.

The agreement does not provide for any contractual penalties of a cash nature. The agreement has not been concluded subject to any condition or time limit.

The aggregate value of the agreements concluded with this customer within the last 12 months meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank's equity.

Guarantees and sureties

On 17 July 2009, Fortis Bank Polska SA signed an agreement with a Customer not affiliated with the Capital Group of Fortis Bank Polska SA, which amended the terms and conditions of the credit agreement dated April 25, 2008. The amendments concerned the credit limit increase from PLN 200 million up to PLN 205.8 million and also the change of the credit limit nature from a multi-option credit line into a guarantee line agreement. In 2010, annexes to the agreement were signed, which do not change any principal terms or conditions of the agreement. The total value of guarantees granted under this line exceeds 10% of the Group's equity capital.

The Bank did not exceed the maximum exposure limit towards any customer or capital group as stipulated under the Banking Law Act, either in 2010 or in 2009.

Redemption of subordinated bonds

As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., on 31 July 2009 Fortis Bank Polska SA took over the liabilities on account of subordinated bonds issued with a nominal value of PLN 30 million. The bonds were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004 and were recognised to Tier 2 capital of Dominet Bank SA, and in turn to Tier 2 capital of Fortis Bank Polska SA.



On 20 October 2010, the Polish Financial Supervision Authority (KNF) consented to an earlier reimbursement of funds through redemption of subordinated bonds. The bonds in the amount of PLN 31,662 thousand (nominal value plus interest) were redeemed on 29 January 2011.

Redemption of secured bonds

As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., on 31 July 2009 Fortis Bank Polska SA took over the liabilities related to corporate secured bonds issued with a nominal value of PLN 30 million. The secured bonds were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004.

The bonds in the amount of PLN 30,709 thousand (nominal value plus interest) were redeemed on 29 January 2011. The security deposit was reimbursed to the Bank.

8.6. Insurance agreements

Banking risks, electronic and computer crime and professional indemnity insurance for a financial institution

Fortis Bank Polska SA is included in the corporate insurance programme dedicated to BNP Paribas and its subsidiaries worldwide. The Combined Crime and Civil Liability programme provides banking business insurance – bankers blanket bond, electronic and computer crimes (BBB - ECC) and Professional Indemnity (PI) insurance programme. The corporate policy expires on 1 July 2011.

Directors and Officers Liability insurance

Fortis Bank Polska SA, as the member of the BNP Paribas Group, is covered by the Directors and Officers Insurance Program. The existing D&O policy expires on 1 April 2011.

Third party liability insurance on account of agency services

The policy was entered into pursuant to the obligation resulting from the Finance Minister's Ordinance dated 23 June 2005 regarding obligatory third party liability insurance on account of agency services (Journal of Laws No. 122, item 1027 of 2005).

Property, electronic equipment and third party liability insurance. The insurance policy was signed with AVIVA Towarzystwo Ubezpieczeń Ogólnych SA (former Commercial Union Polska – Towarzystwo Ubezpieczeń Ogólnych SA) for the period from 26 April 2010 to 25 April 2011.

The coverage includes all-risk insurance against loss or damage of property (including insurance of pecuniary values) and electronic equipment. Moreover, the insurance programme covers the Bank's professional indemnity under property owned and business activity conducted and also a national CARGO insurance for IT hardware. The insurance sum for investment outlays equals the book value of the Bank's investment outlays. In the remaining scope, the insurance sum has been determined on the basis of the new replacement value.

Insurance of risk of incurring financial losses by Fortis Bank Polska SA in relation to transactions effected with valid payment cards issued by Fortis Bank Polska SA under which the Bank is liable towards cardholders on the basis of and to the extent specified in Electronic Payment

Instruments Act of 12 September 2003 (Journal of Laws No. 169, item 1385). The policy was signed with TU PZU SA for the period from 1 November 2009 to 30 October 2010 and extended by an annex (on the same terms and conditions) for the period from 1 November 2010 to 31 December 2010 to secure the process of implementing the EMV payment card standard in Fortis Bank Polska SA in 2010. To ensure the continuity of the insurance coverage, at the end of 2010 the Bank signed an agreement for the period of 1 January 2011 to 31 January 2012.

The insurance covers financial losses incurred by Fortis Bank Polska SA in connection with unauthorised card use as a result of theft, robbery, loss or skimming.

8.7. Agreements with the central bank and the regulators

Agreements with the National Bank of Poland

Agreement on extension of a lombard credit facility and a provision of a pledge securing such facility

Under the agreement signed on 15 March 2010, the NBP shall grant the Bank a lombard credit facility against a pledge of securities denominated in PLN and deposited with the Securities Register maintained by the NBP Domestic Operations Department or with the National Depository of Securities (KDPW in Polish).

Agreement on extension of a technical credit facility and transfer of rights under securities

Under the agreement signed on 15 March 2010, the NBP shall grant the Bank a technical loan secured by an assignment of rights to securities denominated in PLN and deposited with the Securities Register



maintained by the NBP Domestic Operations Department or with the National Depository of Securities (KDPW in Polish).

8.8. Agreements with auditor

On 1 September 2009, the Bank's Supervisory Board appointed Mazars Audyt Sp. z o.o. with the registered office at ul. Piękna 18, 00-549 Warsaw, KIBR (Polish National Chamber of Statutory Auditors) register number 186, as the entity authorised to audit the consolidated and separate financial statements of Fortis Bank Polska SA capital group for 2009 and to review financial statements for the first half of 2010.

The agreement with Mazars Audyt Sp.z o.o. was concluded 9 October 2009 and amended by an annex on 9 April 2010. Total fees payable under the said agreement, exclusive of VAT, equalled EUR 162 thousand plus evidenced additional costs, whereas the fees due under the annex totalled EUR 147 thousand.

On 18 June 2010 the Bank's Supervisory Board re-appointed Mazars Audyt sp. z o.o. to audit financial statements for the years 2010 and 2011 and to review financial statements for the first half of 2011.

The agreement with Mazars Audyt sp. z o.o. was signed on 30 June 2010. Total fees, exclusive of VAT, due under the aforementioned agreement equal to EUR 263 thousand and evidenced additional costs.

The table below shows the auditor's net remuneration broken by service type (in PLN thousand):

Remuneration (in PLN thousand):	<u>2010</u>	<u>2009</u>
Audit of annual financial statements for 2009	233	-
Review of the semi-annual financial statements for the 1st half of 2010	177	-
Other services (group reviews)	250	73
In total (net, exclusive of VAT)	660	73



9. AFFILIATED ENTITIES

9.1. Profile of Shareholders with over 5% of votes at the General Shareholders Meeting

BNP Paribas SA based in Paris is the higher level parent company in relation to Fortis Bank Polska SA. BNP Paribas SA is the parent company of the BNP Paribas Group.

BNP Paribas is a French joint-stock company (société anonyme) authorised to conduct banking activity under the French Monetary and Financial Code, Book V, Title 1 (Code Monétaire et Financier, Livre V, Titre 1er). It was incorporated under a decree dated 26 May 1966. The company's duration was extended to 99 years as from 17 September 1993. In addition to detailed rules regarding the company's status of an entity operating in the banking sector, BNP Paribas SA is governed by the French Commercial Code (Code de Commerce) which applies to commercial companies and partnerships, and by the by-laws.

BNP Paribas SA has been registered in the Register of Commerce and Companies in Paris (RCS Paris) under number 662 042 449.

As at 31 December 2010 the share capital of BNP Paribas SA amounted to EUR 2,396 million and was divided into 1,198,153,534 shares fully paid up with a par value of EUR 2 each. These shares are inscribed or bearer shares, at their owner's discretion, subject to the applicable law provisions.

BNP Paribas SA is a public company. BNP Paribas SA shares are listed on the NYSE Euronext Paris (Compartment A, ISIN code: FR0000131104). BNP Paribas SA shares are included in the CAC 40 index (top 40 companies among 100 highest market capitalisations), SBF120/SBF250, EURONEXT100 and others.

BNP Paribas Group is a leading European financial institution with global presence and one of the six strongest banks worldwide (rated AA by Standard & Poor's). Present across Europe through all its business lines, the Group has four domestic retail banking markets in France, Italy, Belgium and Luxembourg. BNP Paribas Group operates in 83 countries and has 205,300 employees, including 162,200 in Europe, 15,100 in North America and 11,000 in Asia (as at 31 December 2010). The Group maintains a leading position in three core businesses:

- Retail Banking, which includes such operating businesses as: French Retail Banking (FRB), BNL banca commerciale (BNL bc) – Italian retail bank, BeLux Retail Banking, Europe-Mediterranean, BancWest, Personal Finance, and Equipment Solutions;
- Corporate and Investment Banking (CIB);
- Investment Solutions.

The Group has been operating in Poland through a number of companies, in particular Fortis Bank Polska SA and BNP Paribas SA Branch in Poland.

Financial data for 2010 based on unaudited financials:

In 2010 BNP Paribas Group generated net profit (attributable to equity holders) of EUR 7,843 million, which accounts for a 34.5% growth over the year 2009. Its revenues of EUR 43,880 million were by 9.2% higher than in 2009. Gross operating income stood at EUR 17,363 million, that is by 3% more than in 2009. Owing to a significant decrease of the cost of risk in connection with the improving economic situation, pre-tax income grew up to EUR 13,200 (up by 44.7%).

Successful integration of BNP Paribas Fortis and BGL BNP Paribas with BNP Paribas Group contributed to the increase of synergy effects expected by 2012 from EUR 900 million to EUR 1,200 million.

Tier 1 capital adequacy ratio at the end of December 2010 stood at 11.4% as compared to 10.1% at the end of December 2009.

Profit per (ordinary) share of EUR 6.33 was by 21.7% higher than in 2009. Return on equity (ROE) equalled 12.3% as compared to 10.8% in 2009. Net book value per share reached EUR 55.5 (growth by 9% vs. 2009).

BNP Paribas SA is the parent entity of Fortis Bank SA/NV based in Brussels.

BNP Paribas SA holds, via Fortis Bank SA/NV, 24,092,125 shares of the Bank that constitute 99.87% of share capital of Fortis Bank Polska SA and entitle to 24,092,125 votes, constituting 99.87% of the total number of votes at the General Meeting of Fortis Bank Polska SA.

BNP Paribas Fortis SA

Fortis Bank SA/NV based in Brussels currently operates under the BNP Paribas Fortis brand. Since May 2009 Fortis Bank SA/NV has been part of BNP Paribas Group.

Fortis Bank SA/NV is a joint-stock company incorporated under Belgian law on 5 December 1934. In Belgium, the company has been entered into the Register of Legal Persons under RPM 0403.199.702.



The paid-up share capital of Fortis Bank SA/NV is EUR 9,374,878,367.40. Fortis Bank issued 483,241,153 shares, of which 74.93% is held by BNP Paribas SA, 25% is owned by the Belgian State through the investment entity SFPI (Société Fédérale de Participations et d'Investissement), whereas the remaining 0.07% is held by dispersed shareholders.

Fortis Bank SA/NV based in Brussels holds directly 18,848,593 shares in the Bank representing a 78.13% stake in the share capital and giving the right to exercise 18,848,593 of total votes at the general meeting.

Information on Dominet SA

Dominet SA based in Warsaw is a company with share capital of PLN 2,971,349. Dominet SA holds 5,243,532, i.e. 21.74% of the share capital of the Bank.

The sole shareholder of Dominet SA is Fortis Bank SA/NV which holds directly 100% of shares and votes at the company's general meeting.

9.2. Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (TFI FPI SA), entity wholly owned by Fortis Bank Polska SA, till 15 July 2010 operated as Fortis Private Investment Polska SA, an investment company, in the brokerage business that included:

- managing financial instrument portfolios of individuals and investment portfolios of investment funds;
- accepting orders to subscribe or redeem participation titles in UCITS.

On 16 June 2010 the Financial Supervision Authority issued a decision authorising FPIP SA to operate as an investment fund company (TFI), that is to pursue the activity consisting in opening and management of investment funds, intermediating in distribution and redemption of participation units and, as an additional business, management of financial instruments portfolios. At the same time, at the request of FPIP SA, the Financial Supervision Authority revoked the permit for brokerage activity. On 5 July 2010, the name change and new activity type were registered in the National Court Register. After the Financial Supervision Authority's decision became effective, i.e. as of 15 July 2010 the company started operating as Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA. On 1 October 2010 the management of Fortis Fundusz Inwestycyjny Otwarty (Fortis FIO, open-ended investment fund) was taken over from TFI Skarbiec S.A.

TFI FPI manages the portfolio of Fortis FIO launched on the Polish market in 2005 in cooperation with SKARBIEC TFI S.A. Fortis FIO is the first umbrella fund on the Polish market with separated subfunds. The fund comprises the following subfunds: Fortis Akcji (stock subfund), Fortis Stabilnego Wzrostu (stable-growth subfund) and Fortis Papierów Dłużnych (debt securities subfund) launched in December 2010. Additionally, within Fortis FIO are offered Individual Pension Accounts (IKE Fortis FIO).

Transformation into an investment fund company and takeover of the Fortis FIO fund management enabled to sign, as of 1 October 2010, a distribution agreement between TFI FPI and the Bank and to extend the distribution network for participation units of investment funds managed by TFI FPI by entities from outside the BNP Paribas Group, such as electronic distribution channels (e.g. Progress Framework Spółka z o.o., Netfield S.A.).

Within the financial instrument portfolio management activity conducted by the company since 1996, comprehensive solutions are offered with respect to investments on capital markets, both in Poland and abroad. TFI FPI offers equity, balanced and debt securities portfolios, including also Polish and foreign funds portfolios as well as active allocation portfolios with a defined share of equity. Structured bond portfolios are available within individual portfolios, whereas customers interested in primary market offers may choose an IPO portfolio. Under the agreement of 5 November 2007, the Bank cooperates with TFI FPI as an intermediary offering financial instrument portfolio management services. In cooperation with the Affluent Banking Department, TFI FPI SA offers investment services to high net worth individuals who are customers of the Bank.

The share capital of TFI FPI SA amounts to PLN 9,048 thousand and is divided into 377,000 shares with the nominal value of PLN 24 each. The equity level is sufficient for secure current business as well as future development of the company. Fortis Bank Polska SA will support further development of the company.



9.3. Minority interest

As at 31 December 2010, Fortis Bank Polska SA capital group held interest exceeding 5% of share capital of the following entities:

Vistula Group SA

On 21 December 2009 Fortis Bank Polska SA learned about the registration of share capital increase of Vistula Group SA of 17 December 2009.

The company's shares were taken up by the Bank as a result of the performance of the share subscription agreement of 24 November 2009. The total issue value of the acquired shares amounted to PLN 40,000,001.55 and was paid up through a set-off of the mutual receivables.

As a result of taking up shares in exchange for the company's obligations, Fortis Bank Polska SA has owned 8,247,423 series I bearer shares of Vistula Group SA, which accounts for 7.39% interest in the company's share capital. The shares held enable to exercise 8,247,423 voting rights at the general meeting of shareholders of the company, or 7.39% share in the general number of votes at the general meeting of shareholders. On 28 July 2009, the company's shareholders signed an arrangement with the Bank which included, among other things, the commitment to vote together at the company shareholders' meetings with respect to candidatures to the company's supervisory board. Once the shares have been taken up by the Bank, the parties to the arrangement held jointly 28,907,159 shares that entitled to 25.91% share in the general number of votes.

Odlewnie Polskie SA

On 27 May 2010 Fortis Bank Polska SA received information that confirmed that the Court's decision approving the composition agreement signed on 4 May 2010 by Odlewnie Polskie SA based in Starachowice with its creditors became effective.

Under the said composition agreement, through conversion of receivables of PLN 5,858,688 into shares pursuant to Article 294 para. 3 of the Bankruptcy and Rehabilitation Act dated 28 February 2003, the Bank took up 1,952,896 Series G non-preference bearer shares that account for 9.45% of the company's share capital after the receivables conversion. The shares taken up enable to exercise 1,952,896 voting rights at the general meeting of shareholders of the company, which represents about 9.45% share in the general number of votes at the general meeting.

On 29 April 2010 an agreement was concluded between the company, the banks taking up shares under the composition agreement and the company's main shareholder which stipulated, among other things, unanimous voting of the shareholders at the general meeting. Upon concluding the composition agreement and taking up the shares by the banks, the parties to the arrangement held jointly 13,574,128 shares that entitled to 65.69% of total votes.

Dolnośląska Szkoła Bankowa Sp. z o.o.

Furthermore, Fortis Bank Polska SA holds 24.75% shares in Dolnośląska Szkoła Bankowa Sp. z o.o., based in Lubin, associated entity.

10. CORPORATE GOVERNANCE

Fortis Bank Polska SA, being a listed company, observes corporate governance rules as well as internally promotes and monitors their application.

Since 1 January 2008, the *Code of Best Practice for WSE Listed Companies*, adopted by the Supervisory Board of WSE upon a motion put forward by at the WSE Management Board, has been in force at the Bank. Amendments to the *Code of Best Practice for WSE Listed Companies* (attachment to Resolution No. 17/1249/2010 of the WSE Council of 19 May 2010) became effective on 1 July 2010.

Pursuant to the Warsaw Stock Exchange Regulations and the Finance Minister's Ordinance dated 19 February 2009 regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State, on 12 March 2010 Fortis Bank Polska SA published a Report on corporate governance rules application at Fortis Bank Polska in 2009, together with the annual report for 2009.

The 2010 Corporate Governance Report of Fortis Bank Polska SA constitutes an integral part hereof and will be published on 18 March 2011 along with the annual report for 2010.

Since the beginning of 2010 the Bank has been informing of any permanent or incidental breach of the corporate governance rules through the Electronic Information Database (EBI) system rendered available by the WSE.



In the first half of 2010 the Bank started a number of measures with a view to fully adjust to the corporate governance requirements. The Ordinary General Meeting of Shareholders held on 29 April 2010 approved amendments to the Bank's Statute and new Rules of Procedure of the General Meeting in order to take account of the amended Polish Code of Commercial Companies and Partnerships, especially as regards organisation of general meetings.

In the period from 29 April 2010 to 30 June 2010, there were no members of the Bank's Supervisory Board that would meet the independence criteria and therefore, no independent member of the Supervisory Board was present in the Audit Committee.

The Extraordinary General Meeting of Shareholders of the Bank held on 29 June 2010 appointed three independent members of the Supervisory Board; consequently as of 1 July 2010, the Bank is fully compliant with rule no. III.6 of the *Code of Best Practice for WSE Listed Companies*.

In June 2010, based on the Model Investor Relations Service, the Bank updated the Investor Relations service available on the Bank's website in Polish and also in English.

Since 1 July 2010 the Bank has applied the amended rules of Code of Best Practice for WSE Listed Companies in the scope defined in **Report on Corporate Governance Rules Application, which constitutes Enclosure No. 1 hereto.**



11. ORGANISATIONAL STRUCTURE

11.1. Bank authorities

Pursuant to the Bank's Statute, Fortis Bank Polska SA bodies comprise:

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

Permanent and temporary committees acting as advisory and decision-making bodies are appointed at the Bank. In 2010 the functioning of permanent committees of the Bank was reorganised.

Permanent committees include:

- Assets and Liabilities Committee (ALCO);
- Risk Committee;
- Credit Risk and Provisioning Committee;
- Credit Committee;
- Internal Control Coordination Committee along with the sub-committee:
 - Operational Risk Committee
- Information Security and Business Continuity Committee;
- New Products, Activities and Organisations and Exceptional Transaction Validation Committee;
- Investment Committee.

Assets and Liabilities Committee (ALCO)'s composition, scope of competence and activity are determined in the *Regulations of the ALCO Committee* adopted under the Bank Board of Executives' resolution. The Committee oversees the management of liquidity, interest rate and FX risks.

The Risk Committee's composition, scope of competence and activity are defined in the *Risk Committee Regulations* passed by the Bank Board of Executives. The Risk Committee is entitled to set up supportive committees, defining their composition, regulations, scope of activity and delegating powers to these committees. The Committee monitors and manages core risks arising from the Bank's business activity.

Credit Risk and Provisioning Committee's composition, scope of competence and activity are determined in regulations adopted by the Risk & ALM Committee and approved by the Supervisory Board. The Committee supports, as an advisory body, the ALCO Committee in the efficient management of the Bank's credit risk.

The Credit Committee's scope of competence and activity is determined in the *Regulations* approved by the Board of Executives and the Supervisory Board of the Bank. Furthermore, in the Bank there are also credit sub-committees dedicated to ETB, RB SME and Individuals operating under the *Credit Decision Making Regulations at Fortis Bank Polska SA*, approved by the Bank Supervisory Board.

The Internal Control Coordination Committee's composition, scope of competence and activity are defined in the *Regulations* approved by the Bank Board of Executives. The Committee is responsible for the efficient management of the Bank's internal control system. Composition, scope of competence and activity of the sub-committee are provided in separate *Operational Risk Committee Regulations*.

Composition, scope of competence and activity of the New Products, Activities and Organisations and Exceptional Transaction Validation Committee are specified in the *Regulations* approved under a resolution of the Bank Board of Executives. The Committee's base activity comprises approval of new initiatives regarding various activities, new products, services and non-standard transactions.

The Investment Committee's composition, scope of competence and activity are specified in the *Investment Committee Regulations* approved under the Bank Board of Executives' resolution. The Committee approves all initiatives related to the implementation of new products, functionality changes in systems, processes and products, infrastructure development and other non-standard operations transactions.

Composition, scope of competence and activity of the Information Security and Business Continuity Committee are specified in the *Regulations* approved under a resolution of the Bank Board of Executives. The Committee's main task consists in overseeing and managing the system of information security and business continuity.

The following operate within the Supervisory Board of Fortis Bank Polska SA:

- Audit Committee;
- Compensation Committee;

they are appointed under the Bank's Statute and the Supervisory Board Regulations and operate based on



separate regulations.

11.2. Business lines and sales outlets

The basic organisational structure of the Bank is made up of:

- Head Office,
- Areas,
- Business lines/ customer service lines,
- Regions,
- Branches and franchise branches,
- Business Centres.

The Bank's organization is structured along customer service lines (business lines) providing comprehensive service to specific customer and/or service market segments. In particular: Retail Banking, Personal Finance, Enterprise and Transaction Banking and Fixed Income and Treasury Line (Other Banking Activity).

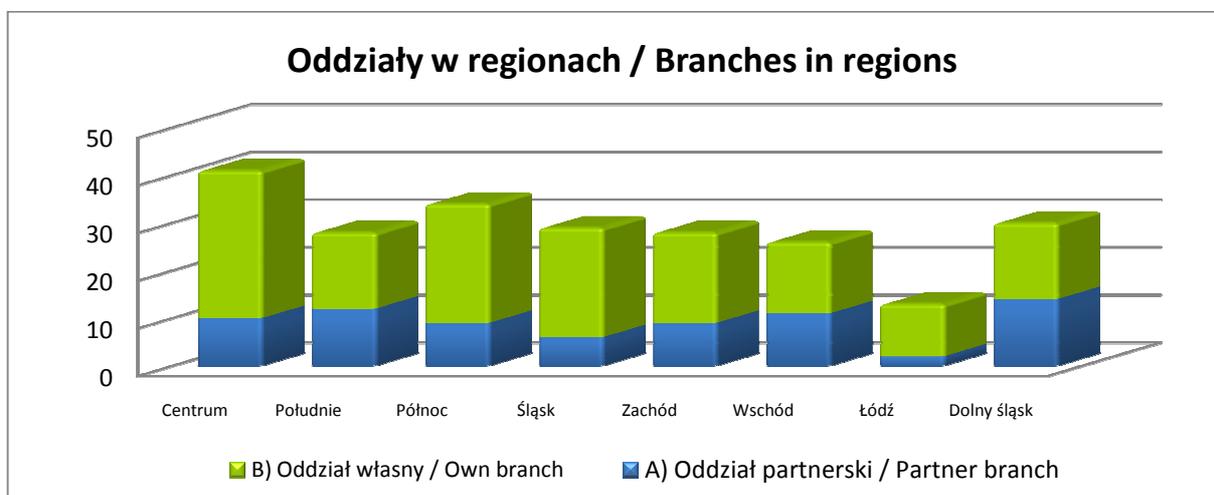
As at 31 December 2010, Fortis Bank Polska SA structure comprised the following operating units dedicated to customer service:

- 156 full-service branches, including 29 leading branches (four branches in Warsaw, three branches in Kraków, two branches in Poznań, Wrocław and Lublin each and one branch in Bielsko-Biała, Bydgoszcz, Częstochowa, Łódź, Gdynia, Gdańsk, Gliwice, Katowice, Kielce, Lubin, Olsztyn, Opole, Rzeszów, Szczecin, Zakopane and Ząbki each);
- 73 franchise branches;
- 10 Business Centers: two in Warsaw and one in Krakow, Gdańsk, Bydgoszcz, Katowice, Poznań, Wrocław, Rzeszów and Łódź each.

Leading branches are subjected to registration in the Polish National Court Register (KRS). They are responsible for the completion of their own tasks as well as those of the operating units subordinated to them in a given territory (i.e. subordinated own branches, franchise branches and own sub-branches). Current structure of the distribution network takes into account the country's division into eight geographical areas of activity:

- Centre Region – 31 branches,
- South Region – 16 branches,
- Śląsk (Silesia) Region – 23 branches,
- West Region – 19 branches,
- North Region – 25 branches,
- East Region – 15 branches,
- Łódź Region – 11 branches,
- Dolny Śląsk Region – 16 branches.

Additionally, the distribution network is supported by 73 franchise branches that provide services to Bank customers under cooperation agreements signed with the Bank.



The Bank's organization chart as at 31 December 2010 has been attached to this Report (Enclosure No. 2).



12. SUPERVISORY BOARD, BOARD OF EXECUTIVES AND EMPLOYEES

12.1. Changes in the composition of the Supervisory Board

As at 1 January 2010, the Bank Supervisory Board's composition was as follows:

1. Camille Fohl - Chairman
2. Jos Clijsters - Deputy Chairman
3. Antoni Potocki - Deputy Chairman
4. Zbigniew Dresler - Supervisory Board's member
5. Reginald De Gols - Supervisory Board's member

In 2010, there were the following changes in the composition of the Supervisory Board:

Mr Reginald De Gols resigned from his function in the Bank's Supervisory Board from 1 April 2010. The reason of Mr De Gols' resignation was his intention to leave the BNP Paribas Group in connection with his retirement.

On 29 April 2010, the General Meeting of Shareholders appointed the Supervisory Board for a five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2014 fiscal year. Three new members of the Supervisory Board have been appointed: Mr Mark Selles, Mr Lars Machenil and Mr Jean-Marie Bellafiore, representing the BNP Paribas Group.

At the same time, on the date of the Annual General Meeting the tenure of Mr Antoni Potocki, Vice President of the Bank's Supervisory Board and Mr Zbigniew Dresler, Member of the Bank's Supervisory Board ended.

The Extraordinary General Meeting of Shareholders, which took place on 29 June 2010, appointed to the Supervisory Board, effective 1 July 2010, the following new members until the end of the current tenure: three independent members – Ms Monika Bednarek, Mr Jarosław Bauc and Mr Andrzej Wojtyna, and also Mr Jean Deullin who represents BNP Paribas Personal Finance. At the same time, the Extraordinary General Meeting of the Bank's Shareholders discharged Mr Jean-Marie Bellafiore from his function of the Supervisory Board member effective 30 June 2010, and appointed Mr Jean Deullin to the Supervisory Board.

On 30 August 2010, the Supervisory Board appointed Mr Jarosław Bauc as a Deputy Chairman of the Supervisory Board of Fortis Bank Polska SA.

Effective 30 September 2010, Mr Jos Clijsters resigned from his function of the Deputy Chairman and membership in the Bank's Supervisory Board, a member of which, he was since 1 July 2005.

On 5 November 2010, the Supervisory Board appointed Mr Lars Machenil as a Deputy Chairman of the Supervisory Board.

As at 31 December 2010, Mr Mark Sellers was at the same time Chairman of the Supervisory Board of Dominet SA (shareholder of the Bank).

As at 31 December 2010, the Bank Supervisory Board's composition was as follows:

1. Camille Fohl - Chairman
2. Jarosław Bauc - Deputy Chairman
3. Lars Machenil - Deputy Chairman
4. Monika Bednarek - Supervisory Board's member
5. Jean Deullin - Supervisory Board's member
6. Mark Selles - Supervisory Board's member
7. Andrzej Wojtyna - Supervisory Board's member

12.2. Changes in the Board of Executives

As at 1 January 2010, the Bank Executive Board's composition was as follows:

1. Alexander Paklons - President of the Board of Executives
2. Jan Bujak - Senior Vice-President
3. Frédéric Amoudru - Vice-President
4. Jean-Luc Deguel - Vice-President
5. Jacek Obłąkowski - Vice-President
6. Jaromir Pelczarski - Vice-President
7. Michel Thebault - Vice-President
8. Philippe Van Hellemont - Vice-President



In 2010, there were the following changes in the composition of the Board of Executives:

At a meeting held on 30 April 2010, the Bank Supervisory Board appointed the Board of Executives with the existing composition for the subsequent five-year tenure ending with the Annual General Meeting approving of the financial statement for the fiscal year 2014.

At the same time, the Supervisory Board appointed Ms Marta Oracz as a member of the Fortis Bank Polska SA Board of Executives effective from 1 June 2010.

On 18 June 2010 the Bank Board of Executives appointed Mr. Frédéric Amoudru, Vice President of the Board of Executives and General Manager of the BNP Paribas Group in Poland, to the position of the President of the Board of Executives of the Bank effective from the date of approval by the Polish Financial Supervision Authority of the appointment, 1 July 2010 at the earliest.

From 1 July 2010 until the Polish Financial Supervision Authority gives its consent, the Supervisory Board has appointed Mr Frédéric Amoudru to perform duties of the President of the Board of Executives of the Bank.

Mr Alexander Paklons submitted his resignation from the function of President of the Board of Executives and from his membership in the Bank Board of Executives, effective 30 June 2010. Mr Alexander Paklons assumed his duties in Fortis Bank Polska SA since February 2005.

Furthermore, the Supervisory Board accepted Mr Jean-Luc Deguel's resignation from the function of Vice President of the Board of Executives effective 30 June 2010. Mr Deguel joined the Bank on 1 June 1998 when he was appointed to the Board of Executives as a representative of Generale Bank (later Fortis Bank).

At the same time, the Supervisory Board appointed Mr Jean-Philippe Stéphane Rodes as a member of the Fortis Bank Polska SA Board of Executives effective from 1 July 2010 until the end of the current tenure.

On 14 September 2010, Mr Frédéric Amoudru obtained the required consent of the KNF and thus his appointment to the position of the President of the Board of Executives became effective.

As at 31 December 2010, the Bank Executive Board's composition was as follows:

- | | |
|---------------------------|--|
| 1. Frédéric Amoudru | - President of the Board of Executives |
| 2. Jan Bujak | - Senior Vice-President |
| 3. Jacek Obłąkowski | - Vice-President |
| 4. Jaromir Pelczarski | - Vice-President |
| 5. Michel Thebault | - Vice-President |
| 6. Philippe Van Hellemont | - Vice-President |
| 7. Marta Oracz | - Member of the Board of Executives |
| 8. Stephane Rodes | - Member of the Board of Executives |

Presence of the Bank Board of Executives' members in the governing bodies of affiliated entities.

As at 31 December 2010, two Executives of Fortis Bank Polska SA (Jan Bujak and Jacek Obłąkowski) and also Alexander Paklons (the Bank's executive till 30 June 2010) were members of the Supervisory Board of TFI Fortis Private Investments SA, the Bank's subsidiary.

As at 31 December 2010, the President of the Board of Executives of Fortis Bank Polska SA (Frédéric Amoudru) was at the same time the President of the Management Board of Dominet SA (the Bank's shareholder), whereas two other Executives of Fortis Bank Polska SA (Jan Bujak and Jacek Obłąkowski) were members of the Supervisory Board of Dominet SA.

On 30 September 2010 Mr Frédéric Amoudru was appointed to the Management Board of PBW Polska sp. z o.o., wholly owned by BNP Paribas Real Estate Property Management International SAS.

12.3. Rules of appointment and discharge of members of the Board of Executives and the scope of their authority

Members of the Board of Executives of Fortis Bank Polska SA are appointed and discharged pursuant to the provisions of the Code of Commercial Companies and Partnerships, the Banking Law Act and the Statute of Fortis Bank Polska SA.

The Board of Executives is composed of three to ten members, including President of the Board of Executives, one or several Vice Presidents of the Board of Executives, and other members of the Board of Executives in the number that is defined by the Supervisory Board. Members of the BoE are appointed for the period of joint five-year tenure by the Supervisory Board. Appointment of two Members of the Board of Executives, including the President of the Board, is made with consent of the Financial Supervision Authority, given upon a request of the Supervisory Board.

The Bank's Board of Executives manages the Bank's operational activity and represents the Bank before external parties. The scope of tasks of the Board includes primarily all the issues that are not reserved for



the competence of other bodies of the Bank. The Board of Executives takes decisions by way of resolutions regarding the Bank's operating activity, including decisions regarding 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 Board of Executives can delegate specific issues that belong to the scope of the Board of Executives competence to specific Executives 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 Board of Executives' resolution that defines the scope of such an authorisation and the decision-taking manner.

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

The Bank and the managing persons entered into no agreements providing for any compensation in the event such people resign or are dismissed from their job position without an important reason, or when they are discharged or dismissed due to the Bank's merger by acquisition.

In the case of one person, possible severance pay resulting from the Act dated 13 March 2003 regarding detailed rules of work relationship termination for reasons independent of employees (Journal of Laws no. 90 item 8447, as amended) is not dependent upon the job seniority with the employer.

The total remuneration and the value of benefits obtained by the members of the Board of Executives, Supervisory Board and by Managing Directors of Fortis Bank Polska SA are specified in the table below:

in PLN thousand	01.01.2010 – 31.12.2010	01.01.2009 – 31.12.2009
Board of Executives, including:	8 532	5 155
- remuneration	4 805	3 070
- benefits*	987	613
- other**	2 740	1 472
Supervisory Board	661	598
Managing Directors***	14 885	13 189

* The "Benefits" item includes expenses related to medical care, company car (lump sum), accommodation.

** The "Other" item includes equivalent for holiday leave and remuneration for the Board of Executives' meetings.

***Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Directors directly reporting to the Board of Executives.

Two members of the Board of Executives of Fortis Bank Polska SA who as at 31 December 2010 were member of the Supervisory Board of TFI Fortis Private Investments SA, subsidiary of the Bank, were paid no remuneration on this account.

Details on the value of remuneration and other benefits of the Board of Executives and Supervisory Board members for 2010 as well as the comparative data for 2009 are specified in Additional Information Items 30.2 and 30.3 in the Consolidated Financial Statements.

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

As at 31 December 2010 and as at the report publication date, i.e. 18 March 2011, none of the Board of Executives' and Supervisory Board's Members held any shares issued by Fortis Bank Polska SA or other financial instruments related to them.

12.5. Staff

As at 31 December 2010 the employment level in Fortis Bank Polska SA capital group, expressed in full time equivalents, FTE (including all the employees on maternity leave, child care leave or longer sick leave), amounted to 2,832 as compared to 2,680 as at 31 December 2009. As at the end of December 2010, 63% of all employees were university graduates.

To ensure high level of the Bank's employee qualifications, the Bank has been pursuing a coherent human resources management strategy developed by the Board of Executives, including in particular training programs, adaptation support for new employees and personnel management.

In order to increase personal development possibilities and better respond to the needs of employees, a number of measures were taken with a view to improve training availability and effectiveness; for example, an effort was made to adjust the training programs to internal needs and many e-learning programs were implemented. Moreover, subsequent actions were completed in the area of leadership and management skills development.



Fortis Bank Polska SA obtained a subsidy for the “Competence Development Academy- ARKa” training project under the “Development of Human Capital of Enterprises” of the Human Capital Operational Programme. The subsidy amounted to PLN 3,200 thousand. The project included 26 training topics, e.g. change management, project and process management, financial analysis of enterprises, negotiation techniques, personnel management, time management and stress management. Training courses within the Project were addressed to all employees of the Bank. The Project lasted 22 months, from March 2009 through December 2010.



13. BOARD OF EXECUTIVES' REPRESENTATIONS

Correctness and reliability of reports presented

The Board of Executives of Fortis Bank Polska SA represents that, to the best of their knowledge:

The consolidated financial statements of Fortis Bank Polska SA capital group for 2010 and the comparative data were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Bank's capital group and its net profit in all material aspects.

The Board of Executives' report on the activity of Fortis Bank Polska SA capital group in 2010 contains the true picture of the Bank capital group's development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

The Board of Executives of Fortis Bank Polska SA hereby represents that Mazars Audyt sp. z o.o. based in Warsaw, an entity authorised to audit financial statements, was chosen, under Article 15 Section 3 item 8) of the Statute of Fortis Bank Polska SA by the Supervisory Board based on a recommendation given by the Board of Executives and the Audit Committee (Resolution no. 30/2010 of 18 June 2010), pursuant to the provisions of law, as the entity to audit the financial statements of Fortis Bank Polska SA capital group for the year 2010, and that the above entity and statutory auditors employed to perform the audit meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of the Polish law.



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

14/03/2011 **Frédéric Amoudru**
President of the Board of Executives
signature

14/03/2011 **Jan Bujak**
Senior Vice-President of the Board of Executives
Chief Financial Officer
signature

14/03/2011 **Jacek Obłəkowski**
Vice-President of the Board of Executives
signature

14/03/2011 **Jaromir Pelczarski**
Vice-President of the Board of Executives
signature

14/03/2011 **Michel Thebault**
Vice-President of the Board of Executives
signature

14/03/2011 **Philippe Van Hellemont**
Vice-President of the Board of Executives
signature

14/03/2011 **Marta Oracz**
Member of the Board of Executives
signature

14/03/2011 **Stephane Rodes**
Member of the Board of Executives
signature
