Annual Consolidated Financial Statements of Fortis Bank Polska SA Capital Group for 2009

BNP PARIBAS FORTIS | Bank zmieniającego się świata

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1. Financial Highlights

Consolidated Financial Highlights	in PLN thousand		in EUR thousand	
	31.12.2009 (YTD)	31.12.2008 (YTD)	31.12.2009 (YTD)	31.12.2008 (YTD)
Interest income	911 091	1 005 093	209 900	284 560
Fee and commission income	177 704	190 847	40 940	54 032
Total income, net	570 317	531 790	131 391	150 559
Gross profit/loss	-521 161	102 974	-120 067	29 154
Net profit/loss	-429 880	78 496	-99 037	22 224
Net cash provided by operating activities	1 384 902	-1 970 772	319 058	-557 960
Net cash provided by investing activities	-1 596 470	-670 156	-367 799	-189 733
Net cash provided by (used in) financing activities	-1 080 007	3 413 782	-248 815	966 502
Total net cash flow	-1 291 575	772 854	-297 556	218 809
Total assets	20 294 483	19 869 004	4 939 994	4 762 008
Due to banks	2 011 154	2 276 963	489 546	545 720
Due to customers	9 226 316	6 368 464	2 245 829	1 526 331
Loans and credit facilities received	6 560 893	8 198 200	1 597 024	1 964 864
Equity	1 368 634	1 217 922	333 147	291 900
Number of shares	24 123 506	16 771 180	24 123 506	16 771 180
Book value per share (in PLN / EUR)	56,73	72,62	13,81	17,40
Diluted book value per share (in PLN / EUR)	56,73	72,62	13,81	17,40
Capital adequacy ratio	13,40%	9,88%	-	-
Basic Earnings Per Share (PLN/EUR)	-21,92	4,68	-5,05	1,33
Diluted Earnings Per Share (PLN/EUR)	-21,92	4,68	-5,05	1,33

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2009 and the corresponding financial figures for 2008 have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet and book value per share as at the end of 2009 have been converted into EUR at the mid-rate binding as at 31 December 2009 published by the National Bank of Poland on 31 December 2009, i.e. EUR 1 = PLN 4.1082; comparative financial data as at the end of 2008 have been converted into EUR at the mid-rate binding as at 31 December 2008, published by the National Bank of Poland on 31 December 2008, i.e. EUR 1 = PLN 4.1724;
- particular items in the profit and loss account and cash flows, and earnings per share as at the end of 2009 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through December 2009, i.e. EUR 1 = PLN 4.3406, whereas comparative data as at the end of 2008 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through December 2008, i.e. EUR 1 = PLN 3.5321.

2. Consolidated Financial Statements of Fortis Bank Polska SA Capital Group

On 31 July 2009, Fortis Bank Polska SA and Dominet Bank S.A. were merged. After the merger with Dominet Bank S.A., Fortis Bank Polska SA, does not present financial statements retrospectively, i.e. with relevant items of Dominet Bank S.A. included in comparative data. For 2008, consolidated data of Fortis Bank Polska SA are presented. The performance of Dominet Bank S.A. for the reporting period from 1 January 2009 through 31 July 2009 is not included in the result of the integrated Bank for 2009. The data of the combined Bank are presented since August 2009.

Consolidated Income statement (in PLN thousand)	**Notes**	**1.01.2009 -31.12.2009**	**1.01.2008 -31.12.2008**
Interest income	8.1	911 091	1 005 093
Interest expense	8.2	-489 228	-609 171
Net interest income		**421 863**	**395 922**
Fee and commission income	8.3	177 704	190 847
Fee and commission expense	8.4	-28 118	-12 376
Net fee and commission income		**149 586**	**178 471**
Dividend and other investment income	8.5	-	-
Net trading income	8.6	-34 412	-54 541
Net gain/loss on available-for-sale financial assets	8.7	6 300	-3 233
Net profit (loss) on hedging transactions	8.8	-	257
Other revenues	8.9	26 980	14 914
Total income, net		**570 317**	**531 790**
Personnel expenses	8.10	-226 695	-181 958
Depreciation of fixed assets and intangible fixed assets	8.11	-58 377	-38 470
Other expenses	8.12	-225 228	-145 612
Net impairment losses	8.13	-581 178	-62 776
Gross profit/loss		**-521 161**	**102 974**
Income tax expense	8.14	91 281	-24 478
Net profit/loss		**-429 880**	**78 496**
Consolidated Earnings Per Share	8.15		
Net profit/loss (in PLN thousand)		-429 880	78 496
Weighted average number of ordinary shares		19 613 269	16 771 180
EPS ratio (in PLN)		-21,92	4,68
Weighted average diluted number of ordinary shares		19 613 269	16 771 180
Diluted earnings per ordinary share (in PLN)		-21,92	4,68

Consolidated report of total income (in PLN thousand)	**1.01.2009 -31.12.2009**	**1.01.2008 -31.12.2008**
Net profit (loss) for the year	**-429 880**	**78 496**
Profits / losses not recognised in income statement (investments available for sale)	17 767	-22 655
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	-3 375	4 305
Profits/losses not recognised in the income statement (investments available for sale) - net	**14 392**	**-18 350**
Net profits / losses recognised in income statement (investments available for sale)	-6 377	3 846
Deferred tax - profits/losses recognised in the income statement (investments available for sale)	1 212	-731
Profits / losses recognised in income statement (investments available for sale) - net	**-5 165**	**3 115**
Total income	**-420 653**	**63 261**

Notes published on the following pages constitute an integral part of the consolidated financial statements.

Consolidated balance sheet statement (in PLN thousand)	**Notes**	**31.12.2009**	**31.12.2008**
ASSETS			
Cash and cash equivalents	9	832 724	1 494 888
Financial assets held for trading	10	664 305	1 372 145
Due from banks	11	1 573 242	606 373
Loans to customers	11	13 811 556	14 823 117
Investments - Available for Sale	12	2 785 854	1 200 836
Property, Plant and Equipment	13	188 372	113 258
Intangible Assets	14	42 229	26 000
Income tax settlements		48 554	-
Deferred tax assets	15	227 819	96 717
Other assets	16	119 828	135 670
Total assets		**20 294 483**	**19 869 004**
LIABILITIES			
Financial liabilities held for trading	10	171 474	961 601
Due to banks	17	2 011 154	2 276 963
Due to customers	17	9 226 316	6 368 464
Loans and credit facilities received	17	6 560 893	8 198 200
Liabilities related to issuance of debt securities	17	30 000	-
Subordinated liabilities	18	582 984	417 240
Current tax liabilities		107	57 061
Other obligations	19	265 910	354 679
Provisions	20	77 011	16 874
Total liabilities		**18 925 849**	**18 651 082**
EQUITY CAPITAL			
Share capital		1 206 175	503 135
Additional capital		554 446	308 656
Other capital		45 685	344 983
Revaluation reserve		-8 741	-18 053
Retained earnings		949	705
Net profit (loss) for the year		-429 880	78 496
Total equity	21	**1 368 634**	**1 217 922**
Total liabilities and equity		**20 294 483**	**19 869 004**

Notes published on the following pages constitute an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity in 2008 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1.01.2008	**503 135**	**308 656**	**161 783**	**-**	**183 200**	**-2 818**	**1 153 956**
Consolidation adjustment	-	-	705	-	-	-	705
Adjusted balance as at 1.01.2008	**503 135**	**308 656**	**162 488**	**-**	**183 200**	**-2 818**	**1 154 661**
Total income in 2008	-	-	-	78 496	-	-15 235	63 261
Distribution of retained earnings	**-**	**-**	-161 783	-	161 783	**-**	**-**
Balance as at 31.12.2008	**503 135**	**308 656**	**705**	**78 496**	**344 983**	**-18 053**	**1 217 922**

Consolidated Statement of Changes in Shareholders' Equity in 2009 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 .01. 2009	**503 135**	**308 656**	**79 201**	**-**	**344 983**	**-18 053**	**1 217 922**
Merger with Dominet Bank S.A.	157 306	-23 982	-	-	-	101	133 425
Total income in 2009	**-**	**-**	**-**	-429 880	-	9 227	-420 653
Reclassification	-	-	-	-	16	-16	-
Share issue	105 440	332 505	-	-	-	-	437 945
Increase in the nominal share value	440 294	-95 955	-	-	-344 344	-	-5
Distribution of retained earnings	-	33 222	-78 252	-	45 030	-	-
Balance as at 31.12.2009	**1 206 175**	**554 446**	**949**	**-429 880**	**45 685**	**-8 741**	**1 368 634**

Notes published on the following pages constitute an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement (in PLN thousand)	**1.01.2009 - 31.12.2009**	**1.01.2008 - 31.12.2008**
Cash and cash equivalents, gross, opening balance	**1 495 348**	**711 109**
Consolidation adjustment	-	11 385
Merger with Dominet Bank S.A.	**630 029**	**-**
Adjusted cash and cash equivalents, gross, opening balance	**2 125 377**	**722 494**
Gross profit/loss	**-521 161**	**102 974**
Adjustments for:	**1 906 063**	**-2 073 746**
Depreciation	58 377	38 470
Impairment losses	835 167	66 495
Profits/losses on investing activities	25 280	3 499
Changes in operational assets and liabilities:	1 098 222	-2 124 934
- financial assets and liabilities held for trading	-82 287	-358 624
- due from banks	-936 147	477 913
- loans to customers	2 519 750	-3 692 514
- change in the balance of available for sale investments	-34 974	-5 385
- due to banks	-265 809	48 214
- due to customers	675 610	71 194
- liabilities due on account of credits and loans received	-524 770	1 117 622
- liabilities due on account of a subordinated loan	-96 420	59 040
- other assets and liabilities (Note 22)	-156 731	157 606
Income tax (current and deferred)	-110 983	-57 276
Net operating cash flows	**1 384 902**	**-1 970 772**
Purchase of available-for-sale investments	-43 423 114	-1 185 781
Purchase of property, plant and equipment and intangible fixed assets	-85 750	-45 310
Proceeds from sales of available-for-sale investments	41 911 731	560 176
Proceeds from sales of property, plant and equipment	2 186	2 628
Other investment expenses	-1 523	-1 869
Net cash provided by investing activities	**-1 596 470**	**-670 156**
Issuance of subordinated liabilities	295 410	-
Payment of subordinated liabilities	-123 246	-
Loans and credit facilities taken	1 896 929	5 405 496
Debt securities issue	-	-
Repayment of loans and credit facilities	-3 587 040	-1 991 714
Dividends paid	-	-
Share issue	437 945	-
Other financial expenses	-5	-
Net cash provided by (used in) financing activities	**-1 080 007**	**3 413 782**
Cash and cash equivalents, gross, ending balance (Note 9)	**833 802**	**1 495 348**
Change in cash and cash equivalents, net	**-1 291 575**	**772 854**

The consolidated cash Flow Statement is prepared using an indirect method.

Notes published on the following pages constitute an integral part of the consolidated financial statements.

3. Integration of Fortis Bank Polska SA and Dominet Bank S.A.

3.1. Merger transaction

On 9 January 2008, Fortis Bank Polska SA signed a Cooperation Agreement with Dominet Bank S.A., under which both parties thereto committed to undertake all necessary initiatives leading to the merger of Fortis Bank Polska SA and Dominet Bank S.A. The merger was effected by transferring the assets of Dominet Bank S.A. (the acquiree) to Fortis Bank Polska SA (the acquirer) in exchange for newly-issued FBP shares which were allocated to the existing Dominet Bank shareholders, pursuant to Art. 492 § 1 of the Code of Commercial Companies and Partnerships. Fortis Bank Polska SA and Dominet Bank S.A. remained under joint control of Fortis Bank SA/NV.

The basic reason why the merger of Fortis Bank Polska SA and Dominet Bank S.A. was effected was to form a nationwide universal bank which is active in all the market segments and has a dense nationwide sales network. The Board of Executives expects that the merger process realisation should bring significant value for shareholders thanks to synergy effects of anticipated income and costs resulting from the merger of operating activity of both banks.

On 26 June 2009 the Annual General Meeting of Shareholders passed a resolution on the merger of Fortis Bank Polska SA and Dominet Bank S.A. and accepted the merger plan announced in *Monitor Sądowy i Gospodarczy* of 9 December 2008, no. 240.

On 8 July 2009, the Polish Financial Supervision Authority issued permit for the merger of both banks.

On 31 July 2009 the legal and operational merger of Fortis Bank Polska SA and Dominet Bank S.A. was completed.

The merger of Fortis Bank Polska SA and Dominet Bank S.A. was carried out by transferring all Dominet Bank S.A. net assets over to Fortis Bank Polska SA in exchange for 5,243,532 ordinary bearer shares, L series, in the nominal value of PLN 30 each, delivered by Fortis Bank Polska SA to the owner of Dominet Bank S.A. (i.e. to Dominet SA) for 73,647 shares of Dominet Bank S.A., following the agreed share exchange parity.

Consequently, the share capital of Fortis Bank Polska SA was increased by PLN 157,306,000 up to PLN 660,441,000 through the issue of merger shares.

Series L shares will participate in profit distribution on equal terms with all other Fortis shares starting from 1 January 2009, that is for the fiscal year 2009.

As a result of the merger Dominet SA acquired 23.82% of shares giving right to exercise 23.82% of the voting rights at the General Shareholders Meeting. As at the publication date of these financial statements, Dominet SA held 21.74% shares.

After the merger date, Fortis Bank Polska SA and Dominet S.A. remained under joint control of Fortis Bank SA/NV.

3.2. Accounting Rules Adopted for the Merger

In view of the fact that IFRS 3 ("Business Combinations") does not apply to merger of business entities under joint control and the merger in question was of such a nature therefore there is no standard or interpretation that may be applied directly to the said transaction, hence pursuant to IAS 8 ("Accounting Policies, Changes in Accounting Estimates and Corrections of Errors") Fortis Bank Polska SA adopted the book value method to be applied to the merger of Fortis Bank Polska SA and Dominet Bank S.A.

The book value method consists in adding together book values of assets and liabilities of the units that merge, i.e. without the valuation of the net assets of the acquired unit to fair value.

As the book value method was applied, the company's goodwill was not recognised for this transaction.

In the combined balance sheet statement, mutual transactions and equity of the acquired entity were eliminated. As a result of the share issue, the share capital of the acquiring entity (i.e. Fortis Bank Polska SA) grew by PLN 157,306,000 up to PLN 660,441,000.

The difference between the balance sheet value of the net assets acquired, which is PLN 133,425,000, and the nominal value of the merger shares issued, which is PLN (-23,881,000), was recognised in the equity funds of the acquirer.

Direct costs of the L series share issue incurred by the Bank have been settled against the equity capital.

After the merger, Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with respective items of Dominet Bank S.A. included in comparative data. The result of Dominet Bank S.A. for the reporting period from 1 January 2009 to 31 July 2009 has not been included in the result of the merged Bank for 2009.

31 July 2009 was the last balance sheet day for Dominet Bank S.A., so the accounting books were closed and the last financial statements were prepared as at that date (pursuant to article 12 para. 2 item 4 and article 45 para. 1 of the Accounting Act). The first reporting day of the integrated Bank was 31 August 2009.

3.3. Assets acquired and liabilities taken over as at the merger date

As a result of the merger on 31 July 2009, the assets and liabilities specified below were transferred from Dominet Bank S.A. to Fortis Bank Polska SA. The values below are presented having been adjusted to accounting rules applied by Fortis Bank Polska SA.

Assets and liabilities acquired as a result of the merger (in PLN thousand)	**31.07.2009**
ASSETS	
Cash and cash equivalents	630 029
Due from banks	30 765
Loans to customers	2 263 941
Investments - Available for Sale	29 434
Property, Plant and Equipment	77 672
Intangible Assets	14 577
Deferred tax assets	34 355
Other assets	49 731
Total assets	**3 130 504**
LIABILITIES	
Due to customers	2 182 242
Loans and credit facilities received	577 574
Liabilities related to issuance of debt securities	30 000
Subordinated liabilities	90 000
Current tax liabilities	9
Other obligations	113 036
Provisions	4 218
Total liabilities	**2 997 079**
Net Assets	**133 425**

3.4. Financial performance of the acquiree since the merger date

On the merger date, data were migrated from the IT system of Dominet Bank S.A. to the IT system of Fortis Bank Polska SA. As a result of the merger, IT operational systems of customer service were unified. Through the migration, the acquiree's data were included in the financial reporting process of the Bank.

In connection with the IT system integration on 31 July 2009, separate information on the financial performance generated by Dominet Bank S.A. in the period after 1 August 2009 is not available.

3.5. Financial performance of the combined Bank since the beginning of the annual reporting period

The Bank abandoned the presentation of a disclosure of the financial performance of the combined Bank since the beginning of the annual reporting period because FBP and DB, while complying with the definition of jointly controlled units under IFRS 3, are not obliged to disclose such information.

Furthermore, until the merger date, Fortis Bank Polska SA and Dominet Bank S.A. prepared financial statements according to different accounting standards. Fortis Bank Polska SA applied the International Financial Reporting Standards while Dominet Bank S.A. used the Polish Accounting Principles. As at the merger date, accounting rules were unified in the books of the combined Bank, therefore the opening balance of the integrated Bank was prepared pursuant to the requirements of the International Financial Reporting Standards. Income statement data for the period from 1 January 2009 to 31 July 2009 were not transformed.

Therefore, by applying prospective approach to the financial statement presentation, Fortis Bank Polska SA does not include the net profit (loss) of Dominet Bank S.A. for the reporting period from 1 January 2009 to 31 July 2009 in the net profit (loss) of the merged Bank because it is not possible to prepare reliable financial statement of the merged Bank from the beginning of the annual reporting period that would reflect the strategy and organisation structure in which the merged Bank operates.

3.6. Opening balance of the merged Bank

In the merger process of Fortis Bank Polska SA and Dominet Bank S.A., accounting rules were unified. Until the merger date, Dominet Bank prepared financial statements pursuant to the Polish Accounting Principles (PAP). The opening balance of the merged Bank was prepared after the adjustment of the accounting principles to the rules applied by Fortis Bank Polska SA. The tables below present the extent to which the unification of accounting principles affected the balance sheet items of Dominet Bank S.A. and of the merged Bank.

Opening balance (in PLN thousand)	**Note**	**DB Closing balance as at 31 July 2009 acc. to PAP**	**IFRS adjustments and corrections re. adjustments of DB accounting principles to FBP**	**DB Closing balance as at 31 July 2009 acc. to the unified principles**	**B/S of FBP as at 31 July 2009**	**Opening balance of the merged Bank as at 1 August 2009 acc. to IFRS, including integration adjustments**
Cash and cash equivalents	a	630 033	-4	630 029	1 709 216	2 339 245
Financial assets held for trading		-	-	-	877 252	877 252
Due from banks		30 765	-	30 765	232 750	263 515
Loans to customers	b	2 297 786	-33 845	2 263 941	13 042 360	15 306 301
Investments available for sale	c	29 570	-136	29 434	2 125 717	2 155 151
Property, Plant and Equipment	d	72 170	5 502	77 672	129 317	206 989
Intangible Assets	e	20 125	-5 548	14 577	44 298	58 875
Deferred tax assets	f	58 185	-23 830	34 355	184 987	219 342
Other assets	g	126 222	-76 491	49 731	79 537	129 268
Total assets		**3 264 856**	**-134 352**	**3 130 504**	**18 425 434**	**21 555 938**
Financial liabilities held for trading			-	-	454 834	454 834
Due to banks			-	-	660 349	660 349
Due to customers	h	2 181 955	287	2 182 242	8 390 737	10 572 979
Loans and credit facilities received	i	578 390	-816	577 574	7 066 787	7 644 361
Liabilities related to issuance of own securities	j	29 903	97	30 000	-	30 000
Subordinated liabilities	k	89 889	111	90 000	624 075	714 075
Current tax liabilities		9	-	9	17 759	17 768

Deferred tax reserve	l	23 514	-23 514	-	-	-
Other obligations	m	160 455	-47 419	113 036	186 763	299 799
Provisions	n	2 276	1 942	4 218	21 300	25 518
Total liabilities		**3 066 391**	**-69 312**	**2 997 079**	**17 422 604**	**20 419 683**
Share capital		73 647	-	73 647	503 135	660 441
Additional capital		183 979	-	183 979	341 846	317 864
Other capital		3 270	-	3 270	389 983	389 983
Revaluation reserve		108	-7	101	-14 944	-14 843
Retained earnings		2 024	-65 033	-63 009	-	-
Net profit (loss) for the year		-64 563	-	-64 563	-217 190	-217 190
Total equity	o	**198 465**	**-65 040**	**133 425**	**1 002 830**	**1 136 255**
Total liabilities and equity		**3 264 856**	**-134 352**	**3 130 504**	**18 425 434**	**21 555 938**

The tables below present an explanation of material adjustments between the financial statements of Dominet Bank S.A. prepared according to the PAP and the statements made pursuant to the IFRS:

a) Cash and cash equivalents

Adjustment	**1.08.2009**
Write-downs for impairment of IBNR losses	-4
Total	**-4**

b) Loans to customers

Adjustment	**1.08.2009**
Write-downs for impairment for incurred and reported losses	16 548
Write-downs for impairment of IBNR losses	-38 066
Capitalisation of interest and fees and commissions applicable to credit cards	3 773
Settlement of fees and commissions related to insurance against accidents and job loss	-19 869
Adjustment of fees and commissions settled effectively on non-performing receivables	4 043
Others	-274
Total	**-33 845**

c) Investments available for sale

Adjustment	**1.08.2009**
Valuation of an associated company	-136
Total	**-136**

d) Property, Plant and Equipment

Adjustment	**1.08.2009**
Reclassification of an operating software	5 548
Others	-46
Total	**5 502**

e) Intangible Assets

Adjustment	**1.08.2009**
Reclassification of an operating software	-5 548
Total	**- 5 548**

f) Deferred tax assets

Adjustment	**1.08.2009**
Impact of the IFRS implementation	-6 406
Impact of the adjustment of accounting principles	6 090
presentation of net deferred tax	-23 514
Total	**-23 830**

g) Other assets

Adjustment	**1.08.2009**
Settlement of fees and commissions related to insurance against accidents and job loss	-25 785
Settlement of deferred fees and commissions	-1 423
Elimination of deferred interest income	-45 342
Capitalisation of interest and fees and commissions applicable to credit cards	-3 773
Others	-168
Total	**-76 491**

h) Due to customers

Adjustment	1.08.2009
Settlement of obligations at amortised cost including the effective interest rate	287
Total	**287**

i) Loans and credit facilities received

Adjustment	1.08.2009
Settlement of obligations at amortised cost including the effective interest rate	-816
Total	**-816**

j) Liabilities related to issuance of own securities

Adjustment	1.08.2009
Settlement of obligations at amortised cost including the effective interest rate	97
Total	**97**

k) Subordinated liabilities

Adjustment	1.08.2009
Settlement of obligations at amortised cost including the effective interest rate	111
Total	**111**

l) Deferred tax reserve

Adjustment	1.08.2009
presentation of net deferred tax	-23 514
Total	**-23 514**

m) Other obligations

Adjustment	1.08.2009
Elimination of deferred interest income	-45 342
Settlement of fees and commissions related to insurance against accidents and job loss	-2 370
Settlement of deferred fees and commissions	-3 373
Change of the receivables' category - interest	4 495
Settlement of fees and commissions using the straight-line method - credit cards	-794
Adjustment of fees and commissions settled effectively on non-performing receivables	218
Others	-253
Total	**-47 419**

n) Provisions

Adjustment	1.08.2009
Provisions for off-balance sheet commitments	486
Write-downs for impairment of IBNR losses regarding off-balance sheet liabilities	1 956
Elimination of the general risk reserve	-500
Total	**1 942**

o) Equity

Adjustment	1.08.2009
Write-downs for impairment of IBNR losses regarding off-balance sheet liabilities	-39 526
Write-downs for impairment for incurred and reported losses	16 062
Change of the receivables' category - interest	-4 495
Valuation of an associated company	-136
Settlement of fees and commissions related to insurance against accidents and job loss	-43 284
Settlement of deferred fees and commissions	5 775
Settlement of fees and commissions using the straight-line method - credit cards	794
Settlement of obligations at amortised cost including the effective interest rate	321
Deferred tax - impact of the IFRS implementation	-6 406
Deferred tax - impact of the adjustment of accounting principles	6 090
Others	-235
Total	**-65 040**

Explanation of adjustments made

IFRS adjustments and corrections regarding adjustments of accounting principles

Write-downs for impairment of incurred and identified losses and write-downs for impairment of IBNR losses

In Dominet Bank S.A., provisions were created for receivables and off-balance sheet credit exposures pursuant to the Polish accounting principles based on minimum percentage ratio of covering the principal of receivables by provisions (depending on the receivables risk category) and a general risk reserve was also created. In the integrated Bank, in accordance with the IFRS, write-downs for impairment of receivables and provisions for off-balance sheet liabilities were created. The general risk reserve was eliminated, while write-downs for IBNR losses were booked.

Change of the receivables' category - interest

As a result of the analysis of credit exposures migrated from DB, a part of those exposures classified in DB, pursuant to PAP, as "normal" loans, according to IFRS were classified into a category with impairment recognised. In connection with the above, interest accrued on such exposures was eliminated from the result of the combined Bank.

Valuation of an associated company

In the report of the combined Bank, the valuation of the associated company by the equity method, carried out in DB according to PAP, was eliminated.

Settlement of fees and commissions related to insurance against accidents and job loss

As a result of the unification of accounting principles applied to the recognition of sales revenues related to insurance against accidents and job loss, linked to credit products, some revenues recognised in DB were eliminated from the result of the integrated Bank by posting them outside bank's capitals after the merger.

Settlement of deferred fees and commissions

The adjustment pertains to different rules applied by DB to the recognition of fees and commissions on impaired loans. Pursuant to the IFRS applied in FBP, credit fees and commissions settled until the loan impairment recognition, remain in the financial result. Pursuant to PAP applied by DB, such fees and commissions were considered deferred ones and eliminated from the income statement. Furthermore, the adjustment refers to other, unrelated to credit products, deferred fees and commissions in DB, which were excluded from the financial result in the whole amount. In FBP, revenues which cannot be recovered in full by the Bank, remain in the Bank's profit/loss up to the recoverable amount.

Settlement of fees and commissions using the straight-line method - credit cards

The adjustment consists in a one-off recognition of fees and commission for credit card issuance in the Bank's income; in DB, such fees and commissions were settled using the straight-line method over the credit card validity period.

Settlement of obligations at amortised cost including the effective interest rate

In the DB report, the straight-line settlement of interest related to financial obligations was corrected in order to adjust it to the settlement consistent with the amortised cost method taking into account the effective interest rate. In FBP such a correction is not made, as an analysis proved that in comparison to the obligations, the difference between the settlement made using the straight-line method and the amortised cost with effective interest rate method, is negligible.

Deferred tax

The change results from taking into account a tax effect related to the aforesaid adjustments.

Presentation of deferred tax assets and liabilities in net amounts.

In the DB report prepared pursuant to the PAP, deferred tax assets and deferred tax liabilities were presented separately in assets and liabilities, accordingly.

In the financial statements of the combined Bank, deferred tax assets and liabilities are presented in net amounts in assets or liabilities.

Reclassification of an operating software

The operating software (i.e. software that constitutes an integral part of the related computer hardware), was recognised in DB as an intangible asset according to the Polish accounting principles, whereas under the IFRS it constitutes a fixed asset.

Elimination of deferred interest income

In connection with the unification of accounting principles, the balance sheet of the integrated Bank does not include deferred interest income items, created in DB according to the PAP. In the combined financial statements, interest accrued by effective interest rate method on the net value of receivables with impairment identified, is recognised in the income statement.

Capitalisation of interest and fees and commissions applicable to credit cards

Pursuant to rules applied in FBP, interest, fees and commissions on credit cards are capitalised at their maturity, while in DB such items were not capitalised.

Integration adjustments

In the combined balance sheet statement, mutual transactions and equity of the acquired entity were eliminated. As a result of the share issue, the share capital of the acquiring entity (i.e. Fortis Bank Polska SA) grew by PLN 157,306,000 up to PLN 660,441,000.

The difference between the balance sheet value of the net assets acquired and the nominal value of the merger shares issued, which is PLN (-23,881,000), was recognised in the equity funds of the acquirer; however, the measurement value of the available-for-sale securities acquired from Dominet Bank S.A. (i.e. PLN 101,000) was recognised in the revaluation reserve.

Additional Notes to Financial Statements

4. Information on Fortis Bank Polska SA Capital Group

Basic data on the Issuer

Fortis Bank Polska SA ("the Bank"), with its registered office in Warsaw at ul. Suwak 3, was entered in the register of entrepreneurs of the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. KRS 0000006421.

The Bank was assigned statistical number (REGON) 003915970, and tax identification number (NIP) 676-007-83-01.

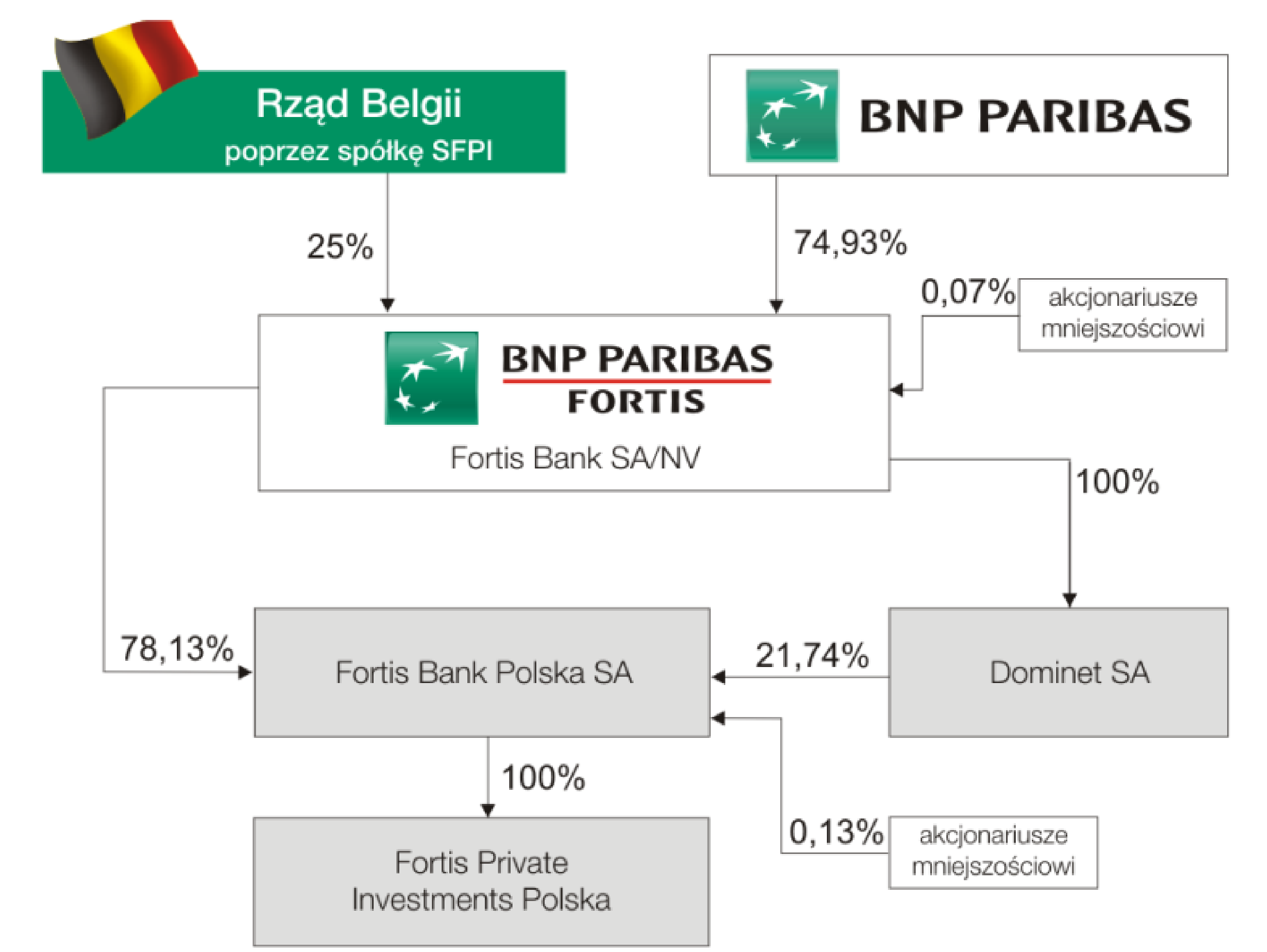
The Bank is a company with an indefinite period of operation, and its business has no seasonal or periodical nature.

The consolidated financial statements of Fortis Bank Polska SA Capital Group for 2009 contains the data of the Bank and of its subsidiary, Fortis Private Investments S.A. (jointly referred to as "the Group").

The Group's structure

As at 31 December 2009, the Capital group of Fortis Bank Polska SA was part of BNP Paribas SA, an international financial institution based in Paris.

The direct parent entity of Fortis Bank Polska SA is Fortis Bank SA/NV based in Brussels which holds 99.87% of the Bank's shares, of which 78.13% directly while 21.74% through Dominet S.A.The diagram below presents the position of Fortis Bank Polska SA in the BNP Paribas group.



Fortis Bank Polska SA is the parent entity of Fortis Private Investments Polska S.A., holding 100% of its shares.

Name of the entity	Ownership relation	Consolidation method	Registered office	% of votes at the Annual General Meeting	
				31.12.2009	31.12.2008
Fortis Private Investments Polska S.A.	Subsidiary	Full consolidation	Warsaw	100%	100%

Fortis Private Investments Polska S.A. with its registered office in Warsaw, ul. Fredry 8, is entered into the National Court Register maintained by the District Court for the capital city of Warsaw, XIII Commercial and Registration Department of the National Court Register, under KRS no. 0000031121. The company was assigned statistical number (REGON) 012557199, and tax identification number (NIP) 526-02-10-808.

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

Dolnośląska Szkoła Bankowa Sp. z o.o. with its registered office in Lubin, ul. Komisji Edukacji Narodowej 6A, is entered into the National Court Register maintained by the District Court for Wrocław-Fabryczna, IX Commercial and Registration Department of the National Court Register, under KRS no. 0000147459. The company was assigned statistical number (REGON) 390555508, and tax identification number (NIP) 692-000-09-58.

Field of the Group's business activity:

The scope of the Group's business covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality, likewise brokerage activities.

The scope of the Bank's business includes in particular:

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in financial instruments, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting check and bill-of-exchange operations and warrant transactions,
- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
- providing the following financial services:
    - consulting services on financial issues,
    - custody services,
    - leasing services,
    - brokerage activity,
- conducting commission sale in favour of open pension funds and safekeeping pension funds' assets,

- providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
- providing agency services related to property insurance,
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.

In addition to the above, the Group runs the following business through its subsidiary:

- management of third party's securities portfolio upon order,
- offering securities in primary trading or under initial public offering,
- taking actual and legal actions related to the maintenance of investment fund corporations, investment funds, pension fund corporations and pension funds.

5. Accounting Policies

Basis of presentation

Statement on consistency with the IFRS

These financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) published in the Commission Regulation (EC) no. 1725/2003 of 29 September 2003 as amended, and in the scope not regulated by the above standards, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76, item 694, as amended) and administrative acts based thereon, likewise in accordance with requirements set out in the Ministry of Finance Ordinance dated 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 (Journal of Laws of 2009 No. 33, item 260).

New standards and interpretations, likewise amendments to standards or interpretations, which have not been binding yet and have not been applied earlier:

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 31 December 2009:

- Amendments to IFRS 2 Share-based Payment, IFRS 5 non-current assets (Fixed assets) held for sale and discontinued operations and also IFRS 8 Operating segments, applicable to annual periods starting on 1 January 2010 or later, as at the date of preparing this financial statement, amendments to the above standards have not been approved by the European Commission;

- Amendments to IAS 7 Cash Flow statement, IAS 17 Leasing, IAS Asset impairment, applicable to annual periods starting on 1 January 2010 or later, as at the date of preparing this financial statement, amendments to the above standards have not been approved by the European Commission;

- Amendments to IAS 24 Disclosure of information on affiliated entities, applicable to annual periods starting on 1 January 2011 or later, as at the date of preparing this financial statement, amendments to the above standards have not been approved by the European Commission;

- Amendments to IAS 32 Financial instruments: presentation, applicable to annual periods starting on 1 February 2010 or later, as at the date of preparing this financial statement, amendments to the above standards have not been approved by the European Commission;

- IFRS 9 Financial Instruments; applicable to annual periods starting on 1 January 2013 or later; as at the date of making these financial statements, the IFRS has not been approved by the European Commission;

Other standards and interpretations that have not become effective yet and have not been mentioned in these financial statements, are not material from the Group's standpoint. The Group did not use the option of an earlier adoption of standards and interpretations that were approved by the European Commission but that have or will become effective after the balance sheet date only. The Group now analyses in detail the effect of new standards on the financial statements.

Basis for the financial statements

The consolidated financial statements were prepared assuming the continuation of the Group's business in the foreseeable future.

The Bank's Board of Executives is not aware of any circumstances indicating any risk to the business continuation by the Group in the foreseeable future.

The consolidated financial statements of the Group for the year that ended on 31 December 2009 were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

The consolidated financial statements were stated in Polish zlotys (PLN), and all the values were given in PLN thousands, unless indicated otherwise. The functional currency is Polish zloty (PLN).

Comparative data

The consolidated financial statements present consolidated data of Fortis Bank Polska SA and its subsidiary, Fortis Private Investments Polska S.A. for the period from 1 January 2009 through 31 December 2009 and as at 31 December 2009, and consolidated comparative data for the period from 1 January 2008 through 31 December 2008 and as at 31 December 2008.

Pursuant to accounting standards applied to the merger of Fortis Bank Polska SA with Dominet Bank S.A., after the merger with Dominet Bank S.A., Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with respective items of Dominet Bank S.A. included in comparative data. The result of Dominet Bank S.A. for the reporting period from 1 January 2009 to 31 July 2009 has not been included in the result of the merged Bank for 2009. For additional information on integration of Fortis Bank Polska SA with Dominet Bank S.A., see Note 3.

Consolidation basis

Subsidiaries are enterprises that are controlled by Fortis Bank Polska SA (which is the parent entity). The control exists when the Bank, either directly or indirectly, has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The control also exists when the Bank owns one half or less of voting power of an enterprise, when there is:

- power over more than one half of the voting rights by virtue of an agreement with other investors,
- power to govern the financial and operating policies of the enterprise under a statute or an agreement,
- power to appoint or dismiss the majority of the members of the management board or equivalent governing body, where such board or body controls the enterprise.

The Group applies the purchase method of accounting to settle the purchase of subsidiaries. The acquisition cost is determined as the fair value of assets transferred, equity instruments issued and liabilities assumed or acquired as at the acquisition date, increased by costs directly attributable to the acquisition.

The full consolidation method is applied to the subsidiary. The full consolidation consists in adding together specific items of financial statements of the Bank and of the subsidiaries in full amount, and making relevant adjustments and consolidation eliminations. In the full consolidation of balance sheets, all items of assets and liabilities of both the subsidiary and parent are aggregated in their full amounts, irrespective of the parent’s actual interest in the subsidiary.

In the consolidation process, the carrying value of the parent’s investment in the subsidiary and the parent’s portion of equity of the subsidiary are eliminated.

The excess of the purchase price over the fair value of the Group’s share in the acquired net assets is recognised as the enterprise’s goodwill and reported on the asset side of the consolidated balance sheet statement.

In a situation when the purchase price is lower than the fair value of the share in the acquired net assets, the difference is recognised directly in the income statement.

Intragroup receivables and payables and intragroup transactions, unrealised gains and expenses resulting from transactions with the subsidiary are eliminated in the preparation of consolidated financial statements.

The Group’s entities apply the uniform accounting standards.

Under IAS 27, in the consolidated financial statements of Fortis Bank Polska SA for 2009, the full consolidation is applied to the following subsidiary:

- Fortis Private Investments Polska S.A.

Accounting Estimates

When preparing the consolidated financial statements pursuant to the IFRS, the management is required to make subjective evaluations, estimations and accept assumptions that affect both the accounting policies applied and the assets and liabilities, likewise income and expenses. Estimations and assumptions are made based on available historical data and a number of other factors that are considered appropriate in given circumstances.

The results create the basis for making estimations referring to balance sheet assets and liabilities. Actual results can differ from estimated values. Estimations and assumptions are subject to ongoing reviews. Adjustments to estimations are recognised in the period in which a given estimation was changed provided that the adjustment refers to that period only, or in the period when the change was made and in the future periods if the adjustment affects both the current period and the future ones.

Fair value

The fair value of financial instruments that are not traded on an active market is measured using valuation models using the market yield curve. Some variables used in such models require the adoption of expert estimations. Change of the models adopted or a different estimation of variables could affect the estimation of fair values determined using such models. In the estimation of fair values, the Group takes into consideration customer credit risk and applies a developed methodology of adjustment of the measurement to fair value on that account, as described in Section "The fair value of financial instruments." The most significant parameter that does not come from an active market and is used by the Group to measure financial instruments is a counterparty risk component. In connection with a considerable counterparty risk growth, the Group makes an estimation of the level of that risk in derivative instrument transactions, including FX options, entered into with customers.

The estimation is made as at a balance sheet date assuming the level of derivative instrument valuations as at that day and taking into account risk assessment as at that day. The Group regularly monitors the level of risk related with concluded transactions in derivative instruments. The main factors affecting changes of estimated counterparty risk include:

- changes of the fair value of derivative instruments, correlated with e.g. FX rates and interest rates,
- changes with respect to counterparty credit risk.

Considering a strong variability of economic environment, there is an uncertainty as regards the estimations made.

Write-downs for impairment of financial assets

The Group regularly reviews the credit portfolio with the view to impairment in monthly periods. In the estimation of write-downs for impairment, the Bank assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity (e.g. delays in or lack of repayment of a matured part of borrower's liabilities) and quality (e.g. a significant deterioration of borrower's financial standing reflected in an internal rating decrease below a specified level). The catalogue of indicators includes gradations of indicator materiality. Impairment can be confirmed by one indicator or a combination of several ones.

Financial assets with respect to which impairment evidence was identified, are subsequently subject to an estimation of a write-down for impairment. In the process, future cash flows on account of such receivables are estimated.

Such estimations for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 50 thousand are made based on an individual analysis of future cash flow (individual analysis).

For remaining receivables (individual customers and business entities of exposure up to the tier of EUR 50 thousand), estimations are made on the basis of recoverability parameters, determined by models for specific homogeneous credit portfolios and credit collateral types (portfolio analysis).

Recoverability parameters of specific portfolio models have been determined based on historical credit loss experience and expert assessments. The methodology and assumptions on the basis of which estimated cash flow amounts and periods when they occur are determined, are subject to periodical reviews to diminish differences between the estimated and actual loss value.

When there is no evidence of impairment of a receivable, it is included into the portfolio of similar characteristics and takes part in the portfolio analysis of impairment to determine write-downs for impairment for the incurred, but not reported losses (IBNR).

A write-down on that account is estimated on the basis of historical loss patterns that characterise the given part of the portfolio. Statistical models and parameters they use are subject to periodical reviews and the results obtained are validated by comparison to actual losses.

When objective evidence of an available-for-sale financial asset impairment is found, cumulated losses recognised so far in the equity capital are derecognised from the equity capital and recognised in the income statement, even if the financial asset has not been removed from the balance sheet. The cumulated loss amount which is derecognised from the equity capital and recognised in the income statement, constitutes the difference between the acquisition cost (net of any principal repayments and depreciation) and the present fair value reduced by any losses on account of impairment of that asset, previously recognised in the income statement.

If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively determined to result from an event following the recognition of an impairment loss in the income statement, then the reversed provision amount is recognised in the income statement.

Write-downs for non-financial assets' impairment

A non-financial asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use.

The determination of the value in use is related to the Group's estimation of future cash flows, expected to arise from continuing use of an asset, and discounting those values.

Useful lives and residual values

The useful life is a time period over which an item of the property, plant and equipment and intangible assets is expected to be used by the Group.

A residual value of an item of property, plant and equipment and intangible assets is the expected amount that the Group would currently obtain from disposal of the asset, after the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Other Accounting Estimates

The Group made provisions on account of long-term employee benefits on the basis of an actuarial valuation.

Legal risk provisions are calculated on the basis of an estimated amount of the Group's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.

In addition to the above estimates, the Group makes also other subjective assessments during the accounting policy implementation process (e.g. as regards the classification of financial assets into a category required under IAS 39). Assessments made by the Group affect the presentation in the financial statements and financial results.

Foreign currencies

Foreign currency transactions are accounted for using the exchange rate at the date of the transaction settlement. Outstanding balances in foreign currencies at the end of a reporting period are translated at the exchange rates binding the end of the reporting period. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Exchange differences arising from the settlement of liabilities relating to the acquisition of an asset are recognised as income or as an expense in the period in which they arise.

Financial assets and liabilities

Rules of Balance Sheet Recognition and Derecognition of Financial Assets and Liabilities

The Group recognises a financial asset or liability in the balance sheet when the Group becomes a party to such an instrument.

The Group recognises standardised purchase and sale transactions of financial assets in the balance sheet at the trade date which is the date of the Group's commitment to purchase or sell a given financial asset.

Standardised purchase or sale transactions of financial assets constitute transactions whose contractual terms require delivery of an asset in the period established by the binding regulations or conventions in the market place.

Standardised purchase or sale transactions apply in particular to FX spot currency transactions, deposits and placements likewise to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date.

The Group derecognises a financial asset from the balance sheet at the moment when contractual rights to cash flows from the financial asset expire or when the Group transfers the contractual rights to receive cash flows from the financial asset in a transaction where the Group basically transfers the entire risk and all benefits related to the financial asset.

Classification and measurement

Financial instruments are initially measured at fair value, adjusted (as regards financial assets or liabilities not classified as measured at fair value through profit or loss) by material transaction costs that can be directly attributed to the acquisition or issue of a financial asset or liability.

Subsequently, financial assets measured at fair value through profit or loss and available for sale are measured at fair value, except for such available-for-sale equity assets that are not quoted on an active market and whose fair value cannot be reliably determined.

Discount, premium, any fees and commissions included in the internal rate of return of an instrument along with incremental transaction costs are recognised in the initial value of the financial instrument and amortised over the economic useful life of the instrument.

The Group classifies financial instruments into the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a) financial assets that the Group intends to sell immediately or in the near term, and those that upon initial recognition were designated as measured at fair value through profit or loss;

b) financial assets that upon initial recognition were designated by the Group as available for sale.

Loans and receivables upon the initial recognition are measured at fair value including transaction costs.

After the initial recognition, the loans and receivables are measured at amortised cost, using the effective interest method, including write-downs for impairment.

In the category of loans and receivables, the Group classifies due from banks and loans to customers.

Investments held to maturity

Held-to-maturity investments consist of financial assets with fixed or determinable payments and fixed maturity which are not derivative instruments and for which the entity has a positive intent and ability to hold to maturity.

Held-to-maturity investments are measured at initial recognition at fair value including transaction costs.

After the initial recognition, the held-to-maturity investments are measured at amortised cost, using the effective interest rate method, including write-downs for impairment.

The Group does not classify any financial assets into the category of held-to-maturity assets.

Financial assets measured to fair value through profit or loss

Financial assets measured to fair value through profit or loss are the assets:

a) classified at initial recognition as held for trading if they were acquired chiefly to be sold in the near term;

b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,

c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments), or

d) classified at the initial recognition as measured to fair value through profit or loss.

The Group classifies held-for-trading financial assets into the category of financial assets, in particular:

e) held-for-trading securities,

f) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),

The Group did not classify assets at their initial recognition as measured to fair value through profit or loss.

Financial assets available for sale

Available-for-sale financial assets are those that are not derivative instruments and are classified at initial recognition as available for sale or assets that are not:

a) loans and receivables,

b) investments held to maturity,

c) financial assets measured to fair value through profit or loss.

Available-for-sale financial assets are held at fair value. Gains or losses on an available-for-sale financial asset shall be recognised directly in the revaluation reserve, through the statement of changes in equity, except for impairment losses and FX differences on cash financial assets until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in equity shall be recognised in profit or loss.

Interest income on available-for-sale financial assets is computed using the effective interest method and recognised in profit or loss.

Financial liabilities measured to fair value through profit or loss.

Financial liabilities measured to fair value through profit or loss are the liabilities:

a) classified at initial recognition as held for trading if they were assumed chiefly to be repurchased in the near term;

b) that are part of a portfolio of identified financial instruments, which are managed together and for short-term profit taking, or

c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

The Group classifies held-for-trading financial liabilities into the category of financial liabilities, in particular:

d) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),

e) liabilities on account of short sale of securities.

Other financial liabilities.

Other financial liabilities are the liabilities not held for trading and not measured to fair value through profit or loss.

Other financial liabilities are measured at initial recognition at fair value including transaction costs.

After the initial recognition, other financial liabilities are recognised in amounts that require payment at amortised cost including the effective interest rate method.

The Group classifies in particular the following into the category of other financial liabilities:

a) due to banks;
b) loans to customers;
c) due on account of debt securities issued.
d) liabilities due on account of credits and loans received.

Fair Value of Financial Instruments

Fair value of balance sheet and off-balance sheet financial instruments is the price for which a given asset could be exchanged or a liability settled through an arm's length transaction between the willing and knowledgeable parties.

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

Valuation techniques include:

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

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

- Fair values for securities are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the market interest rate curves.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models,
- Fair values of loans are determined using discounted cash flow models based upon present interest rates for similar type loans. For variable-rate loans that re-price frequently, fair values are approximated by the carrying amount,
- The carrying amounts are considered to approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

In the measurement of financial instruments, the Group takes into consideration customer credit risk using a developed methodology of adjustment of the measurement to fair value on that account.

In order to adjust the measurement of the fair value of financial instruments, the Group applies an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, likewise on the assessment of cash flows generated by customers which cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.

In the analysis, a possibility is considered of taking additional financing by customers to cover unsettled transactions that do not hedge their contracts settled in foreign currencies.

An estimation of the measurement adjustment is determined using dedicated analytical tools taking into account a materiality criterion.

Receivables arising out of terminated derivative instruments that were not paid by customers, at maturity are transferred at fair value (taking into account adjustments for credit risk) to the "Loans to customers" item where they are subsequently maintained and measured pursuant to rules binding for the "loans and receivables" category.

Considering the uncertainty, actual results can differ from estimated values.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount recognised in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group made no setoff referred to above.

Sale and Repurchase Agreements and Lending/Borrowing Securities

Securities subject to a repurchase agreement ('repos', 'sell buy backs') are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in due to banks or due to customers depending on the type of counterparty. Securities purchased under agreements to resell ('reverse repos', 'buy sell backs') are not recognised in the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or loans to customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

If securities acquired under agreements to resell ('reverse repos,' 'buy sell backs') are sold to third parties, the Group records proceeds from the sale and a liability for the obligation to return the collateral (liability for the short sale of securities). The obligation to return the collateral is measured at fair value through profit or loss and is classified as a held-for-trading liability.

Derivative instruments

Derivative instruments are financial instruments whose value changes in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates or other variable, which require no initial net investment and are settled at a future date, or instruments that require an initial net investment in the amount lower than the investment in other contract types while permitting creation of an analogous risk exposure. In the measurement of derivative instruments, a fair value adjustment for credit risk, referred to in Item "Fair value of financial instruments," is taken into account.

Derivative instruments in the Group include the following transactions:

a) IRS Contracts

IRS contracts consist in an exchange of interest payments based on a variable market interest rate for interest accrued at a fixed interest rate agreed upon in the contract. The purpose of IRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.

IRS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

b) FX Forward Contracts

FX Forward Contracts consist in a purchase or sale of a specific currency at a predetermined date in the future at the exchange rate agreed on the transaction date. The purpose of FX Forward contracts is to hedge against FX rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.

FX Forward contracts are measured to fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

c) FX Swap Contracts

FX Swap Contracts consist in a purchase or sale of a specific currency at a spot exchange rate and a simultaneous sale or purchase of the same amount of the currency at a forward rate agreed at the transaction date. Transactions may be concluded as a combination of a transaction with the value date equal to the transaction date and the simultaneous reverse transaction for the value date of the following day. The purpose of FX Swap contracts is to regulate liquidity and hedge against FX rate risk of the Group's currency loan portfolio, likewise to obtain gains as a result of short-term price changes.

FX Swap contracts are measured to fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

d) Interest Rate Options

Interest rate options consist in a purchase (sale) of a right to receive the settlement amount in exchange for a premium paid (received). Depending on the option type (cap/floor), the counterparty receives on a specified settlement day the settlement amount resulting from the difference between the predetermined transaction rate and the reference rate. The purpose of such contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.

Interest rate options are measured to fair value based on the modified Black-Scholes model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

e) FX Options

FX options consist in a purchase of a right, or the Group's assuming an obligation, to buy (sell) a foreign currency at the forward FX rate established on the transaction conclusion date in exchange for a premium paid (received).

FX Options are measured to fair value based on the Garman-Kohlhagen model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

f) FRA Contracts

FRA contracts consists in an agreement between the parties to the transaction (on the transaction date) upon a fixed interest rate for a specific value of deposit. On the day of the transaction settlement, the buyer of a FRA contract shall pay the settlement amount to the seller if the reference rate on the date of effecting the transaction is lower than the agreed transaction rate. The seller of the instrument shall pay the buyer, on the transaction settlement date, the settlement amount when the reference rate is higher than the agreed transaction rate. FRAs are measured at the fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

g) CIRS Contracts

CIRS contracts consist in an exchange of interest payments based on a variable market interest rate in one currency in exchange for interest accrued at a fixed interest rate in another currency agreed upon in the contract, with the exchange of principal amounts at the predetermined exchange rates at the beginning and end of the period, or with the exchange made only at the end of the period for which the transaction was concluded, or without any principal amount exchange. The purpose of IRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.

CIRS contracts are measured to fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

h) OIS Contracts

OIS contracts consist in an exchange of interest payments based on a fixed contractual interest rate for interest payments based on a variable interest rate. The variable interest rate is determined on the basis of a rate compounded of WIBOR Overnight indexes or based on POLONIA rates determined every business day during the interest period. Such contracts are entered into for the period up to one year. The purpose of OIS contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.

OIS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

i) Futures contracts

Futures contracts consist in a purchase or sale of foreign currency at the rate determined at the transaction conclusion at the Warsaw Commodity Exchange. The contracts are standardised with respect to amounts and maturities. The purpose of entering into contract is to hedge against the FX rate risk.

The futures contracts are measured to market FX rate provided by the Warsaw Commodity Exchange. At the same time, there are daily flows on account of the contract's marking to market. The daily measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

Derivative instruments that are hedging instruments

On its recognition date, a derivative instrument can be designated as either a fair value hedge of a recognised asset or liability (fair value hedge), a hedge of a net investment in a foreign entity or a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge).

The fair value is hedged to limit a risk that fair value changes resulting from a specific risk related to financial assets and liabilities held, or a specific part thereof, may affect the financial result.

Changes in the fair value of a hedged asset or liability related to the hedged risk and any changes in the fair value of the hedging instrument within a fair value hedge are recognised in the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument that results from hedge accounting is amortised using the new effective interest rate calculated on the hedge accounting discontinuation date.

In 2009, the Group has not applied hedge accounting while in 2008, interest rate risk hedge accounting was used.

Embedded derivatives

Financial assets or liabilities can include embedded derivatives. If the host contract for such an instrument is not measured at fair value through profit or loss, and the embedded instrument's economic characteristics and risk are not closely related to those of the host contract, the embedded instrument shall be separated and presented independently, to be measured to fair value. Changes in fair value of a separated derivative instrument are recognised in the income statement. The host contracts are measured pursuant to rules applicable to their respective category of financial assets or liabilities.

The separated embedded derivatives are reported as hedging or held-for-trading derivatives, as appropriate.

Asset Impairment

Financial assets

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

As at each balance sheet date, the Group makes an assessment whether there is any objective evidence of impairment of a financial asset (or group of financial assets).

When objective evidence of loans and receivables impairment is found, the Group estimates the cost of provision for impaired loans as a difference between the carrying value and present value of expected future cash flows (discounted by an original effective interest rate of the instrument) recognising it in the income statement and reducing loans and receivables using the provision account.

Write-downs for impairment are determined using an individual method for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 50 thousand (individual analysis of future cash flows). For remaining receivables (individual customers and business entities of exposure up to the tier of EUR 50 thousand), costs of provision on impaired loans are set using recoverability parameters, determined by models, on account of voluntary repayments and collateral value (portfolio analysis of future cash flows).

The Group creates write-downs for impairment for incurred but not reported losses (IBNR) when there is objective evidence with respect to loans and receivables that probable losses are present in components of the loan portfolio, without having specifically identified impaired loans and receivables. The write-down for impairment for IBNR losses is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.

As regards uncollectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Group writes down such loans and receivables to the related write-downs for their impairment.

Any amounts subsequently recovered are charged to the Net impairment losses in the income statement.

As regards available-for-sale financial assets with objective evidence of impairment, the cumulated losses recognised so far directly in the revaluation reserve are now recognised in the income statement. The amount of cumulated losses that is derecognised from the revaluation reserve and recognised in the income statement constitutes the difference between the acquisition price (less any capital repayment and depreciation) and the present fair value.

Non-financial Assets

A non-financial asset is impaired when its carrying amount exceeds its recoverable amount.

As at each balance sheet date, the Group makes an assessment whether there is any indicator of a non-financial asset impairment and in the event any such indicators are identified, the Bank estimates the asset’s recoverable value.

The recoverable value is the higher of the following:

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

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs.

Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Cash and cash equivalents

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

Due from Banks and Loans to Customers

Due from banks and loans to customers include loans originated by the Bank by providing money directly to a borrower and loans purchased from third parties that are carried at amortised cost.

Debt securities not traded on an active market are also recognised as loans.

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

Rules governing impairment estimation are presented above.

Property, Plant and Equipment

Property, plant and equipment include assets of foreseeable useful life longer than one (1) year, that are complete and used by the Group in order to provide services.

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and write-downs for impairment. The residual value and useful life of property, plant and equipment are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

The acquisition price is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

Depreciation is calculated using the straight-line method to write down the value subject to depreciation over the asset estimated useful life.

Repairs and maintenance expenses of a property, plant and equipment component are charged to the income statement when the expenditure is incurred.

Expenditures that enhance or extend the benefits of the property, plant and equipment beyond their original use are capitalised and subsequently depreciated.

Fixed assets of low unit value (low-value assets) are charged to costs as one-time expenses in the month they are made available for use. In the event of a total material value of a purchase of low-value assets, they are capitalised by the Group.

Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property, plant and equipment.

Useful lives of fixed assets are as follows:

No.	**Specification**	**Useful life**
1.	Own buildings	40 years
2.	Leasehold improvements	10 years
3.	Structural cabling	10 years
4.	IT equipment	3-10 years
5.	Telephone equipment	6 years
6.	Vehicles	3-4 years
7.	Furniture	10 years
8.	Cash and vault equipment	5 years
9.	Cash registers, armoured safes and safes	10 years
10.	Other equipment	5 years
11.	Operating software	5 years
12.	System software	3 years

Non-Current Assets Held for Sale and Discontinued Operations

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

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

Assets that are classified as held for sale are not depreciated.

The results of operations that are classified as discontinued operations are presented separately in the income statement.

The Group does not hold any non-current assets held for sale.

Intangible Assets

Intangible assets are identifiable assets which are not physical in nature and are recognised at acquisition cost. Intangible assets are recognised in the balance sheet if they will generate financial benefits in the future and can be reliably measured. The Group assesses regularly if an intangible asset may be impaired.

Intangible assets include intangible assets with definite useful lives, such as trademarks and licenses. They are amortised over their useful lives using the straight-line method.

The Group does not have any intangible assets of indefinite useful life.

Intangibles are recorded on the balance sheet at acquisition cost less any amortisation and any impairment losses. The residual value and useful life of intangible assets are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

- system software, i.e. other than operating system software – 3 years.

Due to customers

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

Employee Benefits

Long-Term Obligations to Employees

The Group measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions. The reserve amounts are estimated on the basis of actuarial calculations.

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

Short-term Obligations to Employees

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

Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments.

The Group recognises provisions in the balance sheet, when:

a) there is a present legal or customarily expected obligation as a result of past events;

b) cash outflow is likely to take place in order to perform the obligation;

c) a reliable estimate can be made at the balance sheet date.

When an impact of the time value of money is material, while estimating the provision amount the Group discounts the estimated future liability amount.

Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

a) a possible obligation arising as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation, which arises as a result of past events, however it is not recognised in the balance sheet because it is unlikely that an outflow of economic benefits will be necessary to perform the obligation or the liability amount cannot be reliably estimated.

The Group recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities, in particular:

- contingent liabilities granted on account of credit lines extended by the Group – in the amount unused by customers;

- contingent liabilities granted on account of guarantees issued by the Group in favour of customers – in the amount specified in agreements;

- contingent liabilities on account of export and import letters of credit;

- contingent liabilities on account of financial and guarantee master agreements concluded – in the amount unutilised by the customer;

- contingent liabilities on account of credit lines obtained by the Group – in the amount available for use by the Group;

-contingent liabilities on account of guarantees received by the Group – in the amount specified in agreements.

Own funds

The equity capital comprises capital and funds established pursuant to the binding regulations, i.e. the statute and the applicable Acts. The equity comprises also retained earnings. The Bank measures the equity in the nominal value, except for revaluation reserve, which is recognised taking into account the deferred tax impact.

Costs of transactions related with operations in equity capital

Transaction costs related with operations in equity capital decrease the capital in the amount equal to the incremental costs directly attributable to this operation, i.e. such costs which in other case would not be incurred.

Dividends on Ordinary Shares

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

Other Equity Capital Components

Other components that are recognised in equity refer to:

- Measurement of available-for-sale financial assets to market.

Earnings per Share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in the period.

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

Interest Income and Expense

Interest income and interest expense are recognised in the income statement for all financial instruments on an accrual basis using the effective interest method based on the acquisition price including direct transaction costs.

For financial assets written-down for impairment, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of estimating the write-down for impairment.

Fees and Transaction Costs

Fees related to granting a loan or changing its material conditions, constitute an integral part of the effective interest rate of a financial instrument. Thus the Group recognises origination fees, fees for granting a loan or other preliminary fees for such actions as an assessment of borrower's financial standing, collateral assessment and recording. Such fees are deferred and recognised in the interest income as an adjustment to the effective interest rate.

Commissions and fees that do not constitute an integral part of the effective interest rate of a financial instrument are recognised through profit or loss, during the time of providing services or at the moment of performing a significant action.

Commissions and fees regarding receivables with respect to which the effective interest rate calculation cannot be applied (receivables of indefinite term of payment of specific instalments and undetermined interest rate changes) are spread over time using the straight-line method and included into the commission and fee income.

Loan syndication fees are recognised as revenue when the process related to the syndication organisation has been completed.

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

Net profit/loss on transactions in financial instruments

Net profit/loss on transactions in financial instruments includes:

- net profit/loss on transactions in financial instruments classified as available for sale, i.e. realised gains or losses on sales that represent the difference between the sales proceeds received and the amortised cost of the asset sold, minus any impairment losses previously recognised in the income statement;
- net profit/loss on transactions in financial instruments carried at fair value through profit or loss, e.g. the difference between the carrying value at the end of the current reporting period and the previous reporting period.

Current and deferred income tax

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the Group's tax liability computed on the basis of relevant tax law provisions.

Deferred tax is recognised using the balance sheet method, based on identification of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In order to determine amounts of deferred tax assets and liabilities, statutory tax rates are applied.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax and current tax related to fair value measurement of available-for-sale assets which are charged or credited directly to the revaluation reserve are also directly recognised in the revaluation reserve and subsequently recognised in the income statement together with the gain or loss on such an investment.

Government subsidies

Government subsidies are recognised systematically as income in specific periods, to ensure their proportionality to relevant costs compensated by such subsidies. The income on that account is recognised in the "Other income" item.

Securitisation

Securitisation consists in transferring receivables, uniform in type, to a SPV capital company (issuer) which issues securities that are backed by securitised receivables. In the balance sheet, the Group recognises securitised receivables in the full amount.

Securitised loans are labelled in a manner that enables their identification and are serviced as so far, i.e. pursuant to the rules described above.

Furthermore, in the Group's balance sheet the Group's obligation was recognised which arose through the SPV towards the entities that finance the SPV as regards the securitised portfolio, in the amount corresponding to the current value of the obligation.

SPV operating costs and operating income that affect the amount of deferred remuneration due to the Bank under the agreement are recognised by the Group through profit or loss. The costs and income referred to above are recorded as "other costs" and "other income".

Lease facility

Leasing is classified as financial lease when, under the loan agreement, basically all potential benefits and risk resulting from the ownership is transferred to the lessee. All other types of lease facilities are regarded as operating lease.

Assets utilised under a financial lease agreement are recognised as the Group's assets and measured to their fair value at the moment of their purchase, however, not higher than the current value of minimum lease payments. The resulting obligation towards the lessee is recognised in the payables on account of financial lease.

Leasing payments are divided into interest expense and lease liability reduction. Financial costs are directly recognised in the profit and loss account.

Operating lease payments are recognised in the profit and loss account using the straight-line method over the lease term.

Segment Reporting

Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

In the Group's business, the following segments exist:

- Retail Banking Business Line (RB BL, including Affluent Banking)
- Merchant Banking Business Line (GMK and CB BL)
- Asset & Liability Management (ALM) and support units (horizontal functions) are the Bank's Head Office units, except the Global Markets BL, which belongs to the Merchant Banking Business Line.

Geographical segments

The Group operates in Poland as the sole geographical segment. All income and costs earned and incurred by the Group come from this geographical segment, likewise all assets held are located in this area.

In the first half of 2009, the Bank consolidated the results of Private Banking and Retail Banking Business Lines.

Furthermore in the reporting period, no changes in the Bank's structure of operating segments occurred as compared to the situation presented in the Bank's consolidated financial statement for the year ended on 31 December 2008.

6. Comparability with Previously Published Reports

At the end of the year 2009, no transformation of the data presentation manner was necessary to ensure comparability.

7. Segment Reporting

Information on Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Primary segmentation

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

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

Accounting principles for specific segments are the same as the ones described in the accounting principles. In the income statement costs are at first presented as direct costs in all business lines (except ALM) and support units (horizontal functions). In the rebilling process, costs flow from these units to business lines as well as between the business lines and between the support units. ALM doesn't generate direct costs, only accepts costs from support units (horizontal functions) in the rebilling process. This is a separate process in reporting that is presented in a separate report position (costs allocation – rebilling). As a result of the process, all costs generated by support units (horizontal functions) are absorbed by business lines. The financial result of support units (horizontal functions) at the process end is zero.

Transfer prices between segments are determined primarily to transfer interest rate risk to the Merchant Banking BL or ALM, so that fixed margins can be allocated to the remaining business lines.

Transfer prices are calculated for standard periods of product duration and they comprise two items: a market component and a liquidity component. The market component reflects official reference rates, such as WIBOR, LIBOR or EURIBOR indexes. The liquidity component reflects the additional cost over reference rates (i.e. Liquidity Premium) incurred by the Bank in order to finance its assets.

Activity segments:

- **Retail Banking**

Retail Banking specialises in the service of small enterprises and Private Individuals, by providing financial services for retail customers, professionals (liberal professions) and small enterprises. Moreover, the segment offers consulting on all forms of daily banking, savings, investment and lending, likewise providing retail banking services.

- **Merchant Banking**

Global Markets offers a wide range of products for corporate and institutional customers and also takes care for relations with other banks and the Group's liquidity management.

Commercial Banking specialises in the service of medium and big enterprises of annual turnover exceeding PLN 25 million, focusing on clients that operate internationally, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

- **ALM and support units (horizontal functions)**

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

Geographical segment

The Group runs its business in Poland as the only geographical segment, therefore all revenues earned, costs incurred and assets pertain to one geographical segment – Poland.

Consolidated Income Statement by Business Segments

1.01.2009 – 31.12.2009 (in PLN thousand)	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	472 921	393 614	44 556	911 091
Transfer prices expense (internal)	-318 404	-620 555	-88 542	-1 027 501
Interest expense (external)	-241 955	-240 465	-6 808	-489 228
Transfer prices income (internal)	305 532	535 880	186 089	1 027 501
Net interest income	**218 094**	**68 474**	**135 295**	**421 863**
Other transfer prices (internal)	**7 537**	**179 638**	**-187 175**	**-**
Fee and commission income (external)	119 902	54 614	3 188	177 704
Fee and commission expense (external)	-24 750	-401	-2 967	-28 118
Net fee and commission income	**95 152**	**54 213**	**221**	**149 586**
Net trading income (external)	17 908	-52 320	-	**-34 412**
Net gain/loss on available-for-sale financial instruments (external)	-	441	5 859	**6 300**
Net profit (loss) on hedging transactions (external)	-	-	-	**-**
Other income (external)	21 362	5 135	483	**26 980**
Total income, net	**360 053**	**255 581**	**-45 317**	**570 317**
Personnel expense (external)	-97 894	-31 634	-97 167	**-226 695**
Depreciation of fixed assets and intangible fixed assets (external)	-101	-	-58 276	**-58 377**
Other expenses (external)	-50 932	-13 116	-161 180	**-225 228**
impairment losses (external)	-214 344	-366 834	-	**-581 178**
Costs allocation - rebilling (internal)	-274 937	-40 749	315 686	**-**
Gross profit/loss	**-278 155**	**-196 752**	**-46 254**	**-521 161**
Income tax expense	48 671	34 534	8 76	**91 281**
Net profit/loss	**-229 484**	**-162 218**	**-38 178**	**-429 880**

1.01.2008 – 31.12.2008 (in PLN thousand)	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	448 346	484 068	72 679	1 005 093
Transfer prices expense (internal)	-340 229	-669 236	-64 381	-1 073 846
Interest expense (external)	-155 614	-452 977	-580	-609 171
Transfer prices income (internal)	216 564	716 187	141 095	1 073 846
Net interest income	**169 067**	**78 042**	**148 813**	**395 922**
Other transfer prices (internal)	**2 280**	**103 244**	**-105 524**	**-**
Fee and commission income (external)	104 472	83 303	3 072	190 847
Fee and commission expense (external)	-9 575	-910	-1 891	-12 376
Net fee and commission income	**94 897**	**82 393**	**1 181**	**178 471**
Net trading income (external)	43 040	-97 581	-	-54 541
Net gain/loss on available-for-sale financial instruments (external)	-	-	-3 233	-3 233
Net profit (loss) on hedging transactions (external)	-	-	257	257
Other income (external)	10 785	3 538	591	14 914
Total income, net	**320 069**	**169 636**	**42 085**	**531 790**
Personnel expense (external)	-79 165	-35 709	-67 084	-181 958
Depreciation of fixed assets and intangible fixed assets (external)	-248	-	-38 222	-38 470
Other expenses (external)	-31 201	-6 800	-107 611	-145 612
impairment losses (external)	-18 318	-44 508	50	-62 776
Costs allocation - rebilling (internal)	-176 466	-35 694	212 160	-
Gross profit/loss	**14 671**	**46 925**	**41 378**	**102 974**
Income tax expense	-3 480	-11 158	-9 840	-24 478
Net profit/loss	**11 191**	**35 767**	**31 538**	**78 496**

Consolidated total assets (in PLN thousand)	As at:	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Assets	**31.12.2009**	9 714 495	9 279 287	1 300 701	**20 294 483**
	31.12.2008	9 053 628	9 651 699	1 163 677	**19 869 004**

Liabilities	**31.12.2009**	6 533 384	12 264 696	1 496 403	**20 294 483**
	31.12.2008	3 834 098	14 650 143	1 384 763	**19 869 004**

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31 December 2009 and 31 December 2008. The following have been classified into the non-monetary expenses: unrealised loss on financial instruments, write-downs for impairment, provisions.

in PLN thousand	For period:	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Non-monetary costs	**1.01.2009 - 31.12.2009**	-255 152	-667 653	-47 525	**-970 330**
	1.01.2008-31.12.2008	-208 511	-938 764	-63 954	**-1 211 229**

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31 December 2009 and comparable data as at 31 December 2008.

in PLN thousand	As at:	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Asset acquisition costs	**31.12.2009**	153	-	87 059	**87 212**
	31.12.2008	111	-	45 194	**45 305**

Description of Segment Activity

Retail Banking

Customers

As at the end of 2009, the number of active customers of Retail Banking reached 384,575. Private Individuals, including Mass Market Customers (94%) prevail among the Retail Banking customers. Enterprises account for the remaining 6% customers of the business line.

Distribution channels

Retail Banking customers have at their disposal both a network of branches as well as alternative channels: Pl@net, Multicash systems and Call Centre. The RB BL develops all the above distribution channels. The Group's statistics show that Customers are much interested in alternative distribution channels. When comparing data for 2009 and 2008 (YTD), the Group recorded:

- Increase in the number of Customers who use Pl@net, the banking system, by 263% (growth attributable to e.g. Pl@net system users migrated from the former Dominet Bank S.A.)
- increase in the number of transfers made via electronic channels by 9%.

Products

RB BL customers use a wide range of credit, deposit, investment and card products.

The following products are largely popular among Private Individuals:

- mortgage loans: as at the end of 2009, the balance of such loans reached PLN 4.5 billion, which means an increase by 2% as compared to the end 2008;
- credit cards: The number of credit cards for Individual Customers and Mass Market Customers reached 78,000 as at the end of 2009;
- investment products: deposit balance reached PLN 4.4 billion as at the end of 2009.

The following products are largely popular among Enterprises:

- investment loans: as at the end of 2009, the balance of such loans reached PLN 2.2 billion, while at the end of 2008 it was PLN 2.6 billion,
- foreign exchange transactions: the number of negotiated and table-based transactions in 2009 reached 91,300, and the average monthly volume of such transactions oscillates around PLN 0.8 billion.

Results

The net income of Retail Banking increased from PLN 320.1 million earned in 2008 up to PLN 360.1 million in 2009, or by 12%. Higher result on interest and fee and commission was attributable mainly to the integration with Dominet Bank S.A. and resulting significant increase in the number of RB customers. Net interest income grew from PLN 169.1 million in 2008 up to PLN 218.1 million in 2009 (up by 29%). Net commission and fee income in 2008 equalled PLN 94.9 million, while it amounted to PLN 95.2 million in 2008 (up by 2%).

In 2009, net impairment losses significantly increased up to PLN 214.3 million as compared to PLN 18.3 million in 2008. Increase in net impairment losses related to loans is attributable to deterioration of the credit portfolio. Deteriorating situation on financial markets made a number of the Group's corporate customers unable to repay their loan debts. The said loss increase was additionally affected by deterioration in repayment of consumer loans, likewise the assessment of the credit portfolio of the former Dominet Bank S.A. pursuant to the IFRS.

In 2009, personnel expenses stood at PLN 97.9 million and increased by 24% in comparison to the corresponding period of 2008. The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The costs increased by 56%.

The above events translated into a decrease in gross income from PLN 14.7 million of profit in 2008 down to PLN 278.2 million loss in 2009.

Merchant Banking

Customers

As at the end of 2009, the number of active customers of this line equalled 2,319 as compared to 2,510 as at the end of 2008 (decrease by 8%).

Distribution channels

Merchant Banking customers have at their disposal both a network of Business Centres (8), which are part of the international Fortis Bank network, as well as alternative channels: Multicash, Pl@net systems and Call Centre.

Products

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

Products offered by the Group to institutional customers include in particular the following:

- deposits: as at the end of 2009, the total balance of deposits reached PLN 3.3 billion, which means an increase by 9% as compared to the end of 2008;
- investment loans (including loans to purchase / construct commercial real estate): as at the end of 2009, the balance of such loans reached PLN 2.9 billion, which means a decrease by 12% as compared to the end of 2008;
- foreign exchange transactions: the number of negotiated and table-based transactions in 2009 reached about 43,400, and the average monthly volume of such transactions oscillates around PLN 1.0 billion.

The deteriorating situation on the financial markets and the overall macroeconomic situation resulted in the introduction by the Bank of a more conservative credit granting policy which translated into a decrease in credit balances of institutional customers.

Results

The net income of Merchant Banking grew from PLN 169.6 million earned in 2008 up to PLN 255.6 million in 2009, or by 51%. The above growth results mainly from higher income on account of other (internal) transfer prices, which amounted to PLN 179.6 million in 2009, compared to PLN 103.2 million in 2008. Another factor affecting the Line's net income was lower (by 46%) net trading loss generated primarily from the adjustment of fair value (lower, if compared to 2008) on account of credit risk of option transactions entered into with customers of the Group.

At the same time, net interest income dropped by 12% and net commission and fee income went down by 34%.

In addition to the above, in 2009 Merchant Banking recorded an increase of net write downs for credit receivables (from PLN 44.5 million as at the end of 2008 up to PLN 366.8 million as at the end of 2009). Increase in net impairment losses related to loans is attributable to deterioration of the credit portfolio. Deteriorating situation on financial markets made a portion of the Group's customers unable to repay their loan debts.

Personnel expense went down by 11%. Costs allocation (rebilling) position is the net value of business line costs allocated and transferred from Merchant Banking to other units. The costs increased by 14%.

The above events translated into a decrease in gross income from PLN 46.9 million of profit in 2008 down to PLN 196.8 million loss in 2009.

ALM and support units (horizontal functions)

Results

On one hand, the segment of ALM and support units presents the results of interest rate and liquidity risk management, and on the other, costs attributable to support units. The net income on account of interest rate risk and liquidity risk management slumped from PLN 42.1 million (profit) in 2008 down to PLN -45.3 million (loss) in 2009. The decline was primarily due to high costs of financing in 2009.

8. Additional Notes to Consolidated Income Statement

Below there is detailed information on consolidated revenues and expenses of the Group for 2009 and comparative data for 2008.

On 31 July 2009, Fortis Bank Polska SA and Dominet Bank S.A. were merged. After the merger with Dominet Bank S.A., Fortis Bank Polska SA, does not present financial statements retrospectively, i.e. with relevant items of Dominet Bank S.A. included in comparative data. For 2008, consolidated data of Fortis Bank Polska SA are presented. The performance of Dominet Bank S.A. for the reporting period from 1 January 2009 through 31 July 2009 is not included in the result of the integrated Bank for 2009. The data of the combined Bank are presented since August 2009.

Note 8.1

Interest income (in PLN thousand)	**1.01.2009 – 31.12.2009**	**1.01.2008 – 31.12.2008**
Cash and cash equivalents	20 306	62 393
Due from banks	5 176	14 747
Investments available for sale	100 070	65 746
Loans to customers	766 125	854 400
Securities held for trading	19 358	7 807
others	56	-
Total interest income	**911 091**	**1 005 093**

Interest income includes interest accrued on non-performing loans of PLN 76,013,000 in 2009, and of PLN 16,593 in 2008.

Note 8.2

Interest expense (in PLN thousand)	**1.01.2009 – 31.12.2009**	**1.01.2008 – 31.12.2008**
Due to banks	-30 138	- 91 619
Due to customers	-343 523	-287 266
Loans and credit facilities received	-86 098	-208 917
Debt securities issue	-660	-
Subordinated loans	-26 999	-19 181
Derivative hedging instruments	-	-538
Others	-1 810	-1 650
Total interest expense	**-489 228**	**-609 171**

Note 8.3

Fee and commission income (in PLN thousand)	**1.01.2009 – 31.12.2009**	**1.01.2008 – 31.12.2008**
Custody services and securities trading	2 555	2 416
Cash settlements services	60 676	55 488
Guarantees and contingent liabilities	15 895	14 721
Commissions related to granting credit facilities (amortised using the straight-line method)	26 845	24 320
Loan origination fees and commissions (one-off items)	5 969	10 578
Fees and commissions related to derivative instrument buy/sell transactions	4 816	48 395
Income on account of agency in customer acquisition	1 668	4 143
Card related income	16 203	11 687
Insurance product sales revenues	27 063	-
Income on asset management	4 120	7 641
Others	11 894	11 458
Total fee and commission income	**177 704**	**190 847**

Note 8.4

Fee and commission expense (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Custody services and securities trading	-364	-861
Card related expenses	-9 871	-4 975
Cash transactions expenses	-1 057	-3 193
Settlements	-1 537	-1 135
expenses related to franchisee commissions and fees	-9 441	-
Others	-5 848	-2 212
Total fee and commission expenses	**-28 118**	**-12 376**

Net commission and fee profit (loss) includes income and costs (other than the ones covered by the effective interest rate calculation), which refer to assets and liabilities not measured at fair value through profit or loss:

- fee and commission income of PLN 36,737,000 in 2009, and PLN 37,040,000 thousand in 2008;
- fee and commission expense of PLN -2,083,000 in 2009, and PLN -1,721,000 in 2008;.

Note 8.5

Net trading income (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Securities	2 167	-1 806
Derivative instruments, including:	-138 544	-164 067
- fair value adjustment on account for credit risk of derivative instruments	-25 872	-208 627
Foreign exchange transactions	101 965	111 332
Total net trading income	**-34 412**	**-54 541**

Note 8.6

Net gain/loss on available-for-sale financial assets (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Securities	6 300	-3 233
Total net profit (loss) on transactions in available-for-sale financial assets	**6 300**	**-3 233**

Note 8.7

Net profit (loss) on hedging transactions (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2007 – 31.12.2007
Change to fair value of hedged instruments	-	-327
Change to fair value of hedging instruments	-	584
Total net profit (loss) on hedging transactions	**-**	**257**

Note 8.8

Other revenues (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
- consulting as regards software	1 965	6 229
- rental and lease income	4 506	3 638
- income on account of providing financial services	2 359	2 162
- compensation, penalties and fines	10 548	838
- costs reimbursement related to franchisees' activities,	1 409	-
- other	6 193	2 047
Total other income	**26 980**	**14 914**

Note 8.9

Personnel expenses (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
- remuneration	-169 794	-139 719
- surcharges on remuneration	-24 260	-21 039
- provisions on severance pay related to retirement, unused vacation leaves and other employee benefits	-32 641	-21 200
- including a restructuring provision	-20 238	
Total personnel costs	**-226 695**	**-181 958**

Note 8.10

Depreciation of fixed assets and intangible fixed assets (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Fixed assets, including:	-44 963	-30 008
- land and right of perpetual usufruct of land	-	-
- own real estate	-108	-
- leasehold improvements	-11 702	-9 225
- computer hardware	-24 984	-15 394
- other fixed assets	-8 169	-5 389
Intangible Assets	-13 414	-8 462
Total depreciation of fixed assets and intangible fixed assets	**-58 377**	**-38 470**

Note 8.11

Other costs * (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
- rents	-47 114	-28 837
- information technologies and systems	-30 445	-18 706
-marketing and advertising	-19 901	-21 536
- expenditure related to RE use	-10 108	-8 272
- postal and telecommunication services	-17 325	-11 030
- advisory services and consulting	-9 716	-11 189
- business travels	-6 062	-7 271
- training,	-1 712	-5 875
- municipal services:	-12 710	-6 674
- investment expenditure	-11 690	-
- security	-4 816	-4 413
- stationery	-4 131	-2 911
- Banking Guarantee Fund costs	-7 658	-2 574
- compensation, penalties and fines	-1 432	-441
- other	-40 408	-15 883
Total other costs	**-225 228**	**-145 612**

*The above note presents general expenses and operating costs.

Note 8.12

Net provisions for impairment (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Net cash and cash equivalents, including:	-614	-144
- provisions for Incurred But Not Reported losses (IBNR)	-614	-144
Due from banks, net, including:	-43	3
- provisions for Incurred But Not Reported losses (IBNR)	-43	3
Loans to customers, net, including:	-535 395	-61 693
- provisions for impaired credit receivables	-545 686	-66 013
- provisions for Incurred But Not Reported losses (IBNR)	9 558	1 356
- income on account of receivables written-off against provisions,	733	2 964
Off-balance sheet liabilities, net, including:	-32 594	-277
- provisions for off-balance sheet commitments	-33 067	-3 350
- provisions for Incurred But Not Reported losses (IBNR)	473	3 073
Property, Plant and Equipment	-4 670	-
Intangible Assets	653	
Other assets, net	-5 383	-51
Other provisions, net	-3 132	-614
Total impairment losses, net	**-581 178**	**-62 776**

The major components of the income tax expense:

Note 8.13.1

Income tax expense (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Current tax	-1 516	-81 593
Current tax for the previous year	-6 114	-2 012
Deferred tax	98 911	59 127
Total income tax	**91 281**	**-24 478**

Current tax for the previous year recognised in the current year's profit or loss results from items that under the Corporate Income Tax are income tax expenses of 2008 and were reported in the income tax return for 2008. In the current year, such items are considered non-tax-deductible expenses.

Actual income tax expenses as at 31 December 2009 and for comparative data as at 31 December 2008 differ from the estimate computed using the binding tax rate due to the following factors:

Note 8.13.2

Tax load (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Profit before income tax	-521 161	102 974
Binding tax rate in %	19%	19%
Tax computed at the rate	99 021	-19 565
Tax increases / decreases on account of:	-	-
Tax effects of tax-free accounting revenues:	267	353
- tax-exempt interest	-6	126
- non-taxable dividends from subsidiaries	46	-
- other	227	227
Tax effects of not tax-deductible accounting costs	-7 902	-1 827
Tax effect of recognition of previous year costs	-31	-277
Others	-74	-3 162
Total tax increases / decreases	-7 740	-4 913
Total tax load	**91 281**	**-24 478**

Note 8.14

Consolidated Earnings Per Share	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Number of shares as at 31 December	24 123 506	16 771 180
Weighted average number of ordinary shares	19 613 269	16 771 180
Net profit/loss of the period in PLN thousand	-429 880	78 496
Earnings/Loss Per Ordinary Share ratio in PLN	-21,92	4,68
Weighted average diluted number of potential ordinary shares	19 613 269	16 771 180
Diluted consolidated Earnings/Loss Per Share (PLN per share)	-21,92	4,68

The basic earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares during the period.

The diluted earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares adjusted to take into consideration the impact of all potential ordinary shares that cause the EPS dilution.

As at the reporting date, there occurred no factors resulting in the dilution of potential ordinary shares.

9. Cash and cash equivalents

Note 9.1

Cash and cash equivalents (in PLN thousand)	**31.12.2009**	**31.12.2008**
Cash at hand	153 697	355 984
Due from the central bank	458 619	14 671
Short-term due from banks, including: Including:	221 486	1 124 693
- nostro accounts	3 973	325 574
- short-term deposits from banks	217 513	799 119
Cash and cash equivalents, gross	**833 802**	**1 495 348**
Write-downs for impairment	**-1 078**	**-460**
- for Incurred But Not Reported losses (IBNR)	-1 078	-460
Total cash and cash equivalents, net	**832 724**	**1 494 888**

Note 9.2

Write-downs for impairment (in PLN thousand)	**31.12.2009**		**31.12.2008**	
	write-downs for impairment	**(IBNR)**	**write-downs for impairment**	**(IBNR)**
Opening balance	**-**	**-460**	**-**	**-316**
Merger with Dominet Bank S.A.	-	-4	-	-
Increases	-	-5 983	-	-4 841
Decreases	-	5 369	-	4 697
Ending balance	**-**	**-1 078**	**-**	**-460**

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP). At the nostro account with the NBP, funds that constitute the mandatory reserve are kept, computed on the basis of the arithmetic mean of daily balances on current and term accounts for a given month.

The average balance of the mandatory reserve declared at the end of 2009 stood at PLN 318,829,000, while at the end of 2008, it made up PLN 267,465,000.

10. Financial Assets and Liabilities Held for Trading

Note 10.1

Financial assets held for trading (in PLN thousand)	**31.12.2009**	**31.12.2008**
Held-for-trading securities, including:	**487 149**	**255 154**
- treasury bonds	418 088	129 506
- treasury bills	69 061	125 648
Derivative financial instruments, including:	**177 156**	**1 116 991**
- foreign currency contracts	116 402	1 036 267
- fair value adjustment on account for credit risk	-26 026	-104 319
- interest rate contracts	60 754	80 724
Total financial assets held for trading	**664 305**	**1 372 145**

There were no buy-sell-back repo securities held for trading in the Bank's balance sheet, either as at 31 December 2009 or as at 31 December 2008.

Note 10.2

Financial liabilities held for trading (in PLN thousand)	**31.12.2009**	**31.12.2008**
Derivative financial instruments, including:	**171 474**	**961 601**
- foreign currency contracts	116 823	889 452
- interest rate contracts	54 651	72 149
Total financial liabilities held for trading	**171 474**	**961 601**

The table below presents fair values of derivative financial instruments.

Note 10.3

Derivative financial instruments held for trading (in PLN thousand)	**31.12.2009**		**31.12.2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency contracts:	116 402	116 823	1 036 267	889 452
- Forward (including the forward leg of a swap contract)	40 733	14 556	348 812	138 764
- Options	67 368	93 394	649 574	747 329
- CIRS	8 301	8 873	37 881	3 359
Interest Rate contracts:	60 754	54 651	80 724	72 149
- FRA	-	-	1 078	987
- IRS	49 838	43 736	71 288	62 804
- Options	10 916	10 915	8 358	8 358
Total derivative financial instruments held for trading	**177 156**	**171 474**	**1 116 991**	**961 601**

The table below shows nominal values of held-for-trading derivative instruments recognised on off-balance sheet accounts:

Note 10.4

Held-for-trading derivative instruments by nominal value (in PLN thousand)	**31.12.2009**	**31.12.2008**
a) FX transactions	**8 681 674**	**30 037 017**
- Forward (including the forward leg of a swap contract) – amounts purchased	789 645	3 952 351
- Forward (including the forward leg of a swap contract) – amounts sold	764 377	3 744 037
- Options – amounts purchased	2 511 858	10 752 699
- Options – amounts sold	2 532 040	10 763 622
- CIRS – amounts purchased	1 042 928	428 524
- CIRS – amounts sold	1 040 826	395 784
b) interest rate transactions	**7 643 254**	**8 479 898**
- FRA	-	400 000
- IRS - amounts purchased	3 209 184	3 408 592
- IRS – amounts sold	3 209 184	3 408 592
- Options – amounts purchased	612 443	631 357
- Options – amounts sold	612 443	631 357
Total financial instruments	**16 324 928**	**38 516 915**

The table below presents a hierarchy of valuation methods of held-for-trading financial instruments measured to fair value, as at 31 December 2009 and comparative data as at 31 December 2008.

Note 10.5

31.12.2009 (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities	**487 149**	**-**	**-**	**487 149**
- treasury bonds	418 088	-	-	**418 088**
- treasury bills	69 061	-		**69 061**
Derivative Financial Instruments				
- positive valuation	-	55 194	121 962	**177 156**
foreign currency contracts	-	40 196	76 206	**116 402**
interest rate contracts	-	14 998	45 756	**60 754**
- negative valuation	-	135 738	35 736	**171 474**
foreign currency contracts	-	84 550	32 273	**116 823**
interest rate contracts	-	51 188	3 463	**54 651**

31.12.2008 (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities	**129 506**	**-**	**125 648**	**255 154**
- treasury bonds	129 506	-	-	**129 506**
- treasury bills	-	-	125 648	**125 648**
Derivative Financial Instruments				
- positive valuation	-	397 079	719 912	**1 116 991**
foreign currency contracts	-	372 532	663 735	**1 036 267**
interest rate contracts	-	24 547	56 177	**80 724**
- negative valuation	-	735 727	225 874	**961 601**
foreign currency contracts	-	665 167	224 285	**889 452**
interest rate contracts	-	70 560	1 589	**72 149**

In Level 1, the Group classifies debt securities whose fair value is determined by applying market prices.

In Level 2, the Group classifies derivative instruments, concluded with the Bank's customers, whose fair value is determined based on valuation techniques where all material input data are based on available verifiable market data.

In Level 3, the Group classifies debt securities and derivative instruments, whose fair value is determined based on valuation techniques where any material input data are not based on available verifiable market data.

The table below presents changes in fair value of securities held for trading in 2009, and comparative data for 2008.

Note 10.6

Changes in fair value of securities held for trading (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as at 1.01.2008	**-**	**-**	**48 241**	**48 241**
- profits/ losses included in the net profit/loss	-	-	-	-
- profits/ losses included in other total income	-	-	-	-
- purchase	129 506	-	125 648	255 154
- sale	-	-	-48 241	-48 241
- issue	-	-	-	-
- settlement	-	-	-	-
- movements between Level 1 and 2	-	-	-	-
- movements from/to Level 3	-	-	-	-
Balance as at 31.12.2008	**129 506**	**-**	**125 648**	**255 154**
Balance as at 1.01.2009	**129 506**		**125 648**	**255 154**
- profits/ losses included in the net profit/loss	10			10
- profits/ losses included in other total income	-	-	-	-
- purchase	486 733	-	-	486 733
- sale	-128 130	-	-24 543	-152 673
- issue	-	-	-	-
- settlement	-970	-	-101 105	-102 075
- movements between Level 1 and 2	-	-	-	-
- movements to/ from Level 3	-	-	-	-
Balance as at 31.12.2009	**487 149**	**-**	**-**	**487 149**

The table below presents changes in fair value of financial instruments held for trading in 2009, and comparative data for 2008.

Note 10.7

Changes in fair value of financial assets held for trading – positive valuation (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as at 1.01.2008	**-**	**115 876**	**89 184**	**205 060**
- profits/ losses included in the net profit/loss	-	38 864	431 915	**470 779**
- profits/ losses included in other total income	-	-	-	**-**
- purchase	**-**	330 775	256 763	587 538
- sale	-	-	-	**-**
- issue	-	-	-	**-**
- settlement	-	-88 436	-57 950	**-146 386**
- movements between Level 1 and 2	-	-	-	**-**
- movements to/ from Level 3	-	-	-	**-**
Balance as at 31.12.2008	**-**	**397 079**	**719 912**	**1 116 991**
Balance as at 1.01.2009	**-**	**397 079**	**719 912**	**1 116 991**
- profits/ losses included in the net profit/loss	-	-112 577	-406 127	**-518 704**
- profits/ losses included in other total income	-	-	-	**-**
- purchase	**-**	59 671	12 843	72 514
- sale	-	-	-	-
- issue	-	-	-	-
- settlement	-	-289 007	-204 638	-493 645
- movements between Level 1 and 2	-	-	-	-
- movements to/ from Level 3	-	-	-	**-**
Balance as at 31.12.2009	**-**	**55 166**	**121 990**	**177 156**

Note 10.8

Changes in fair value of financial liabilities held for trading – negative valuation (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as at 1.01.2008	**-**	**124 285**	**77 096**	**201 381**
- profits/ losses included in the net profit/loss	-	536 350	24 756	**561 106**
- profits/ losses included in other total income	-	-	-	**-**
- purchase	**-**	127 604	56 864	184 468
- sale	-	38 201	121 239	159 440-
- issue	-	-	-	**-**
- settlement	-	-90 713	-54 081	-144 794
- movements between Level 1 and 2	-	-	-	**-**
- movements to/ from Level 3	-	-	-	**-**
Balance as at 31.12.2008	**-**	**735 727**	**225 874**	**961 601**

Balance as at 1.01.2009	**-**	**735 727**	**225 874**	**961 601**
- profits/ losses included in the net profit/loss	-	-83 171	-129 857	-213 028
- profits/ losses included in other total income	-	-	-	**-**
- purchase	**-**	10 842	-	10 842
- sale	-	12 843	44 984	57 827
- issue	-	-	-	-
- settlement	-	-540 531	-105 237	-645 768
- movements between Level 1 and 2	-	-	-	**-**
- movements to/ from Level 3	-	-	-	**-**
Balance as at 31 .12. 2009	**-**	**135 710**	**35 764**	**171 474**

11. Receivables

Note 11.1

Due from banks (in PLN thousand)	31.12.2009	31.12.2008
Loans	75 000	75 000
Receivables on account of construction projects:	33 530	3 100
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	1 457 730	511 922
Other receivables	7 099	16 425
Total due from banks, gross	**1 573 359**	**606 447**
Write-downs for impairment	**-117**	**-74**
- for Incurred But Not Reported losses (IBNR)	-117	-74
Total net due from banks	**1 573 242**	**606 373**

Note 11.2

Loans to customers (in PLN thousand)	31.12.2009	31.12.2008
Loans to budgetary entities	429	420
Mortgage loans	4 532 934	4 501 796
Consumer loans and credit facilities	2 394 363	562 868
Commercial loans	7 886 776	9 969 916
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	2 054	44 534
Other receivables	10 426	3 256
Total loans to customers, gross	**14 826 9825**	**15 082 790**
Write-downs for impairment	**-1 015 426**	**-259 673**
- for incurred, reported losses	-910 752	-211 972
- for Incurred But Not Reported losses (IBNR)	-104 674	-47 701
Total net loans to customers	**13 811 556**	**14 823 117**

Note 11.3

Changes to write-downs for impairment (in PLN thousand)	Due from banks	Loans to Customers	
	write-downs for Incurred But Not Reported losses (IBNR)	write-downs for impairment	write-downs for Incurred But Not Reported losses (IBNR)
As at 1 January 2008	**-77**	**-145 351**	**-49 058**
Increases	-130	-129 181	-30 631
Decreases	133	63 167	31 988
Receivables written down to provisions	-	4 917	-
FX rate differences	-	-5 524	-
As at 31 December 2008	**-74**	**-211 972**	**-47 701**
As at 1 January 2009	**-74**	**-211 972**	**-47 701**
Merger with Dominet Bank S.A.	**-**	**-194 057**	**-66 531**
Increases	-3 272	-652 938	-29 474
Decreases	3 229	107 252	39 032
Receivables written down to provisions	-	22 355	-
FX rate differences	-	18 608	-
As at 31 December 2009	**-117**	**-910 752**	**-104 674**

Securitisation Agreement

Following the integration of Fortis Bank Polska SA and Dominet Bank S.A., in the merged Bank's accounting books the credit portfolio covered by the securitisation agreement concluded by Dominet Bank S.A. on 30 January 2006 has been recognised. Dominet Bank S.A. signed an agreement on securitisation of receivables due under retail loans granted by the Bank with Polish Assets SPV Limited (SPV), special purpose vehicle founded for the needs of the transaction, and with Merrill Lynch International as the financing entity.

The securitisation transaction was part Dominet Bank's equity management strategy. The above assumption was implemented through the sale of a separated portion of the Bank's credit portfolio to the special purpose vehicle (SPV), which resulted in decreasing the credit exposure value taken into account in the calculation of credit risk capital requirements.

The credit portfolio was financed by the SPV through an issue of securities backed by the receivables sold. SPV has been founded only for the transaction purposes and its scope of activity is limited only to actions resulting from the transaction characteristics. Along with the receivables purchased, SPV has taken over the rights attached to them (resulting from, among others, collateral) to the extent enabling SPV to enforce its rights from borrowers. After the sale of credit receivables to SPV, their full operational service remains with the Bank.

The Bank retains the entire risk and all benefits related to this financial asset; therefore, the Bank does not exclude the receivables sold within the securitisation transaction from the balance sheet. At the same time, in the liabilities part of the balance sheet, the Bank discloses the financial commitment amount equal to the payment received for the receivables sold.

As at 31 December 2009 the value of securitised loans presented in the Bank's assets amounted to PLN 87,546,000.

12. Investments - Available for Sale

Note 12.1

Investments available for sale, at fair value (in PLN thousand)	31.12.2009	31.12.2008
Treasury bonds	809 139	826 886
Treasury bills	957 408	348 883
NBP Bonds	-	24 979
Cash Bills	999 320	-
Shares and stock	19 987	88
Total investments available for sale	**2 785 854**	**1 200 836**

Note 12.2

Change in the balance of available for sale investments (in PLN thousand)	Debt securities	Shares and stock	Total
As at 1 January 2008	**585 000**	**18 235**	**603 235**
Increases	1 189 014	-	1 189 014
Decreases (sale and maturity)	-560 176	-	-560 176
Consolidation adjustment	-	-18 154	-18 154
Measurement to fair value	-15 105	-	-15 105
Others	2 015	7	2 022
Balance as at 31 December 2008	**1 200 748**	**88**	**1 200 836**

Balance as at 1 January 2009	**1 200 748**	**88**	**1 200 836**
Merger with Dominet Bank S.A.	29 131	303	29 434
Increases	43 425 580	18 497	43 444 077
Decreases (sale and maturity)	-41 920 614	-	-41 920 614
Measurement to fair value	16 793	1 099	17 892
Others	14 229	-	14 229
Balance as at 31 December 2009	**2 765 867**	**19 987**	**2 785 854**

The table below presents profits and losses on available-for-sale investments which in the given period were recognised directly in the equity and then were derecognised from the equity and recognised in the net profit/loss of the given period from 1 January to 31 December 2009 and for the period from 1 January to 31 December 2008.

Note 12.3

Investments available for sale (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Profits recognised directly in the equity and then derecognised from the equity and recognised in the net profit/loss	8 818	-
Losses recognised directly in the equity and then derecognised from the equity and recognised in the net profit/loss	-2 583	-3 846
Total	**6 235**	**-3 846**

The table below presents a hierarchy of valuation methods of available-for-sale investments measured to fair value, as at 31 December 2009 and comparative data as at 31 December 2008.

Note 12.4

31.12.2009 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Treasury bonds	798 117	-	11 022	**809 139**
Treasury bills	887 910	-	69 498	**957 408**
NBP Bonds	-	-	999 320	**999 320**

31.12.2008 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Treasury bonds	815 782	-	-	**815 782**
Treasury bills	-	-	359 987	**359 987**
NBP Bonds	-	-	24 979	**24 979**

In Level 1, the Group classifies available-for-sale debt securities whose fair value is determined by applying market prices.

In Level 3, the Group classifies available-for-sale debt securities, whose fair value is determined based on valuation techniques where any material input data are not based on available verifiable market data.

The table below presents changes in fair value of available-for-sale investments in 2009, and comparative data for 2008.

Note 12.5

Change in the fair value of available-for-sale investments (in PLN thousand)	Level 1	Level 2	Level 3	Total
Balance as at 1 January 2008	**244 925**	**-**	**340 075**	**585 000**
- profits/ losses included in the net profit/loss	-	-	-	
- profits/ losses included in other total income	-9 880	-	-110	-9 990
- purchase	585 737	-	348 883	934 620
- sale	-5 000	-	-303 882	-308 882
- issue	-	-	-	-
- settlement	-	-	-	-
- movements between Level 1 and 2	-	-	-	
- movements to/ from Level 3	-	-	-	**-**
Balance as at 31 December 2008	**815 782**	**-**	**384 966**	**1 200 748**

Balance as at 1 January 2009	**815 782**	**-**	**384 966**	**1 200 748**
- profits/ losses included in the net profit/loss	-	-	-	**-**
- profits/ losses included in other total income	16 058	-	-82	15 976
- purchase	1 060 482	-	1 068 818	2 129 300
- sale	-206 295	-	-49 523	-255 818
- issue	-	-	-	-
- settlement	-	-	-324 339	-324 339
- movements between Level 1 and 2	-	-	-	-
- movements to/ from Level 3	-	-	-	**-**
Balance as at 31 December 2009	**1 686 027**	**-**	**1 079 840**	**2 765 867**

13. Property, Plant and Equipment

Note 13.1

Property, Plant and Equipment by groups (in PLN thousand)	31.12.2009	31.12.2008
Land and right of perpetual usufruct of land	250	-
Own real estate	8 332	-
Leasehold improvements	60 736	41 258
Machines and equipment and means of transport	42 847	26 306
Computer hardware	76 207	45 694
Total Property, Plant and Equipment	**188 372**	**113 258**

The table below presents changes in tangible fixed assets in 2009, and comparative data for 2008.

Note 13.2

in PLN thousand	Land and right of perpetual usufruct of land	Own real estate	Leasehold improvements	Machines and equipment and means of transport	Computer hardware	Total
Gross value as at 1 January 2009	**-**	**-**	**84 909**	**44 266**	**123 478**	**252 653**
Gross value - merger with Dominet Bank S.A.	250	10 375	50 967	45 768	73 669	181 029
- increase (incl. purchase)	-	-	11 035	5 678	40 238	56 951
- balance decrease (sale, liquidation)	-	-	-5 355	-6 937	-4 712	-17 004
- investments settled into costs	-	-	-2 462	-268	-3 517	-6 247
- other	-	-	-	-28	-229	-257
Gross value as at 31 December 2009	**250**	**10 375**	**139 094**	**88 479**	**228 927**	**467 125**
Accumulated depreciation as at 1 January 2009	**-**	**-**	**-43 650**	**-17 960**	**-77 784**	**-139 394**
Accumulated depreciation value - merger with Dominet Bank S.A.	-	-1 935	-20 727	-23 762	-49 235	-95 659
- depreciation	-	-108	-11 702	-8 168	-24 985	-44 963
- balance decrease (sale, liquidation)	-	-	2 860	4 248	4 542	11 650
- other	-	-	-	29	271	300
Accumulated depreciation as at 31 December 2009	**-**	**-2 043**	**-73 219**	**-45 613**	**-147 191**	**-268 066**
provisions as at 1 January 2009	**-**	**-**	**-**	**-**	**-**	**-**
provisions value - merger with Dominet Bank S.A.	-	-	-5 594	-19	-2 085	-7 698
- created	-	-	-1 780	-	-5 220	-7 000
- released	-	-	2 235	-	95	2 330
- accumulated depreciations against provisions	-	-	-	-	1 681	1 681
Provisions as at 31 December 2009	**-**	**-**	**-5 139**	**-19**	**-5 529**	**-10 687**
Fixed assets net as at 31 December 2009	**250**	**8 332**	**60 736**	**42 847**	**76 207**	**188 372**

in PLN thousand	Land and right of perpetual usufruct of land	Own real estate	Leasehold improvements	Machines and equipment and means of transport	Computer hardware	Total
Gross value as at 1 January 2008	**-**	**-**	**83 408**	**39 525**	**121 861**	**244 794**
- balance increase (incl. purchase)	-	-	8 366	11 486	13 046	32 898
- balance decrease (sale, liquidation)	-	-	-6 823	-6 603	-11 577	-25 003
- consolidation adjustment	-	-	275	443	434	1 152
- other	-	-	-317	-585	-286	-1 188
Gross value as at 31 December 2008	**-**	**-**	**84 909**	**44 266**	**123 478**	**252 653**
Accumulated depreciation as at 1 January 2008	**-**	**-**	**-40 897**	**-16 378**	**-73 703**	**-130 978**
- depreciation	-	-	-9 225	-5 389	-15 394	-30 008
- balance decrease (sale, liquidation)	-	-	6 557	4 050	11 405	22 012
- consolidation adjustment	-	-	-86	-310	-265	-661
- other	-	-	-	67	173	240
Accumulated depreciation as at 31 December 2008	**-**	**-**	**-43 651**	**-17 960**	**-77 784**	**-139 395**
Provisions as at 01 January 2008	**-**	**-**	**-**	**-**	**-**	**-**
- created	-	-	-	-	-	-
- released	-	-	-	-	-	-
Provisions as at 31 December 2008	**-**	**-**	**-**	**-**	**-**	**-**
Fixed assets net as at 31 December 2008	**-**	**-**	**41 258**	**26 306**	**45 694**	**113 258**

Property, plant and equipment held by the Group are neither restricted nor pledged as security for liabilities.

14. Intangible Assets

The table below presents a statement of changes in intangible assets.

Note 14

Intangible Assets (in PLN thousand)	**1.01.2009 – 31.12.2009**	**1.01.2008 – 31.12.2008**
Opening balance gross	**45 026**	**32 653**
Gross value - merger with Dominet Bank S.A.	31 284	-
- balance increase (incl. purchase)	38 317	12 411
- liquidation	-1 351	-16
- investments settled into costs	-14 385	-
- consolidation adjustment	-	296
- other	-9 519	-318
Ending balance gross	**89 372**	**45 026**
Accumulated amortisation opening balance	**-19 026**	**-10 366**
Amortisation value - merger with Dominet Bank S.A.	-13 852	-
- amortisation costs	-13 414	-8 462
- consolidation adjustment	-	-214
- balance decrease (sale and liquidation)	1 351	16
Accumulated amortisation ending balance	**-44 941**	**-19 026**
Provisions opening balance	**-**	**-**
Provisions - merger with Dominet Bank S.A.	-2 855	**-**
- created	-	-
- released	653	-
Provisions Ending balance	**-2 202**	**-**
Total net intangible assets ending balance	**42 229**	**26 000**

Intangible assets held by the Group are neither restricted nor pledged as security for liabilities.

15. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2009 and comparative data as at 31 December 2008.

Note 15.1

in PLN thousand	31.12.2009	31.12.2008
Deferred tax assets	282 919	244 184
Deferred tax reserve	55 100	147 467
Net deferred tax	**227 819**	**96 717**

Deferred tax is computed on all temporary differences using the balance sheet liability method at nominal tax rates which will be binding at the date of reversal of such differences.

Note 15.2

Deferred tax assets (in PLN thousand)	Opening balance 1 January 2009	Opening balance - merger with Dominet Bank S.A.	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 December 2009
Interest accrued to be paid	**12 345**	5 493	-3 605	-	**14 233**
Negative fair value – trading derivatives	**-**	-	2 489	-	**2 489**
Write downs for impairment and provisions	**34 730**	32 987	87 966	-	**155 683**
Fair value adjustment on account for credit risk of matured derivative instruments	**19 818**	-	17 118	-	**36 936**
Other non-tax-deductible provisions	**6 921**	4 513	6 931	-	**18 365**
Measurement of financial instruments held for trading	**162 902**	-	-119 503	-	**43 399**
Measurement of available-for-sale investments	**4 235**	2	-	-1 981	**2 256**
Commissions and fees settled in time	**2 973**	3 802	-4 186	-	**2 591**
Difference between balance sheet depreciation and tax depreciation	**-**	1 553	-1 545	-	**8**
Difference between market price and share purchase price	**-**	-	4 184	-	**4 184**
Impairment losses	**-**	703	1 746	-	**2 449**
Others	**260**	250	-185	-	**325**
Total deferred tax assets	**244 184**	**49 303**	**-8 587**	**-1 981**	**282 919**
Deferred tax liabilities (in PLN thousand)					
Interest accrued to be received	**20 573**	**4 299**	-6 854	-	**18 018**
Positive fair value - trading derivatives	**8 180**	**-**	-7 006	-	**1 174**
Difference between balance sheet depreciation and tax depreciation	**3 272**	**3 723**	-860	-	**6 135**
Investment relief settlement	**1**	**-**	-1	-	**-**
Measurement of financial instruments held for trading	**113 739**	**-**	-93 065	-	**20 674**
Measurement of available-for-sale investments	**-**	**25**	-	184	**209**
Commissions and fees settled in time	**1 702**	**7**	-288	-	**1 421**
Value of the future remuneration on account of securitised loans	**-**	**5 995**	695	0	**6 690**
Income to be received	**-**	**864**	-118	-	**746**
Others	**-**	**35**	-2	-	**33**
Total deferred tax liabilities	**147 467**	**14 948**	**-107 499**	**184**	**55 100**
Net deferred tax	**96 717**	**34 355**	**98 912**	**-2 165**	**227 819**

Deferred tax assets (in PLN thousand)	Opening balance 1 January 2008	Consolidation adjustment	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 December 2008
Interest accrued to be paid	**8 219**	-	4 126	-	**12 345**
Negative fair value – trading derivatives	**113**	-	-113	-	**-**
Negative fair value - hedged and hedging items	**81**	-	-81	-	**-**
Write-downs for impairment and provisions	**22 541**	-	12 189	-	**34 730**
Fair value adjustment on account of credit risk of matured derivative instruments	**-**	-	19 818	-	**19 818**
Other non-tax-deductible provisions	**8 495**	169	-1 743	-	**6 921**
Measurement of financial instruments held for trading	**13 609**	-	149 293	-	**162 902**
Measurement of available-for-sale investments	**661**	-	-	3 574	**4 235**
Commissions and fees settled in time	**3 479**	-	-506	-	**2 973**
Others	**171**	4	85	-	**260**
Total deferred tax assets	**57 369**	**173**	**183 068**	**3 574**	**244 184**
Deferred tax liabilities (in PLN thousand)					
Interest accrued to be received	**13 074**	11	7 497	-	**20 582**
Positive fair value - trading derivatives	**353**	-	7 818	-	**8 171**
Difference between balance sheet depreciation and tax depreciation	**3 025**	19	228	-	**3 272**
Investment relief settlement	**6**	-	-5	-	**1**
Measurement of financial instruments held for trading	**6 907**	-	106 832	-	**113 739**
Measurement of available-for-sale investments	**-**	-	-	-	**-**
Others	**131**	-	-131	-	**-**
Commissions and fees settled in time	-	-	1 702	-	**1 702**
Total deferred tax liabilities	**23 496**	**30**	**123 941**	**-**	**147 467**
Net deferred tax	**33 873**	**143**	**59 127**	**3 574**	**96 717**

The change in net deferred tax does not equal the deferred tax expense because deferred tax on unrealised gains and losses on available for sale financial assets is recognised directly in the revaluation reserve.

As at 31 December 2009, the total current and deferred tax liabilities related to items decreasing or increasing the equity stood at PLN -2,165,000 while as at 31 December 2008 it was PLN 3,574,000.

16. Other assets

Note 16

Other assets (in PLN thousand)	**31.12.2009**	**31.12.2008**
Deferred acquisition cost	12 125	3 624
Interest to be received, including:	63 387	96 795
- on cash and cash equivalents	43	127
- on due from banks	671	443
- on loans to customers	49 666	73 667
- on debt securities held for trading	1 717	1 937
- on debt securities available for sale	11 290	20 621
Financial assets recognised at the trade date	-	5 093
Interbank settlements	203	461
Income to be received	14 251	11 835
Receivables due from counterparties	9 648	10 541
Settlement of card transactions	11 380	-
Receivables on account of insurance	6 609	-
Unpaid fees and commissions	5 754	551
Others	18 669	8 468
Total other assets	**142 026**	**137 368**
write-downs for impairment	-22 198	-1 698
Total other assets, net	**119 828**	**135 670**

17. Liabilities

Due to banks

Note 17.1

Due to banks (in PLN thousand)	31.12.2009	31.12.2008
Due to the central bank	**-**	**325 000**
- Lombard loan	-	325 000
Banks' deposits	**556 579**	**1 438 513**
- Current	33 223	48 554
- Term	79 670	974 683
- Cash collateral	443 686	415 276
Others	**1 454 575**	**513 450**
Total due to banks	**2 011 154**	**2 276 963**

In "Others" item, liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date are recognised.

Due to customers

Note 17.2

Due to customers (in PLN thousand)	31.12.2009	31.12.2008
Current deposits	1 917 638	1 192 980
Term deposits	7 120 423	4 896 315
Cash collateral	186 615	236 308
Others	1 640	42 861
Total due to customers	**9 226 316**	**6 368 464**

Loans and credit facilities received

Note 17.3

Loans and credit facilities received (in PLN thousand)	31.12.2009	31.12.2008
Loans and credit facilities received from banks	5 686 288	5 277 520
Loans and credit facilities received from other institutions	821 640	2 920 680
Securitisation related liabilities - bonds	46 348	-
Securitisation related liabilities - loan	6 617	-
Total loans and credit facilities received	**6 560 893**	**8 198 200**

Liabilities related to issuance of debt securities

As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., Fortis Bank Polska SA took over the due on account of corporate bonds issued. On 22 July 2004 Dominet Bank S.A. concluded an agreement with BRE Bank S.A. regarding an organisation of Corporate Bonds Issue Programme. Inscribed corporate bonds, with the nominal value of PLN 100,000, were issued by Dominet Bank S.A. through the agency of BRE Bank S.A. on 29 July 2004 in the amount of PLN 30 million. The bonds redemption is scheduled for 29 July 2014.

18. Subordinated liabilities

At the end of 2009, the Bank's exposure on account of subordinated liabilities was as follows:

- agreement of 13 July 2004 with BRE Bank S.A. regarding an organisation of Subordinated Corporate Bonds Issue Programme. Subordinated corporate bonds were issued by Dominet Bank S.A. through the agency of BRE Bank S.A. on 29 July 2004 in the amount of PLN 30 million. On 14 September 2004, Dominet Bank S.A. obtained the Banking Supervision Commission consent to include the funds on account of subordinated corporate bonds issued, in the amount of PLN 30 million, into Tier 2 capital of Dominet Bank S.A.
- agreement of 23 October 2007 concluded with Fortis Bank (Nederland) N.V. based in Rotterdam (replacing the agreement of 28 September 2007 signed with Fortis Bank (Nederland) N.V.) regarding a subordinated loan in the amount of EUR 100 million. On 21 November 2007, the Board of Executives of Fortis Bank Polska SA obtained the consent of the Banking Supervision Commission to include the loan as subordinated debt into Tier 2 capital of the Bank in the calculation of capital adequacy pursuant to Article 127 of the Banking Law. On 27 November 2008, Fortis Bank Nederland, under an assignment agreement, assigned its receivables due from Fortis Bank Polska SA to Fortis Bank Luxembourg.
- agreement dated 21 April 2009 concluded with Fortis Finance Belgium SCRL regarding a subordinated loan in the amount of EUR 50 million. Under an annex to the agreement dated 10 June 2009, the subordinated loan amount was lowered to EUR 20 million. On 30 June 2009, the Bank obtained the Polish Financial Supervision Authority (KNF) consent to include the loan of EUR 20 million as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law.
- agreement of 21 April 2009 concluded by Dominet Bank S.A. and Fortis Bank SA/NV (along with the annex of 10 June 2009) regarding a subordinated loan in the amount of PLN 60 million. On 30 June 2009, Dominet Bank S.A. obtained the Polish Financial Supervision Authority (KNF) consent to include the funds in the amount of PLN 60 million into Tier 2 capital of Dominet Bank S.A. as subordinated debt, pursuant to Article 127 of the Banking Law.

Note 18

Change in subordinated liabilities (in PLN thousand)	**1.01.2009 – 31.12.2009**	**1.01.2008 – 31.12.2008**
Opening balance	**417 240**	**358 200**
Merger with Dominet Bank S.A.	**90 000**	**358 200**
Increases	205 410	-
- on account of loans	82 164	-
- on account of bond issues	123 246	-
Decreases	-123 246	-
- on account of loans	-	-
- on account of bonds redemption	-123 246	-
FX rate differences	-6 420	59 040
Ending balance	**582 984**	**417 240**

19. Other obligations

Note 19

Other obligations (in PLN thousand)	**31.12.2009**	**31.12.2008**
Accrued interest and expenses	14 934	16 263
Interest to be paid, including:	74 091	64 780
- on due to banks	2 994	13 958
- on due to customers	65 818	35 264
- on loans and credit facilities received	768	15 428
- on subordinated debt	4 511	130
Expenses to be paid	18 656	9 444
Taxes to be paid	12 617	5 377
Employee Benefits	28 188	25 258
Interbank settlements	40 415	188 332
Liabilities due to counterparties	15 365	18 574
Settlement on account of credit debt	35 296	16 588
Others	26 348	10 063
Total other liabilities	**265 910**	**354 679**

20. Provisions

Note 20.1

Provisions by titles (in PLN thousand)	31.12.2009	31.12.2008
Provisions for off-balance sheet commitments	42 258	8 270
IBNR reserve – off-balance sheet commitments	6 137	4 655
Legal risk provisions	4 886	2 900
Provisions for office sub-lease	3 492	1 049
Provision for future commitments – restructuring	20 238	-
Total provisions	**77 011**	**16 874**

In connection with the project of operational activity optimisation, the Bank created a restructuring provision in the amount of PLN 20,238 thousand.

The notes below present changes in the balance of provisions:

Note 20.2.1

Change in provisions for off-balance sheet commitments (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Opening balance	**12 925**	**12 639**
Merger with Dominet Bank S.A. - off-balance sheet commitments (IBNR)	1 955	-
Merger with Dominet Bank S.A. – off-balance sheet commitments	965	-
Increases	44 863	9 000
- for off-balance sheet commitments	40 574	5 893
- for IBNR losses – off-balance sheet commitments	4 289	3 107
Decreases	-12 269	-8 724
- for off-balance sheet commitments	-7 507	-2 544
- for IBNR losses – off-balance sheet commitments	-4 762	-6 180
FX rate differences	-44	10
Ending balance	**48 395**	**12 925**

Note 20.2.2

Changes in other provisions (in PLN thousand)	1.01.2009 – 31.12.2009	1.01.2008 – 31.12.2008
Opening balance	**3 949**	**3 335**
Merger with Dominet Bank S.A.	1 297	-
Increases	40 373	1 107
- for legal risk	18 140	-
- for office sub-lease	1 995	1 107
- for future commitments – restructuring	20 238	-
Decreases	-17 003	-493
- for legal risk	-16 154	-
- for office sub-lease	-849	-493
Ending balance	**28 616**	**3 949**

21. Equity capital

Note 21.1

Equity capital (in PLN thousand)	31.12.2009	31.12.2008
Share capital	1 206 175	503 135
Additional capital	554 446	308 656
Other capital	45 685	344 983
Revaluation reserve	-8 741	-18 053
Retained earnings	949	705
Net profit (loss) for the year	-429 880	78 496
Total equity	**1 368 634**	**1 217 922**

The share capital is recognised in the nominal value pursuant to the Bank's Statute and entries in the National Court Register.

The share capital of the Bank is PLN 1,206,175,300.00 and is divided into 24,123,506 shares with a nominal value of PLN 50.00 each.

The Bank's shares are bearer shares of equal nominal value that entitle to equal voting rights and participation in profit at the same rules. There are no preferences or restrictions related to any group of shares. The shares were paid for in cash.

Note 21.2

Series / issue	Registration date	Number of shares	Series / issue value at nominal value
A	19.12.1990	634 060	31 703 000
B	30.04.1991	1 115 940	55 797 000
C	14.07.1994	2 000 000	100 000 000
D	11.07.1996	1 250 000	62 500 000
E	11.04.1997	1 250 000	62 500 000
F	04.06.1998	625 000	31 250 000
G	04.06.1998	740 000	37 000 000
H	08.10.1999	761 500	38 075 000
I	03.07.2000	1 675 300	83 765 000
J	28.06.2001	5 025 900	251 295 000
K	02.01.2007	1 693 480	84 674 000
L	31.07.2009	5 243 532	262 176 600
M	14.09.2009	2 108 794	105 439 700
Total		**24 123 506**	**1 206 175 300**

The shareholder structure as at 31 December 2009 and in a comparative period was as follows:

Note 21.3

Balance as at 31 Dec. 2009	Number of shares held	Share (%) in the share capital	Number of votes at the AGM*	Share (%) in the total number of votes at the AGM
Fortis Bank S.A./N.V.	18 848 593	78,13%	18 848 593	78,13%
Dominet S.A.**	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 SA.

Balance as at 31 December 2008	Number of shares held	Share (%) in the share capital	number of votes at the AGM	Share (%) in the total number of votes at the AGM
Fortis Bank S.A./NV	16 651 449	99,29%	16 651 449	99,29%
Others	119 731	0,71%	119 731	0,71%
Total:	**16 771 180**	**100%**	**16 771 180**	**100%**

Another equity component is the additional capital which is established from net profit deductions, amounting to the level to be decided upon at the General Meeting of Shareholders. The additional capital shall also accommodate differences between the issue and nominal price of the Bank shares. Net profit deductions to replenish the additional capital make up at least 8% and are made until the additional capital reaches no less than one third of the Bank's share capital.

The other capital types are basically established from annual net profit deductions approved by the General Meeting of Shareholders. Reserve capital is earmarked for the coverage of specific losses and expenses, while the general risk fund is allocated to cover unidentified risks related to banking activity. Decisions on using other capital are made by the General meeting of Shareholders.

Note 21.4

Other capital (in PLN thousand)	31.12.2009	31.12.2008
General risk fund	45 639	194 639
Reserve capital	46	150 344
Total other capital	**45 685**	**344 983**

Revaluation reserve as at 31 December 2009 and in comparative period stood at:

Note 21.5

Revaluation reserve (in PLN thousand)	31.12.2009	31.12.2008
Measurement of available-for-sale financial assets, including:	-11 871	-22 287
- Treasury bills	2 333	1 522
- Treasury bonds	-14 204	-23 809
Deferred tax	2 047	4 234
Other	1 083	-
Total revaluation reserve	**-8 741**	**-18 053**

The revaluation reserve includes fair value changes on account of measurement of available-for-sale investments. The amount of the write-down made will increase or decrease, respectively, the value of available-for-sale investments.

As at the derecognition date of a financial asset available-for-sale from accounting books, the total effects of a fair value change in a given period recognised in the revaluation reserve are derecognised and recognised in the income statement. When available-for-sale financial assets are found impaired, the cumulated profits or losses recognised previously in the revaluation reserve are recognised in the income statement.

The revaluation reserve is not subject to distribution.

Information on planned allocation of net profit/loss and dividend payment

The Bank Board of Executives intends to recommend to the General Meeting of Shareholders that the Bank's balance sheet loss for 2009 should be covered entirely from the additional capital.

22. Additional Notes to Cash Flow Statement

This note presents the change in other assets and liabilities broken by types:

Note 22

Changes in the balance of other assets and liabilities: (in PLN thousand)	1.01.2009 - 31.12.2009	1.01.2008- 31.12.2008
Expenses to be paid	9 220	-2 918
Financial assets and liabilities recognised at the trade date	5 093	71 607
Interest to be received, including:	33 329	-27 071
Interest to be paid, including:	9 341	23 395
Interbank settlements	-147 659	130 788
Employee Benefits	2 930	-6 449
Settlements on account of credit debt	18 708	-16 054
settlements with counterparties	-2 298	3 246
other assets and liabilities related to the integration with Dominet Bank S.A.	-63 305	-
Others	-22 090	-18 938
Changes in the balance of other assets and liabilities, total	**-156 731**	**157 606**

23. Assets that Secure Own Commitments

Pursuant to the rules of protection fund of guaranteed deposits under the Bank Guarantee Fund Act (dated 14 December 1994 as amended), as at 31 December 2009 the Bank's books contained Treasury bonds in the nominal value of PLN 35 million and Treasury bills in the nominal value of PLN 17.85 million, which were separated from assets, to secure the BGF. Type of assets and their amount registered in the Bank's books earmarked for the coverage of the BGF is consistent with conditions defined in particular in Article 26 para. 1 and 2 and Article 13 of the said Act.

Note 23.1

Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund (in PLN thousand)	**31.12.2009**	**31.12.2008**
- Treasury bills at nominal value	17 850	-
- Treasury bills at balance sheet value	17 588	-
- Treasury bonds at nominal value	35 000	25 000
- Treasury bonds at balance sheet value	33 387	23 425
Total available for sale securities at balance sheet value	**50 975**	**23 425**
Value of cash deposited at the Bank and guaranteed by the system	**9 204 726**	**7 695 555**

Note 23.2

Securities pledged in the KDPW against the lombard loan (in PLN thousand)	**31.12.2009**	**31.12.2008**
- Treasury bonds at nominal value	-	382 400
- Treasury bonds at balance sheet value	-	369 372
of which used against the loan taken:	-	-
Total securities pledged in the KDPW against the lombard loan, balance sheet value	**-**	**369 372**

A lombard loan is taken based on the *Regulations of Refinancing Banks by the NBP through a Lombard Loan* published in NBP Management Board Resolutions: no. 42/2008 dated 1 February 2008 and no. 44/2008 dated 13 October 2008 (Official Journal of the NBP no. 3 and no. 16 of 2008) which governs terms and conditions of granting the lombard loan to banks, conditions of its utilisation and rules and manner of securing the repayment of the lombard loan by a pledge established on rights to securities. The lombard loan can be drawn up to 85% of the amount of securities pledged.

The Bank uses a technical loan granted by the NBP. Terms and conditions of granting the technical loan to banks by the NBP that is used and repaid intraday, are determined in particular in the "*Regulations of Intraday Refinancing of Banks by the NBP*" published in NBP Management Board Resolutions: no. 5/2008 dated 1 February 2008 and no. 54/2008 dated 13 November 2008 (Official Journal of the NBP no. 3 and no. 21 of 2008). The technical loan repayment is secured by an ownership transfer of rights derived from the securities over to the NBP. The NBP grants the technical loan by transferring funds into the bank's current account maintained by the NBP Payments Systems Department, in the amount equal to 85% of the nominal value of the securities subject to the ownership transfer to secure the repayment of the facility, if they are denominated in PLN; if they are in EUR, the funds equal to 100% of the collateral. The technical loan bears no interest, if it is utilised and repaid on the same day.

24. Derivative Financial Instruments

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 31.12.2009 and for comparative periods, broken by residual maturity.

Note 24.1

Derivative instruments held for trading (in PLN thousand)	31.12.2009							
	Fair value		Nominal value by maturity					
	positive	negative	Up to 1 month	1-3 months	3 months-1 year	1-5 years	> 5 years	Total
Foreign currency contracts:	**116 402**	**116 823**	**2 715 005**	**1 869 378**	**2 626 307**	**1 470 984**	**-**	**8 681 674**
- Forward (including the forward leg of a FX swap contract) - amounts bought	40 733	14 556	487 195	45 664	218 636	38 150	-	**789 645**
- Forward (including the forward leg of a FX swap contract) - amounts sold			484 958	40 682	202 727	36 010	-	**764 377**
- Options – amounts purchased	67 368	93 394	453 650	668 984	1 102 472	286 752	-	**2 511 858**
- Options – amounts sold			473 832	668 984	1 102 472	286 752	-	**2 532 040**
- CIRS – amounts purchased	8 301	8 873	410 820	221 288	-	410 820	-	**1 042 928**
- CIRS – amounts sold			404 550	223 776	-	412 500	-	**1 040 826**
Interest Rate contracts	**60 754**	**54 651**	**300 000**	**853 220**	**1 524 116**	**2 254 622**	**-**	**7 643 254**
- FRA	-	-	-	-	-	-	-	**-**
-IRS – amounts purchased	49 838	43 736	150 000	426 610	719 320	835 162	1 078 092	**3 209 184**
- IRS – amounts sold			150 000	426 610	719 320	835 162	1 078 092	**3 209 184**
- Options – amounts purchased	10 916	10 915	-	-	42 738	292 149	277 556	**612 443**
- Options – amounts sold			-	**-**	42 738	292 149	277 556	**612 443**
Total derivative instruments held for trading	**177 156**	**171 474**	**3 015 005**	**2 722 598**	**4 150 423**	**3 725 606**	**2 711 296**	**16 324 928**
Not traded on regulated markets	177 156	171 474	3 015 005	2 722 598	4 150 423	3 725 606	2 711 296	16 324 928
Total	**177 156**	**171 474**	**3 015 005**	**2 722 598**	**4 150 423**	**3 725 606**	**2 711 296**	**16 324 928**

Derivative instruments held for trading (in PLN thousand)	31.12.2008							
	Fair value		Nominal value by maturity					
	positive	negative	Up to 1 month	1-3 months	3 months- 1 year	1-5 years	> 5 years	Total
Foreign currency contracts:	**1 036 267**	**889 452**	**6 295 221**	**5 362 305**	**15 062 342**	**3 317 149**	**-**	**30 037 017**
- Forward (including the forward leg of a FX swap contract) - amounts bought	348 812	138 764	1 880 152	587 773	1 272 382	212 044	-	**3 952 351**
- Forward (including the forward leg of a FX swap contract) - amounts sold			1 755 830	547 200	1 237 444	203 563	-	**3 744 037**
- Options – amounts purchased	649 574	747 329	1 327 137	2 113 666	5 861 125	1 450 771	-	**10 752 699**
- Options – amounts sold			1 332 102	2 113 666	5 867 083	1 450 771	-	**10 763 622**
- CIRS – amounts purchased	37 881	3 359	-	-	428 524	-	-	**428 524**
- CIRS – amounts sold			-	-	395 784	-	-	**395 784**
Interest Rate contracts	**80 724**	**72 149**	**220 864**	**650 000**	**1 226 086**	**3 257 128**	**3 125 820**	**8 479 898**
- FRA	1 078	987	-	-	400 000	-	-	**400 000**
-IRS – amounts purchased	71 288	62 804	100 000	325 000	411 284	1 333 810	1 238 498	**3 408 592**
- IRS – amounts sold			100 000	325 000	411 284	1 333 810	1 238 498	**3 408 592**
- Options – amounts purchased	8 358	8 358	10 432	-	1 759	294 754	324 412	**631 357**
- Options – amounts sold			10 432	-	1 759	294 754	324 412	**631 357**
Total derivative instruments held for trading	**1 116 991**	**961 601**	**6 516 085**	**6 012 305**	**16 288 428**	**6 574 277**	**3 125 820**	**38 516 915**
Not traded on regulated markets	1 116 991	961 601	6 516 085	6 012 305	16 288 428	6 574 277	3 125 820	38 516 915
Total	**1 116 991**	**961 601**	**6 516 085**	**6 012 305**	**16 288 428**	**6 574 277**	**3 125 820**	**38 516 915**

25. Contingent Liabilities - Off-balance Sheet Commitments

The Bank recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities.

The tables below present the Bank's contingent liabilities as at 31.12.2009 and comparative data.

Note 25.1

Contingencies and Commitments (in PLN thousand)	**31.12.2009**	**31.12.2008**
Contingent liabilities granted		
- items related to financing	2 628 305	4 017 997
- guarantees	805 490	908 430
Total contingent liabilities granted	**3 433 795**	**4 926 427**
Contingent liabilities received		
- items related to financing	4 242 177	1 606 913
- guarantees	259 672	282 933
Total contingent liabilities received	**4 501 849**	**1 889 846**
Total contingent liabilities	**7 935 644**	**6 816 273**

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31.12.2009 made up PLN 2,518,271,000 or 96% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 3,868,073,000 or 96% as at 31.12.2008. 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.

The major item of off-balance sheet commitments received by the Bank constitute unused credit lines granted by the NBP and the entities affiliated by management which as at 31.12.2009 made up PLN 4,242,177,000, and, respectively, PLN 1,606,913,000 as at 31.12.2008.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 259,672,000 as at 31 December 2009 and PLN 282,933,000 as at 31 December 2008.

Pursuant to the existing experience of the Bank, maturities of financial contingent liabilities are identical to contractual validity periods of such liabilities.

The financial effect of off-balance sheet contingent liabilities is presented in the table above.

26. Custody Activity and Other Functions in Favour of Investment Funds

Comprehensive scope of services

The Bank offers its customers a comprehensive banking product that includes:

- maintenance of securities accounts used to register assets, in particular: shares, bonds, Treasury bills, commercial papers,
- settlement of transactions in securities entered into on domestic and international markets,
- performing operations on securities (dividend payment, payment of interest on bonds, debt securities redemption),
- acting as an intermediary in Stock Exchange and interbank market transactions;
- generation of reports tailored to customer needs,
- providing information on market events.

Custody of securities

The Bank is a direct member of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities) which is the central institution responsible for the maintenance and supervision of a deposit and settlement system with respect to trading in financial instruments in Poland. The Bank holds a securities account there, dedicated specifically to its Customers. Thus the Bank's assets are separated from Customer assets.

Settlement of transactions

All transactions are settled upon the receipt of a settlement instruction from the Customer. The exception is when the Custody Services Group makes securities purchase or sale instructions at the Warsaw Stock Exchange in Warsaw and BondSpot S.A., where the Customer's order replaces the Instruction. Transactions entered into on specific markets are settled on dates consistent with the binding law provisions, or if there are no general rules, they are settled the date agreed with the Customer.

Reports for Customers

The Bank provides Customers with reports on their investment activity. The content and form of reports, frequency and manner of their sending are agreed individually with each Customer and are adjusted to Customer needs.

Depository

The Bank performs the role of a depositor for Fortis FIO, an investment fund. Pursuant to the binding provisions, the Bank's tasks in this respect include in particular:

- keeping a register,
- checking the calculation of the net value of assets and value appraisal of the participation unit,
- supervision over the correct transaction settlements,
- supervision over the correct payment settlements,
- supervision over the adjustment of Fortis FIO investment limits to Fortis FIO Statute and law regulations,
- checking factual and legal activities undertook by Fortis FIO with respect to their compliance with Fortis FIO Statute and legal regulations.

The Bank maintains securities accounts in favour of customers. Details regarding the accounts maintained are presented in the table below:

Note 26

	31.12.2009	31.12.2008
Number of accounts maintained in favour of customers	16	12
Funds deposited on such Customer accounts (in PLN thousand)	2 891 605	2 428 005

Other functions performed in favour of investment funds

Under relevant agreements entered into with Fortis L Fund and Fortis L Fix, Luxembourg investment funds, the Bank performs a number of functions in favour of the funds, which consist in particular in the following:

- representation of funds before their participants and the Polish Financial Supervision Authority;
- acceptance of complaints from fund participants;
- providing information on funds to fund participants;
- verification of customer orders and forwarding them to the Transfer Agent;
- making pecuniary settlements with customers in connection with investments in participation titles;
- making pecuniary settlements with funds;
- sending reports to customers;
- service of investment fund distributors other than Fortis Bank Polska S.A.;
- distribution of fund participation units.

27. Lease facility

Financial lease

The Bank is the lessee under a financial lease contract signed in 2005 for alarm systems for the needs of own branches and franchised branches. The Bank recognises assets under financial lease as fixed assets.

The financial lease contract was concluded by Dominet Bank S.A.; considering that the financial statement does not recognise such events retrospectively, effects of the contract are not presented in the comparative data.

Note 27.1

Obligations under financial lease (in PLN thousand)	**31.12.2009**	**31.12.2008**
Total amount of minimum lease payments	3 376	-
Unrealised financial costs	326	-
Current value of minimum lease payment	3 050	-

Note 27.2

Total amount of minimum lease payments by maturity (in PLN thousand)	**31.12.2009**	**31.12.2008**
up to 1 year	1 390	-
from 1 up to 5 years	1 986	-
more than 5 years	-	-
Total	**3 376**	**-**

Note 27.3

Current value of minimum lease payment by maturity (in PLN thousand)	**31.12.2009**	**31.12.2008**
up to 1 year	1 225	-
from 1 up to 5 years	1 825	-
more than 5 years	-	-
Total	**3 050**	**-**

Operating lease

Payments related to Lease Agreements

Under lease agreements, Fortis Bank Polska SA occupies mainly office and warehouse premises. The major agreements concern buildings in Warsaw and Krakow.

In 2009, the Bank incurred expenses related to rent for the above real property of PLN 46,879,000, as compared to PLN 28,591,000 incurred in the comparable period (i.e. in 2008). The above fees were recognised in the income statement in Note "Other costs."

Note 27.4

Future liabilities (gross) under lease agreements by payment terms (in PLN thousand)	**31.12.2009**	**31.12.2008**
up to 1 year	58 226	28 912
from 1 up to 5 years	171 538	111 101
more than 5 years	90 942	78 800
Total	**320 706**	**218 813**

Some sublease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future liabilities have been determined based on the contractual notice period.

Lease agreements are entered into both in PLN and in foreign currencies. The notice period is usually 1, 3 or 6 months.

When the lease period ends, pursuant to the contractual provisions the Bank shall restore the premises to the technical condition that existed before the lease period.

Pursuant to lease agreements, the Bank subleases office premises.

Note 27.5

Future receivables (gross) under lease agreements by payment terms (in PLN thousand)	**31.12.2009**	**31.12.2008**
up to 1 year	2 598	2 219
from 1 up to 5 years	6 088	5 756
more than 5 years	3 128	3 881
Total	**11 814**	**11 856**

Some sublease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future receivables have been determined based on the contractual notice period. The notice period is usually 3, 6 or 12 months.

Right of perpetual usufruct of land

The Bank is perpetual usufructuary of land real estate. Perpetual usufruct right is recognised in the Bank's books as operating lease. Annual fees paid by the Bank for perpetual usufruct of land, computed according to the rates applicable in a given year, are settled through an account of accrued expenses.

Note 27.6

Future minimum lease payments on account of land perpetual usufruct, by payment terms (in PLN thousand)	**31.12.2009**	**31.12.2008**
up to 1 year	6	-
from 1 up to 5 years	29	-
more than 5 years	439	-
Total	474	-

28. Information on Related Party Transactions

Information on transactions of the Group with its parent company and entities affiliated by management is presented below. These transactions refer to banking operations performed within a standard business activity; the terms and conditions of transactions presented correspond to market conditions.

Note 28.1

31.12.2009 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	221 181	-	221 181
Financial assets held for trading	41 838	-	41 838
Due from Banks and Loans to Customers	982 862	413 713	1 396 575
Other assets	10 799	2 978	13 777
Total	**1 256 680**	**416 691**	**1 673 371**
Financial liabilities held for trading	133 822	83	133 905
Due to banks and customers	1 086 179	831 578	1 917 757
Loans and credit facilities received	390 000	6 117 928	6 507 928
Subordinated liabilities	60 000	492 984	552 984
Other liabilities	3 573	2 993	6 566
Total	**1 673 574**	**7 445 566**	**9 119 140**

31.12.2008 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	1 106 389	-	1 106 389
Financial assets held for trading	205 148	-	205 148
Due from Banks and Loans to Customers	302 986	41 700	344 686
Other assets	10 451	197	10 648
Total	**1 624 974**	**41 897**	**1 666 871**
Financial liabilities held for trading	717 080	-	717 080
Due to banks and customers	1 235 055	162 515	1 397 570
Loans and credit facilities received	-	8 198 200	8 198 200
Subordinated liabilities	-	417 240	417 240
Other liabilities	22 010	16 142	38 152
Total	**1 974 145**	**8 794 097**	**10 768 242**

Note 28.2

1.01.2009 – 31.12.2009 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Profit & Loss Account			
Interest income	6 167	945	7 112
Interest expense	-14 492	-108 096	-122 588
Fee and commission income	8 227	1 663	9 890
Fee and commission expense	-2 238	-	-2 238
Net trading income	-284 065	12 787	-271 278
Other revenues	4 324	56	4 380
Other expenses	-698	-	-698

1.01.2008 – 31.12.2008 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Profit & Loss Account			
Interest income	37 821	7 615	45 436
Interest expense	-34 087	-217 075	-251 162
Fee and commission income	51 715	4 250	55 965
Fee and commission expense	-1 355	-1	-1 356
Net trading income	-716 437	993	-715 444
Net profit (loss) on hedging transactions	584	-	584
Other revenues	8 391	321	8 712

Note 28.3

31.12.2009 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	46 135	126 214	172 349
- items related to financing	-	114 582	114 582
- guarantees	46 135	11 632	57 767
Contingent liabilities received:	46 130	252	46 382
- items related to financing	-	-	-
- guarantees	46 130	252	46 382
Transactions in derivative instruments*	8 345 515	823 320	9 168 835

31.12.2008 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	38 164	148 499	186 663
- items related to financing	-	123 759	123 759
- guarantees	38 164	24 740	62 904
Contingent liabilities received:	1 252	-	1 252
- items related to financing	-	-	-
- guarantees	1 252	-	1 252
Transactions in derivative instruments*	17 295 111	-	17 295 111

*In the item "Transactions in derivative instruments," the derivative instrument purchase and sale transactions are presented.

Material agreements with affiliated entities

Fortis Finance Belgium

On 21 April 2009, the Bank signed a credit agreement with Fortis Finance Belgium SCRL based in Brussels on taking a EUR 50 million subordinated debt by the Bank from Fortis Finance Belgium SCRL. The Agreement was concluded for 10 years, i.e., until 21 April 2019.

An annex to the credit agreement of 21 April 2009 was signed on 10 June 2009. Under the annex, the subordinated loan amount has been reduced down to EUR 20 million and can be repaid after 5 years since the loan agreement signing date, under the terms and conditions specified in the annex. The remaining part of the debt, i.e. EUR 30 million, was repaid by the Bank on 23 June 2009.

On 30 June 2009, the Bank obtained the Polish Financial Supervision Authority (KNF) consent to include the loan of EUR 20 million as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law.

In relation to the decrease of the subordinated loan amount taken from Fortis Finance Belgium down to EUR 20 million and the repayment of the remaining portion of the debt (i.e. EUR 30 million), on 23 June 2009 the Supervisory Board resolved about issuing subordinated inscribed bonds. Fortis Bank Polska SA offer regarding the bonds subscription was accepted by Fortis Finance Belgium SCRL/CBVA. On 29 June 2009, the parties signed an Underwriting Agreement that defined in detail the terms and conditions of the bond issue and subscription by the bondholder. The issue was entirely subscribed by Fortis Finance Belgium SCRL/CBVA based in Brussels. The issue was organised as a private placement of 300 subordinated inscribed bonds of EUR 100,000 each, with an unspecified maturity. The Bank Board of Executives applied to the Polish Financial Supervision Authority (KNF) for including the bonds into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law. In December 2009 the bonds were redeemed and consequently, the Bank filed an application to the Polish Financial Supervision Authority to withdraw the previous request for approval of including the bonds into equity capital.

On 29 December 2009, the Bank signed a credit line agreement for EUR 200 million with Fortis Finance Belgium SCRL/CVBA. Credit was disbursed on 4 January 2010. Funds under the credit facility will be allocated to general corporate purposes of the Bank. The Agreement replaced the loan agreement of 7 December 2007 which expired on 4 January 2010. The financing term is 13 months counted from the credit disbursement date. The credit interest rate was determined based on the EURIBOR rate increased by a margin.

29. Transactions with the Board of Executives, Supervisory Board, Managers and Employees

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:

Note 29.1

in PLN thousand	1.01.2009 - 31.12.2009	1.01.2008 - 31.12.2008
Board of Executives, including:	5 155	6 602
- remuneration	3 070	3 147
- benefits*	613	543
- other**	1 472	2 912
Supervisory Board	598	487
Managing Directors***	13 189	11 152

* 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.

The table below presents detailed information in remuneration paid to members of the Board of Executives in 2009, and comparative data for 2008.

Note 29.2

1.01.2009 – 31.12.2009 (in PLN thousand)		Remuneration	Benefits	others	Total
Alexander Paklons	President of the Board of Executives	-	255	701	956
Jan Bujak	Senior Vice-President	827	5,5	-	832,5
Frederic Amoudru	Vice President of the Board of Executives since 13 November 2009	-	13	-	13
Jean - Luc Deguel	Vice President of the Board of Executives	625	137	-	762
Jacek Obłękowski	Vice President of the Board of Executives since 1 April 2009	324	2	-	326
Jaromir Pelczarski	Vice President of the Board of Executives	827	5,5	250	1 082,5
Michel Thebault	Vice President of the Board of Executives since 1 September 2009	205	83	-	288
Thierry Lechien	Vice President of the Board of Executives since 15 June 2009	262	66	50	378
Philippe Van Hellemont	Vice President of the Board of Executives since 16 June 2009	-	46	471	517
Total		**3 070**	**613**	**1 472**	**5 155**

1.01.2008 – 31.12.2008 (in PLN thousand)		Remuneration	Benefits	others	Total
Alexander Paklons	President of the Board of Executives	-	263	692	955
Jan Bujak	Senior Vice-President	796	6	277	1 079
Bartosz Chytła	Vice President of the Board of Executives until 30 June 2008	388	3	1 353	1 744
Jean – Luc Deguel	Vice President of the Board of Executives	597	132	288	1 017
Jaromir Pelczarski	Vice President of the Board of Executives	800	6	275	1 081
Thierry Lechien	Vice President of the Board of Executives	566	133	27	726
Total		**3 147**	**543**	**2 912**	**6 602**

The table below presents detailed information in remuneration paid to members of the Supervisory Board in 2009, and comparative data for 2008.

Note 29.3

1.01.2009 – 31.12.2009 (in PLN thousand)		**Remuneration**
Camille Fohl	Chairman, since 26 June 2009	90
Jos Clijsters	Deputy Chairman	150
Antoni Potocki	Deputy Chairman	120
Zbigniew Dresler	Supervisory Board Member	84
Reginald De Gols	Supervisory Board Member, since 26 June 2009	42
Christopher Norris	Supervisory Board Member, until 31 January 2009	7
Peter Ullmann	Supervisory Board Member, until 26 June 2009	42
Lucas Willemyns	Supervisory Board Member, until 30 September 2009	63
Total		**598**

1.01.2008 – 31.12.2008 (in PLN thousand)		**Remuneration**
Jos Clijsters	Chairman	108
Antoni Potocki	Deputy Chairman	84
Werner Claes	Deputy Chairman (until 25 September 2008)	54
Zbigniew Dresler	Supervisory Board Member	64
Peter Ullmann	Supervisory Board Member	64
Marc Luet	Supervisory Board Member (from 21 February 2008 to 26 September 2008)	35,5
Lucas Willemyns	Supervisory Board Member (from 21 February 2008)	56,5
Christopher Norris	Supervisory Board Member (from 26 September 2008)	21
Total		**487**

Three members of the Bank's Board of Executives who are at the same time members of Supervisory Board of Fortis Private Investments Polska S.A. did not receive remuneration for this, either in 2008 or in 2009.

Provisions for employee benefits for key managers of the Group

The table below presents provisions for employee benefits for vital managers as at 31 December 2009 and comparative data as at 31 December 2008:

Note 29.4

Provisions for employee benefits for key managers, by groups (in PLN thousand)	**31.12.2009**	**31.12.2008**
Short-term, including:	3 169	2 913
- Board of Executives	766	986
- Managing Directors	2 403	1 927
Long-term, including:	268	311
- Board of Executives	115	136
- Managing Directors	153	175
Total provisions for employee benefits for key managers	**3 437**	**3 224**

Information on loans, credit facilities, guarantees and sureties granted by the Bank to Managing Directors, Members of the Board of Executives and Supervisory Board of Fortis Bank Polska SA.

As at 31 December 2009, the Bank granted:

to the Supervisory Board's Members:

- one (1) credit card limit of PLN 29,000, of which PLN 19,000 was used;
- one (1) guarantee of USD 5,000 issued for the period from 5 up to 10 years;
- one (1) debit limit in the savings and checking accounts (ROR) in the amount of PLN 30,000;

to the Board of Executives' Members:

- five (5) credit card limits of PLN 61,000 in total, of which PLN 20,000 was used,
- one (1) foreign currency loan of PLN 77,000 with the original maturity from 5 to 10 years, inclusive;
- three (3) debit limits in the savings and checking account in the total amount of PLN 105,000;

to Managing Directors:

- nineteen (19) loans totalling PLN 4,169,000, including 9 foreign currency loans of the total of PLN 2,694,000 with original maturity from 5 to over 30 years;
- one (1) debit limit in the savings and checking accounts (ROR) of PLN 14,000, of which PLN 11,000 was utilised as at the end of 2009;
- fifteen (15) credit card limits totalling PLN 115,000, of which PLN 18,000 was utilised as at the end of 2009;

to persons related to managing and supervising persons:

- two (2) loans (of which, three (3) in foreign currencies) in the total amount of PLN 154,000 with the original maturity from 10 to 30 years, inclusive;
- three (3) debit limits in the savings and loan accounts totalling PLN 38,000, of which PLN 24,000 was utilised as at the end of 2009;
- two (2) credit card limits totalling PLN 22,000, of which PLN 2,000 was utilised as at the end of 2009.

As at 31 December 2008, the Bank granted:

to the Supervisory Board's Members:

- one (1) credit card limit of PLN 29,000, of which PLN 25,000 was used;
- Guarantee of USD 5,000 issued for the period from 5 up to 10 years;
- one (1) debit limit in the savings and checking accounts (ROR) in the amount of PLN 10,000;

to the Board of Executives' Members:

- six (6) credit card limits of PLN 75,000 in total, of which PLN 20,000 was used,
- one (1) foreign currency loan of PLN 109,000 with the original maturity from 5 to 10 years, inclusive;
- two (2) debit limits in the savings and checking account in the total amount of PLN 100,000;

to Managing Directors:

- twenty-three (23) loans totalling PLN 6,115,000, including fourteen (14) FC loans of the total of PLN 5,065,000 with original maturity from 3 to over 30 years;
- eight (8) debit limits in the savings and checking accounts (ROR) totalling PLN 107,000, of which PLN 22,000 was utilised as at the end of 2008;
- sixteen (16) credit card limits totalling PLN 120,000, of which PLN 33,000 was utilised as at the end of 2008;

to persons related to managing and supervising persons:

- two (2) loans (of which, one (1) in a foreign currency) in the amount of PLN 165,000 with the original maturity from 10 to 30 years, inclusive;
- three (3) debit limits in the savings and loan accounts totalling PLN 37,000, of which PLN 29,000 was utilised as at the end of 2008;
- four (4) credit card limits totalling PLN 27,000, of which PLN 8,000 was utilised as at the end of 2008.

Information on employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)

The table below shows the indebtedness of Fortis Bank Polska SA employees on account of cash loans granted from the Company Social Benefits Fund (ZFŚS).

Note 29.5

Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)	31.12.2009	31.12.2008
in PLN thousand	830	358

Employee loans

Moreover, the Bank's employees are entitled to use employee loans. The outstanding balance of such loans is shown in the table below:

Note 29.6

Employee loans granted	31.12.2009	31.12.2008
in PLN thousand	162 220	180 870
According to the number of employees	1 607	1 060

General terms and conditions of loans, credit facilities, guarantees and sureties received by employees, Managing Directors, Members of the Bank's Board of Executives and Supervisory Board do not differ from the applied market conditions.

30. Employee Benefits

The number of full-time equivalents (FTEs) in the Group was as follows:

Note 30.1

Employment:	**31.12.2009**	**31.12.2008**
FTEs	2 680	1 785
of which, having education:		
- Higher	64%	67%
- BA	8%	10%
- Secondary	28%	23%

Employee benefits consist of:

- Short-term employee benefits, including:
  - reserve for bonuses
  - reserve for unused vacation leaves
  - ZFŚS (Company Social Benefit Fund)
  - others
- Long-term employee benefits, including:
  - reserve for pension benefits

Details regarding reserves for short-term employee benefits broken by titles:

Note 30.2

Short-term employee benefits by titles (in PLN thousand)	**31.12.2009**	**31.12.2008**
Reserve for employee bonuses	14 907	15 075
Reserve for unused vacation leaves	9 784	6 082
ZFŚS (Company Social Benefit Fund)	1 345	592
Others	41	705
Total short-term employee benefits	**26 077**	**22 454**

The Group does not finance employee pension schemes.

Long-term employee benefits include the Bank's liabilities on account of retirement severance pay, disability benefits and post-death benefits. The benefits are specific benefit programs that are not financed by assets. The Group applies the rule of full recognition of actuarial profits and losses in the income statement.

Retirement severance pay, disability benefits and post-death benefits are governed by relevant Labour Code provisions and are obligatory.

In the table below, a breakdown of long-term employee benefits by programs is presented:

Note 30.3

Current value of liabilities (in PLN thousand)	**31.12.2009**	**31.12.2008**
Retirement severance pay, disability benefits and post-death benefits	2 111	1 570
Jubilee awards	-	1 234
Total long-term employee benefits	**2 111**	**2 804**
Liabilities recognised in the balance sheet	**2 111**	**2 804**

In the first half of 2009 reserves for liabilities on account of jubilee awards were released.

The tables below present opening and ending balances of the present value of long-term employee benefits:

Note 30.4

Retirement severance pay, disability benefits and post-death benefits (in PLN thousand)	**31.12.2009**	**31.12.2008**
Present value of liabilities – opening balance	**1 570**	**975**
Current employment costs (*)	855	475
Interest expense	91	53
Actuarial Profits (+) / Losses (+)	-156	-38
Benefits paid out (-)	-139	-20
Consolidation adjustment	-	125
Effect of limiting the benefit program	-110	-
Present value of liabilities – ending balance	**2 111**	**1 570**

(*) this item includes PLN 452,000 of liabilities regarding employees of former Dominet Bank S.A.

Note 30.5

Jubilee awards (in PLN thousand)	**31.12.2009**	**31.12.2008**
Present value of liabilities – opening balance	**1 234**	**1 188**
Current employment costs	-	337
Interest expense	-	57
Past employment costs	-	-
Actuarial Profits (+) / Losses (+)	-	16
Benefits paid out (-)	-	-364
Effect of limiting the benefit program	-1 234	-
Present value of liabilities – ending balance	**-**	**1 234**

Current and past employment costs and actuarial profit/losses are recognised in the "personnel costs" item while interest expense is recognised in the "Interest expense" item of the income statement.

The table below shows the minimum and maximum discount rates and the expected remuneration growth rate that have been taken into account in the benefit measurement.

Note 30.6

Actuarial assumptions for measurement	**31.12.2009**	**31.12.2008**
Minimum discount rate	4,5%	5,1%
Maximum discount rate	6,0%	6,5%
Expected remuneration growth rate		
- Year 1	5,0%	3,5%;14,0%
- Year 2	5,0%	3,5%;10,0%
- from Year 3	5,0%	3,5%;5,0%

The above assumptions were applied to measure both types of benefits.

"Competence Development Academy- ARKa" training project

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 amount is PLN 3,200,000. The ARKa Project includes 26 types of training courses in various fields, such as change management, project and process management, financial analysis, negotiation techniques, HR management, time and stress management. The courses are addressed to all the Bank's employees. The project will last 22 months, from March 2009 to December 2010.

The notes below present revenues and expenses related to the "Competence Development Academy- ARKa" training program.

Note 30.7

Revenues related to the "Competence Development Academy- ARKa" training program (in PLN thousand)	**31.12.2009**	**31.12.2008**
commission income	607	-

Note 30.8

Expenses related to the "Competence Development Academy- ARKa" training program (in PLN thousand)	**31.12.2009**	**31.12.2008**
Personnel expenses - remuneration	-774	-
Personnel expenses – surcharges on remuneration	-133	-
Other expenses - advisory services and consulting	-48	-
Other expenses - stationery	-21	-
Other expenses - business travels	-5	-
Other expenses - expenditure related to RE use	-8	-
Other expenses - rents	-21	-
Other expenses - others	-302	-
Total	**-1 312**	**-**

31. Risk Management

The Bank identifies, measures, monitors and manages all risks that occur in its activity.

The Bank divides risk monitoring, control and management into the following categories:

- credit risk
- liquidity risk
- FX risk,
- interest rate risk
- counterparty risk
- operational risk
- business risk, including:
  - strategic risk
  - reputation risk

The Bank's Board of Executives defines the risk policy and applies the rules of risk management and control, determines the limit setting policy for all relevant risk types as well as risk control procedures.

Credit risk

Credit risk management

In its business, the Bank grants loans and credit facilities likewise issues guarantees to its customers and develops other forms of financing. This type of activity results in the Bank's exposure to risk that a loan or another form of financing granted by the Bank is not repaid by a borrower at a contractual date.

The risk occurs irrespective of the financing form, and the main risk source is customer's inability to meet its liabilities towards the Bank.

A philosophy of credit risk management at the Bank is based on an idea of an integrated management system. The integrated approach means that the risk identification, measurement, monitoring and control in all areas of the Bank's activity are performed under the common credit policy, uniform strategy and coherent rules, procedures, structures and tools to appropriately estimate and maintain the Bank's capital adequacy in relation to its risk profile.

The integrated approach covers operational and strategic dimensions of the credit risk management.

The strategic credit risk management concerns the management on the aggregated level and is related with such aspects of the Bank's activity as the management of the Bank's capital and goodwill, pricing policy, planning or budgeting.

The strategic dimension focuses on the portfolio risk and covers the following activities:

- implementation of the Bank's credit policy and strategy,
- creation and development of credit systems and tools (credit engineering),
- monitoring and management of the portfolio credit risk,
- credit reporting, credit control.

An operational dimension of credit risk management focuses on the management from the point of view of a single exposure or borrower, with an emphasis on such components as identification, measurement, monitoring and control of specific credit risks.

The operational dimension consists of the following activities:

- credit analysis and credit decisions,
- credit administration,
- monitoring of risk related to individual credit exposures,
- restructuring,

- debt recovery.

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

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

The main assumptions and rules of the credit risk management system in the Bank are included in the Credit Risk Management Policy, which covers all the regulations issued by the banking supervision, including the provisions of the New Capital Accord.

The Policy determines credit risk management rules and manners and covers the following functional areas of the Bank:

- loan granting process in specific business lines,

- procedures regarding monitoring credit exposures on the individual and portfolio levels,

- rules and qualitative criteria regarding the use of legal collateral for loans,

- problem loan management process.

Credit loss measurement and absorption

In the area of risk identification and measurement, the Bank uses measures that illustrate expected, unexpected and incurred credit losses, generated by the credit portfolio. These are:

- Incurred but not reported losses, for which a write-down for impairment is created (IBNR),
- Write-downs for impairment for incurred and reported losses,
- Provisions for off-balance sheet commitments,
- Actual economic losses,
- Expected losses,
- Unexpected losses.

An effective credit risk management system is conditioned not only on an efficient system of risk division and control, but also on the credit loss absorption capacity. Depending on the credit loss category, the Bank applies various loss coverage strategies to absorb the loss, as illustrated in the table below:

Credit loss category	Loss absorption strategy
Incurred losses	Appropriate level of write-downs for impairment for incurred and reported losses, provisions for off-balance sheet commitments and write-downs for impairment for incurred but not reported losses, is maintained
Expected losses	In the credit exposure interest rate (price) setting process, a margin is added to cover standard risk costs generated by a transaction
Unexpected losses	A buffer of equity capital is maintained at least at the level required by the regulatory and internal capital

Credit risk components

In measurement of credit risk on a customer level, the Bank takes into account the following risk components:

- **PD** (Probability of Default) - the likelihood that a customer is assigned the default status which is a statistically estimated probability of an event of default and the customer's classification into the default category for one year,

- **EAD** (Exposure at Default) – a parameter that estimates the credit exposure value at the moment the customer is assigned the default status based on the current credit exposure and its possible changes in the future,

- **LGD** (Loss Given Default) – a statistically estimated amount that the Bank expects to lose as a result of the borrower's default status.

The above components constitute the basis for an internal credit risk measurement in the Bank's portfolios.

The default status is assigned to borrowers with respect to which the Bank identified indicators of default on their obligations under the credit agreement.

The catalogue of objective indicators (events of default) includes quantitative and qualitative data, such as the following:

- Bankruptcy risk,
- Composition agreement,
- Composition proceedings initiated,
- Economic crime,
- Termination of loan agreements by other banks,
- Default longer than 90 days on the repayment of a loan principal and/or interest that has been continued in any account of the customer, or a credit limit granted to the customer that has been exceeded.

Expected losses constitute a statistical measure that reflects the amount of the most probable credit loss from the economic point of view (taking into account a discount over time and outlays incurred in the debt restructure and recovery process), expected within one year, from the portfolio of credit exposures towards performing borrowers at the beginning of the period. Expected losses constitute the basic cost category and are calculated using the above-mentioned three risk components, i.e. PD, EAD and LGD.

Within the credit risk identification and measurement, the expected losses are compared to write-downs for impairment which are based on losses incurred as at a balance sheet date, and not on expected estimations.

The calculation of the Incurred But Not Reported losses (IBNR) is based on the likelihood that a given credit exposure is reclassified from the performing portfolio into the portfolio of individually impaired assets in a given period of time, referred to as an incubation period, and subsequently the exposure is assigned the default status. For the CB and RB SE portfolio, the value of LIP assigned results from an empirical analysis of effective frequency of customer financial situation reviews. For the remaining part of the credit portfolio, due to lack of sufficient data, the period of six to nine months is applied, depending on the type of exposure.

Write-downs for impairment on account of IBNR losses are computed and booked monthly, based on the credit portfolio balance (balance sheet and off-balance sheet items) as at the end of a month directly preceding the month in which they have been booked.

Rating system

The creditworthiness of customers of the Bank is estimated based on Fortis Masterscale (FMS), a rating system that contains 17 rating classes to assess entities that fulfil the payment obligations and three (3) rating classes for defaults.

The rating is determined for commercial customers in relation to which the Bank's total credit exposure exceeds EUR 1,000. The table below presents FMS rating groups and classes with their respective default probabilities assigned.

Rating Class	Average Probability of Default (PD) (in %)
0	0
1-7	0,03 -0,74
8-10	1,01 - 1,87
11-12	2,54 - 3,45
13-17	4,69 - 17,00

Borrowers with reference to which there is a probability that the Bank will not recover all the receivables due unless collateral is used, or which are in default for over 90 days regarding any material credit liability due to the Bank, are classified into risk classes: 18, 19 or 20 and are assigned the default status.

Risk classes 18 and 19 are assigned to customers with an expressly defined risk recorded along with a probability that the Bank will incur losses due to the failure of settlement of the customer obligations should the customer situation continue to deteriorate.

A difference between class 18 and class 19 depends on whether a write down or a provision has been established for the customer. Class 19 is assigned to customers with impairment identified.

Risk class 20 is assigned to customers in whose case delays in instalment repayment have been noted and there is high probability that the Bank will incur losses due to the discontinuation of service of the company's loans as a result of customer liquidity problems and insufficient capital to continue its operational activity.

Fortis Bank Group has assumed that the assessment of the borrower's risk level obtained using any models applied in Fortis Bank Group in any countries where the Group operates, should always be presented using the uniform Fortis Masterscale system.

Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of write-downs for impairment and provisions for off-balance sheet commitments as at 31 December 2009 and comparative data as at 31 December 2008.

Nota 31.1.1

Information on exposure quality (in PLN thousand)	31.12.2009	31.12.2008
Cash and cash equivalents	**679 027**	**1 138 904**
- receivables without impairment	680 105	1 139 364
- write-downs for impairment of IBNR losses	-1 078	-460
Financial assets held for trading	**664 305**	**1 372 145**
- securities	487 149	255 154
- derivative financial instruments	177 156	1 116 991
measurement to fair value	203 182	1 221 310
fair value adjustment on account for credit risk	-26 026	-104 319
Due from banks	**1 573 242**	**606 373**
- receivables without impairment	1 573 359	606 447
- write-downs for impairment of IBNR losses	-117	-74
Loans to customers	**13 811 559**	**14 823 117**
- receivables without impairment	12 754 929	14 611 998
- receivables impaired, including where the impairment is:	2 072 053	470 792
determined on a case-by-case basis	1 353 585	426 870
determined using a collective method	718 468	43 922
- write-downs for impairment for incurred and reported losses	-910 752	-211 972
determined on a case-by-case basis	-540 210	-185 292
determined using a collective method	-370 542	-26 680
- write-downs for impairment of IBNR losses	-104 674	-47 701
Investments available for sale	**2 785 854**	**1 200 836**
- investments available for sale	2 785 854	1 200 836
Off-balance sheet commitments granted	**3 385 400**	**4 913 502**
- off-balance sheet commitments without impairment	3 233 822	4 886 252
- off-balance sheet commitments impaired, including where the impairment is:	199 973	40 175
determined on a case-by-case basis	121 420	39 226
determined using a collective method	78 553	949
- provisions for off-balance sheet commitments	-42 258	-8 270
determined on a case-by-case basis	-39 225	-7 710
determined using a collective method	-3 033	-560
- write-downs for impairment of IBNR losses – off-balance sheet commitments	-6 137	-4 655

Note 31.1.2

Analysis of gross loans to customer portfolio (in PLN thousand)	31.12.2009	31.12.2008
Performing receivables without impairment	12 018 150	14 216 410
Non-performing receivables without impairment	736 779	395 588
Receivables with impairment determined on a case-by-case basis with a provision	1 209 605	366 944
Receivables with impairment determined on a case-by-case basis without a provision	143 980	59 926
Receivables with impairment determined collectively, with a provision	707 714	42 970
Receivables with impairment determined collectively, without a provision	10 754	952
Total loans to customers, gross	**14 826 982**	**15 082 790**

The table below presents an analysis by currencies of loans to customers which are neither past-due nor impaired, as at 31 December 2009 along with comparative data as at 31 December 2008.

Note 31.1.3

Performing receivables without impairment (in PLN thousand)	31.12.2009	31.12.2008
CAD	-	13
CHF	3 960 955	4 060 029
DKK	-	834
EUR	2 125 947	2 478 151
GBP	-	2 361
NOK	-	1 370
PLN	5 870 355	7 531 273
SEK	-	2 082
USD	60 893	140 297
Total	**12 018 150**	**14 216 410**

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 31 December 2009 along with comparative data as at 31 December 2008, is presented in the table below:

Note 31.1.4

Performing receivables without impairment (in PLN thousand)	31.12.2009	31.12.2008
1-7	732 805	2 414 105
8-10	2 581 074	4 015 296
11-12	1 814 830	2 128 125
13-17	784 664	752 407
Unrated	6 104 777	4 906 477
- of which mortgage loans	4 381 592	4 328 070
Total	**12 018 150**	**14 216 410**

The analysis of loans to customers which are impaired, broken down by rating classes as at 31 December 2009 along with comparative data as at 31 December 2008, is presented in the table below:

Note 31.1.5

Impaired receivables (in PLN thousand)	31.12.2009	31.12.2008
- determined on a case-by-case basis	1 353 585	426 870
18	132 702	90 014
19	936 460	175 935
20	278 833	152 833
Unrated	5 590	8 088
- determined using a collective method	718 468	43 922
18	1 839	237
19	4 001	412
20	48 707	4 057
Unrated	663 921	39 216
Total	**2 072 053**	**470 792**

The "unrated" category covers the Bank's customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. According to the Fortis Masterscale system rules binding at the Bank, rating assignment procedure is applied only to such Commercial Banking BL and Retail Banking BL commercial customers (business entities) towards which the Bank's total credit exposure exceeds EUR 1,000.

The table below presents an aging analysis of financial assets that are past-due but not impaired as at a reporting date.

Note 31.1.6

Past-due period of non-performing receivables, without impairment (in PLN thousand)	**31.12.2009**	**31.12.2008**
from 1 to 30 days	407 850	354 341
from 31 to 60 days	263 139	16 043
from 61 to 90 days	51 030	17 139
from 91 days up	14 760	8 065
Total non-performing receivables without impairment	**736 779**	**395 588**

The table below presents types of collateral accepted by the Bank to secure credits and loans granted to loans as at 31 December 2009 and comparative data as at 31 December 2008.

Note 31.1.7

Nominal value of collateral established in favour of the Bank (in PLN thousand)	**31.12.2009**	**31.12.2008**
Financial collateral - cash and cash equivalents	578 186	616 821
Financial collateral - other	965 203	2 028 306
Non-financial collateral - tangible	25 273 097	21 840 015
Guarantees and sureties	2 522 136	3 090 050
Total collateral received	**29 338 622**	**27 575 192**

The collateral presented above includes the following collateral types:

- financial collateral – cash and cash equivalents – collateral established on cash or securities in the form of a guaranty deposit, hold on a bank account or on securities account;

- financial collateral – other – collateral established on investment fund participation units in the form of a hold on an account, transfer of receivables;

- non-financial collateral – tangible – established as registered pledge, ordinary pledge, ownership transfer, mortgage;

guarantees and suretyships.

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 30,692,000 as at 31 December 2009 and PLN 22,027,000 as at 31 December 2008.

Below there is an analysis of credit exposures (excl. banks) broken by business lines as at 31 December 2009 and comparative data as at 31 December 2008.

Note 31.1.8

Credit exposures broken by business lines 31 .12.2009 (in PLN thousand)	**Retail Banking**	**Merchant Banking**	**Total**
Balance sheet credit exposures	10 018 600	4 808 382	14 826 982
Off-balance sheet credit exposures	929 626	2 448 179	3 377 805
Total credit exposures, gross	**10 948 226**	**7 256 561**	**18 204 787**
Write-downs for impairment for incurred and reported losses	-521 105	-389 647	-910 752
Provisions for off-balance sheet commitments	-4 325	-37 933	-42 258
Write-downs for Incurred But Not Reported losses (IBNR)	-93 333	-17 478	-110 811
- balance sheet receivables	-89 709	-14 965	-104 674
- Off-balance sheet commitments	-3 624	-2 513	-6 137
Total credit exposures, net	**10 329 463**	**6 811 503**	**17 140 966**

Credit exposures broken by business lines 31.12.2008 (in PLN thousand)	Retail Banking	Merchant Banking	Total
Balance sheet credit exposures	8 807 581	6 275 209	15 082 790
Off-balance sheet credit exposures	1 461 943	3 380 228	4 842 171
Total credit exposures, gross	**10 269 524**	**9 655 437**	**19 924 961**
Write-downs for impairment of incurred and reported losses	-112 731	-99 241	-211 972
Provisions for off-balance sheet commitments	-1 616	-6 654	-8 270
Write-downs for Incurred But Not Reported losses (IBNR)	-31 124	-21 232	-52 356
- balance sheet receivables	-29 063	-18 638	-47 701
- Off-balance sheet commitments	-2 061	-2 594	-4 655
Total credit exposures, net	**10 124 053**	**9 528 310**	**19 652 363**

Note 31.1.9

Segment / Risk category 31.12.2009	Credit exposure value				Total
	Retail Banking		Merchant Banking		
	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	9 907 717	91	6 023 044	83	15 932 761
With impairment:	1 038 509	9	1 233 517	17	2 272 026
- determined on a case-by-case basis	308 432	-	1 166 573	-	1 475 005
- determined by a portfolio method	730 077	-	66 944	-	797 021
Total credit exposures, gross	**10 948 226**	**100**	**7 256 561**	**100**	**18 204 787**

Segment / Risk category 31.12.2008	Credit exposure value				Total
	Retail Banking		Merchant Banking		
	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	10 029 250	98	9 384 743	96	19 413 993
With impairment:	240 274	2	270 694	4	510 968
- determined on a case-by-case basis	195 891	-	270 207	-	466 098
- determined by a portfolio method	44 383	-	487	-	44 870
Total credit exposures, gross	**10 269 524**	**100**	**9 655 437**	**100**	**19 924 961**

The table below presents an analysis of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 31 December 2009 along with comparative data as at 31 December 2008.

Note 31.1.10

Mortgage loans for private individuals 31.12.2009	**PLN**	**FC**	**Total**
Balance sheet value (in PLN thousand)	594 024	3 938 910	4 532 934
Average maturity (years)	25,4	27,0	26,0
Average LTV (%)	80,7	86,2	85,5

Mortgage loans for private individuals 31.12.2008	**PLN**	**FC**	**Total**
Balance sheet value (in PLN thousand)	491 510	4 010 286	4 501 796
Average maturity (years)	21,6	26,3	25,7
Average LTV (%)	81,7	86,6	86,1

Note 31.1.11

Analysis of the gross mortgage loan portfolio (in PLN thousand)	**31.12.2009**	**31.12.2008**
Performing receivables without impairment	4 381 592	4 328 070
Non-performing receivables without impairment	95 285	140 438
Receivables with impairment determined on a case-by-case basis with a provision	4 850	7 263
Receivables with impairment determined collectively, with a provision	50 958	25 896
Receivables with impairment determined collectively, without a provision	249	129
Total mortgage loans, gross	**4 532 934**	**4 501 796**

The table below presents an aging analysis of mortgage loans that are past-due but not impaired as at a reporting date.

Note 31.1.12

Past-due period of non-performing mortgage loans, without impairment (in PLN thousand)	**31.12.2009**	**31.12.2008**
from 1 to 30 days	76 894	129 674
from 31 to 60 days	15 724	6 846
from 61 to 90 days	2 667	3 918
Total non-performing mortgage loans without impairment	**95 285**	**140 438**

The table below presents an analysis of mortgage loans by currency, as at 31 December 2009 and comparative data as at 31 December 2008.

Note 31.1.13

Mortgage loans by currency (in PLN thousand)	**31.12.2009**	**31.12.2008**
CHF	3 878 941	3 940 935
EUR	55 126	63 185
PLN	594 024	491 510
USD	4 843	6 166
Total mortgage loans	**4 532 934**	**4 501 796**

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken by sectors, as at 31 December 2009 and comparative data as at 31 December 2008.

Note 31.1.14

Credit portfolio by sectors	**31.12.2009**		**31.12.2008**	
	in PLN thousand	**in %**	**in PLN thousand**	**in %**
Natural persons	7 118 971	39,10	5 331 892	26,76
Wholesale	1 876 822	10,31	2 700 460	13,55
Education, medical care	1 503 933	8,26	1 747 423	8,77
Commercial construction and engineering	1 243 866	6,830	1 572 791	7,89
Machines	832 588	4,57	1 173 341	5,89
Other services	751 197	4,13	31 798	0,16
Retail trade	701 459	3,85	918 984	4,61
Food, tobacco, beverages	548 547	3,01	721 967	3,62
Chemicals and plastics	516 503	2,84	698 473	3,51
Vessels	448 446	2,46	423 956	2,13
Wood, woodwork	377 601	2,07	411 340	2,06
Sports, tourism, culture and arts	342 590	1,88	384 174	1,93
Motor vehicles	273 060	1,50	333 997	1,68
Ceramics and glass	194 773	1,07	245 759	1,23
Furniture and electrical industry	180 572	0,99	244 798	1,23
Transport	171 628	0,94	179 288	0,90
Financial institutions	143 675	0,79	430 460	2,16
Administration services	133 237	0,73	236 298	1,19
Textiles, leather articles	120 223	0,66	155 536	0,78
Other means of transport	105 185	0,58	151 898	0,76
Production of metals and non-metals	101 106	0,56	115 653	0,58
Paper and stationery	101 218	0,56	131 818	0,66
Print shops and publishers	59 925	0,33	122 866	0,62
Residential construction	30 135	0,17	43 706	0,22
Communications	16 087	0,09	25 901	0,13
Other production	63 335	0,35	1 118 227	5,61
Others	248 105	1,37	272 157	1,37
Total credit portfolio by sectors	**18 204 787**	**100,00**	**19 924 961**	**100,00**

Credit risk concentration

The Bank fully complies with and monitors limits under the Banking Law Act that define levels of receivables concentrations bearing risk of one entity or entities affiliated by capital or management.

Pursuant to Article 71 of the Banking Law Act, as at 31 December 2009 maximum limits for the Bank, on a consolidated basis, were as follows:

- PLN 476,298,000 (under the law, 25% of the Bank's equity) as regards the Bank's exposure towards each entity or entities affiliated by capital or management, where none of them is affiliated with the Bank,

- PLN 381,038,000 (under the law, 20% of the Bank's equity) as regards the Bank's exposure towards each entity or entities affiliated by capital or management, where any of such entities is the Bank's parent entity or subsidiary, or a subsidiary of the Bank's parent entity,

- PLN 190,311,000 (under the law, 10% of the Bank's equity) as regards the limit that defines the level that determines large exposure.

Neither in 2009 nor in 2008 did the Bank exceed the maximum exposure limit towards any customer or capital group as stipulated under the Banking Law Act.

The Bank obtained no financial or non-financial assets by taking over collateral established to improve the credit terms and conditions, either in 2009 or in the comparative period, i.e. in 2008.

Liquidity, FX and interest rate risks

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), or
- 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 Fortis Bank Brussels.

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.

As regards the risk management, the Bank's policy objective is that employees responsible for the supervision and service of risk management processes have high moral standards and long-term expertise and theoretical knowledge required for such duties.

In its policy the Bank has adopted a rule that business functions (direct transaction conclusion), operating functions (e.g. transaction booking, transaction settlement), control functions (risk level measurements and monitoring), that are part of the FX, interest rate and liquidity risk management, are performed by units that are mutually organisationally separate and report to different Members of the Board of Executives.

The policy that consists in a plain separation of:

- business functions from the risk level control functions - is to ensure that the quality of FX and interest rate risk level control would not deteriorate as a result of an internal conflict of interest, and that any control results that show an excessive FX risk would trigger an appropriate reaction of the Bank's management,
- operating functions from the risk control function - is to ensure that the quality of risk level control would not worsen as a result of an internal conflict of interest, and that any control results that show an excessive risk level would trigger an appropriate reaction of the Bank's management,
- operating functions from business functions - is to ensure that the quality of operating processes would not decrease as a result of an internal conflict of interest.

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

Liquidity Risk

The Bank identifies the following liquidity types:

- Immediate liquidity – within a current day,
- Future liquidity – for a period exceeding the current day, which may be further broken down by the following:

Current liquidity – within the term up to 10 days

short-term liquidity – up to 3 months,

mid-term liquidity – from 3 months up to 1 year,

long-term liquidity – from 1 month up to three years,

long-term liquidity – from 1 year up to five years,

long-term liquidity – from 1 year up to ten years.

The Bank defines liquidity risk as the risk of losing its ability to:

- settle its payment obligations timely,
- acquire funds alternative to the funds currently held,
- generate positive cash flow balance within a specified time horizon.

The Bank's strategy consists in the following:

- Ensuring high quality standards for the liquidity management processes. Under the strategy, steps towards quality improvement of the liquidity management processes have been assigned the top priority at the Bank,
- Striving to ensure that the Bank's dependence on market conditions is limited to such an extent that in a market crisis the Bank will be able to keep its liquidity for three months, without limiting the range of services or initiating changes in the core business. In the event of a market crisis lasting for a longer period, the Bank's strategy provides that liquidity is sustained, however, the previous development direction might be changed in this situation and the Bank would allow for costly changes in the business profile;
- Minimisation, in an active way, of the prospect for the occurrence of unfavourable events for the Bank. Since, however, the probability that such factors occur may not be completely eliminated, the Bank's strategy consists also in ensuring that, should such factors occur, the Bank will sustain its financial liquidity at minimum own costs (measurable and immeasurable) and take efficient steps to regain the confidence of customers and financial institutions as soon as possible.

In addition to deposit base of non-bank customers, the chief source of financing are loans extended by Fortis Bank group. The Bank is provided with a permanent source of financing through long-term loans.

As at 31 December 2009, the structure of loans disbursed was as follows:

- CHF 440 million – maturity in March 2010;
- CHF 297 million – maturity in October 2010;
- EUR 200 million – maturity in February 2011;
- CHF 440 million – maturity in July 2011;
- CHF 734 million – maturity in June 2012;
- EUR 2.5 million – maturity in June 2012;
- PLN 150 million – maturity in March 2014;
- EUR 100 million – maturity in September 2017;
- EUR 20 million – maturity in April 2019.
- PLN 60 million – maturity in April 2019.
- PLN 240 million – maturity in March 2029;

Additionally, as at 31 December 2009 the Bank held bonds issued, in the total amount of PLN 60 million, maturing in July 2014.

The table below presents the liquidity gap as at 31 December 2009, likewise as at 31 December 2008.

Note 31.2.1

Liquidity gap (in PLN million)		Amount	Unused limit	Limit	% of the limit used	Limit has been exceeded
31. 12.2009	10D	734	3 870	4 604	16%	NO
	3M	-171	3 925	3 754	0%	NO
	1Y	-335	2 963	2 628	0%	NO
31. 12.2008	10D	3 318	-908	2 410	138%	YES
	3M	5 599	-3 229	2 370	236%	YES
	1Y	2 292	-340	1 952	117%	YES

As at 31 December 2009, no established liquidity limits were exceeded.

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 31 December 2009 and as at 31 December 2008.

Note 31.2.2

31.12.2009 (in PLN thousand)	**Without any maturity determined**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-3 years**	**3 – 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	-	-	-	-	-	-	-	**832 724**
Financial assets held for trading	-	1 922	53 798	337 349	229 712	7 966	33 558	**664 305**
Due from banks	-117	1 533 170	1 765	7 441	-	30 983	-	**1 573 242**
Loans to customers	1 058 838	1 815 859	290 609	1 566 636	2 514 615	1 551 359	5 013 640	**13 811 556**
Investments available for sale	19 987	1 010 342	168 602	831 093	418 696	-	337 134	**2 785 854**
Other assets	-	-	-	-	-	-	-	**626 802**
Long position	**1 078 708**	**4 361 293**	**514 774**	**2 742 519**	**3 163 023**	**1 590 308**	**5 384 332**	**20 294 483**
Financial liabilities held for trading	-	22 634	26 547	53 082	33 253	6 568	29 390	**171 474**
Due to banks	-	1 531 498	8 700	52 198	183 866	139 195	95 697	**2 011 154**
Due to customers	543 365	5 475 648	1 535 925	1 539 385	128 505	525	2 963	**9 226 316**
Loans and credit facilities received	-	821 640	1 217 084	847 497	3 257 672	150 000	240 000	**6 560 893**
Liabilities related to issuance of debt securities	-	-	-	-	-	30 000	-	**30 000**
Subordinated liabilities	-	-	-	-	-	30 000	552 984	**582 984**
Other liabilities	-	-	-	-	-	-	-	**1 711 662**
Short position	**543 365**	**7 851 420**	**2 788 256**	**2 519 162**	**3 603 296**	**356 288**	**921 034**	**20 294 483**
Gap – balance sheet	**535 343**	**-3 490 127**	**-2 273 482**	**223 357**	**-440 273**	**1 234 020**	**4 463 298**	**-**
Derivative instruments								
Amounts bought	-	1 501 665	1 362 546	2 083 165	1 325 843	537 191	1 355 648	**8 166 058**
Amounts sold	-	1 513 340	1 360 052	2 067 256	1 325 383	537 191	1 355 648	**8 158 870**
Gap – off-balance sheet	**-**	**-11 675**	**2 494**	**15 909**	**460**	**-**	**-**	**7 188**

31.12.2008 (in PLN thousand)	**Without any maturity determined**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-3 years**	**3 – 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	-	-	-	-	-	-	-	**1 494 888**
Financial assets held for trading	-104 319	235 691	225 361	672 594	238 019	19 031	85 768	**1 372 145**
Due from banks	-74	591 172	3 735	4 999	6 541	-	-	**606 373**
Loans to customers	211 005	2 955 491	742 467	1 709 768	2 139 867	1 518 109	5 546 410	**14 823 117**
Investments available for sale	88	-	49 500	387 911	282 796	34 829	445 712	**1 200 836**
Other assets	-	-	-	-	-	-	-	**371 645**
Long position	**106 700**	**3 782 354**	**1 021 063**	**2 775 272**	**2 667 223**	**1 571 969**	**6 077 890**	**19 869 004**
Financial liabilities held for trading	-	110 161	184 396	470 120	144 783	15 891	36 250	**961 601**
Due to banks	-	1 810 320	5 890	44 178	141 182	154 639	120 754	**2 276 963**
Due to customers	-	4 712 633	1 155 450	481 175	16 394	-	2 812	**6 368 464**
Loans and credit facilities received	-	-	-	-	6 042 459	2 155 741	-	**8 198 200**
Subordinated liabilities	-	-	-	-	-	-	417 240	**417 240**
Other liabilities	-	-	-	-	-	-	-	**1 646 536**

Short position	**106 700**	**6 633 114**	**1 345 736**	**995 473**	**6 344 818**	**2 326 271**	**577 056**	**19 869 004**
Gap – balance sheet	**106 700**	**-2 850 760**	**-324 673**	**1 779 799**	**-3 677 595**	**-754 302**	**5 500 834**	**-**
Derivative instruments								
Amounts bought	-	3 317 720	3 026 439	8 175 074	2 272 745	1 018 635	1 562 910	**19 373 523**
Amounts sold	-	3 198 363	2 985 866	8 113 354	2 264 397	1 018 502	1 562 910	**19 143 392**
Gap – off-balance sheet	**-**	**119 357**	**40 573**	**61 720**	**8 348**	**133**	**-**	**230 131**

FX Risk

The Bank's strategy consists in ensuring high quality standards for the currency risk management processes. Under the strategy, steps towards quality improvement of the FX risk management processes have been assigned a high priority at the Bank.

Pursuant to the Bank's strategy regarding exposures to market currency risk, the Bank makes transactions that result in assuming currency positions sensitive to market FX rate changes in order to generate a positive financial result.

Moreover, the level of the Bank's exposure to the market currency risk is at all times limited by a ceiling in such a way as to be able to ensure with high probability that:

- in a situation of an ordinary (not emergency) market volatility, on any day of a calendar year, the annual cumulated financial profit/loss (generated on account of the Bank's exposure to the currency risk), does not reach a loss exceeding the double profit planned for this year (on account of the Bank's exposure to the currency risk),
- in a situation of a market crisis, on any day of a calendar year, the annual cumulated financial profit/loss (generated on account of the Bank's exposure to the currency risk), does not reach a loss exceeding 10% of the Bank's equity capital.

Pursuant to the Bank's policy, the FX market risk is managed by the Treasury Department. The Treasury Department manages the risk by managing the Bank's FX position through entering into FX transactions with Customers and other banks. In order to manage the FX position efficiently and accurately, the Treasury Department uses the Bank's information system that continuously provides the up-to-date information in respect of:

- FX position managed by the Treasury Department,
- global FX position managed by the Treasury Department,
- intraday Value at Risk (VaR),
- night VaR,
- intraday financial result achieved from FX position management (after deducting risk-free commercial margins).

End-of-day values are prepared and reported by the Market and Liquidity Risk Management Department.

In its policy, the Bank pays special attention to the quality of the methodology applied to VaR determination. Value at Risk (VaR) – is the measure by which the market value of an asset or a portfolio of assets can diminish with specific assumptions, in defined time and with a predetermined probability. The VaR must be determined with the 99% confidence level. The VaR calculation for F/X risk includes the one-day term for keeping FX positions. This methodology is subject to an annual quality control by comparing the projected values with the values determined on the basis of actual FX rate changes, assuming that the given FX position is maintained (a historical review or the so-called 'back testing'). The comparative period refers to the last 250 business days.

Information on the FX position managed by the Treasury Department and VAR limit utilisation is presented in the table below:

Note 31.3.1

Information on FX risk (in PLN thousand)	**31.12.2009**		**31.12.20087**	
Position limit utilization	15%	21 873	16%	24 381
VaR limit utilization	9%	112	25%	297

The utilisation of limits for FX risk portfolio managed by the Treasury Department was as follows:

Note 31.3.2

1.01.2009 – 31.12.2009	**Limit utilisation**		
	minimum	**lmedium**	**maximum**
VaR	2%	9%	47%
Global FX position	3%	9%	22%

1.01.2008 – 31.12.2008	**Limit utilisation**		
	minimum	**medium**	**maximum**
VaR	2%	9%	75%
Global FX position	5%	12%	33%

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 31 December 2009 along with comparative data as at 31 December 2008.

Note 31.3.3

FX position components (in PLN thousand)	**31.12.2009**		**31.12.2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
HUF	75	198	80	670
CZK	15 069	15 066	479	776
AUD	457	136	163	209
JPY	2 866	94	980	193
USD	198 663	207 554	202 033	358 251
CAD	851	472	1 155	1 883
GBP	9 510	9 997	73 721	80 023
DKK	849	892	32 571	19 958
NOK	1 056	2 668	24 400	13 743
CHF	5 075 978	5 299 449	4 261 222	3 853 743
SEK	1 212	751	15 745	9 188
EUR	2 638 404	4 033 495	3 587 627	5 732 704
PLN	12 347 264	10 720 335	11 665 823	9 794 166
Other convertible currencies	2 229	3 376	3 005	3 497
Total	**20 294 483**	**20 294 483**	**19 869 004**	**19 869 004**

Interest Rate Risk

The Bank's strategy with respect to exposures to market interest rate risk consists in the Bank's making operations resulting in assuming open interest rate risk positions in order to generate a positive financial result. Moreover, the level of the Bank's exposure to the market interest rate risk is at all times limited by a ceiling in such a way as to be able to ensure with high probability that:

- in a situation of an ordinary (not emergency) market volatility, on any day of a calendar year, the cumulated financial profit/loss[1] amount (generated on account of transactions subject to the exposure to the market interest rate risk), together with the cumulated change of the capital value[2] does not reach a negative value exceeding the profit planned for this year (on account of transactions subject to the exposure to the market interest rate risk),
- in a situation of emergency market volatility, on any day of a calendar year, the cumulated financial profit/loss amount (generated on account of transactions subject to the exposure to the market interest rate risk), together with the cumulated change of the capital value does not reach a negative value exceeding 10% of the capital,

The market interest rate risk is concentrated in the aforesaid two separate portfolios: GMK IR portfolio managed by the Treasury Department and ALM portfolio managed by the Market Risk, Liquidity and ALM Committee. Under the Bank's policy the interest rate risk is analysed in each of the said portfolios separately, as well as on the level of the entire banking portfolio.

The Bank's policy determines three basic analysis types for the banking portfolio and the ALM Portfolio.

The analyses constitute an integral part of the interest rate risk mitigation system in the Bank and are carried out monthly or quarterly – as described below.

1. Value at Risk (VaR) analysis for the banking portfolio and ALM portfolio

The VaR is computed with the 99% confidence level and for two-month period of keeping a fixed interest rate risk position. The analysis is conducted every month.

2. Earnings at Risk (EaR).

The analysis consists in simulations of future (within the next three years) net interest earnings assuming diverse interest rate curve scenarios. The simulations are made on the current balance sheet structure which changes dynamically under the impact of the budget plans' performance and in response to interest rate curve changes. Under the policy, simulations are made at least quarterly and at least for the following six basic scenarios of an interest rate curve.

- The Central Scenario – which consists in keeping the actual interest rate curve.
- Forward Scenario – which consists in the assumption that future interest rate curves will be actually consistent with the currently observed future interest rate levels.
- The (+ 100bp) Shift Scenario – which consists in a parallel shift of the actual interest rate curve up by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve shape does not change any longer.

[1] i.e., cumulated year-to-date, or for the period from the beginning of the calendar year until the given day of the calendar year.
[2] Cumulated change of the capital value, understood as the cumulated change in the fair value of financial instruments (resulting from the change of interest rates), the measurement of which, in the light of the binding accounting provisions, is recorded in the Bank's capital.

- The (- 100bp) Shift Scenario – which consists in a parallel shift of the actual interest rate curve down by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve does not change any longer.
- The (+100 bp KT - 100 bp LT) Scenario – otherwise called flattening, consists in changing the current curve shape by moving it up at the 1M level by 100 bp and moving it down at the level of 10Y by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve shape does not change any longer.
- The (-100 bp KT + 100 bp LT) Scenario – otherwise called steepening, consists in changing the current curve shape by moving it down at the 1M level by 100 bp and moving it up at the level of 10Y by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve shape does not change any longer.

3. Sensitivity to the parallel shift of the interest rate curve (+100 bp shift). The analysis consists in determination of sensitivity of net present value of the Bank's assets and liabilities, to the parallel interest rate curve shift up by 100 bp. The sensitivity is determined as an absolute value of the difference between the net current value of assets and liabilities obtained by (i) discounting with the current curve and (ii) discounting with the curve shifted up by 100 bp. The analysis is made every month.

Basic interest rate analyses made for the Interest Rate portfolio managed by the Treasury Department (GMK IR).

Pursuant to the Bank's policy, two basic analysis types are made for the portfolio. The analyses constitute an important and integral part of the interest rate risk mitigation system in the Bank and are carried out every day – as described below.

1. Value at Risk (VaR) analysis.

The VAR is computed with the 99% confidence level and for one-day period of keeping a fixed interest rate risk position. The analysis is conducted every day.

2. Modified Duration (N) analysis.

The purpose of the analysis is a determination of the first derivative of (Modified Duration(N)), a function describing the present value of the portfolio depending on the variable i.e. the interest rate. The analysis is conducted every day.

Additional analyses

In addition to the above, basic interest rate risk analyses of key importance for the interest rate risk mitigation, in its Policy the Bank runs a set of standard interest rate risk analyses.

1. Basis Point Sensitivity.

The BPS methodology constitutes an estimation of the portfolio present value sensitivity to changes at specific points of interest rate curves by 1 basis point (0.01%).

2. Analyses of sensitivity to extreme interest rate changes (stress tests).

In addition to the aforesaid analyses aimed at the estimation of the portfolio sensitivity (understood as the adjustment of the present value and of future net interest earnings) to the interest rate changes on the market, the Bank carries out analyses to estimate the sensitivity to extreme interest rate changes, i.e. the ones considerably higher than usually noted. The analyses are conducted for the banking portfolio.

Information on interest rate risk

As at the end of 2009 and in the comparative period of 2008, the Bank's interest rate change risk was the following:

Note 31.4.1

2-month VaR in the banking book (in PLN thousand)	31.12.2009	31.12.2008
	1 347	16 285

Note 31.4.2

Bp sensitivity (+1bp): 31.12.2009 (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	5,2	-0,6	-0,4	-0,1	-	4,1
M1	1,8	2,6	-14,1	0,6	0,1	-9,0
M3	-28,8	-13,5	23,4	0,3	-	-18,6
M6	-15,8	-3,0	-6,6	0,4	-	-25,0
M9	-	0,2	0,9	0,6	-	1,7
M12	-	0,2	7,3	0,4	-	7,9
Y2	-	-0,4	-3,4	0,1	-	-3,7
Y3	-	-0,5	-0,9	-	-	-1,4
Y5	-	0,5	0,2	-	-	0,7
Y10	-	0,1	-	-	-	0,1
Total	-37,6	-14,4	6,4	2,3	0,1	

Bp sensitivity (+1bp): 31.12.2008 (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	5,6	2,1	-0,5	-	-	7,2
M1	1,5	6,0	-3,8	0,6	0,1	4,4
M3	-43,4	-9,2	-0,6	0,1	-	-53,1
M6	-25,7	-3,2	-0,7	-	-	-29,6
M9	-	0,1	-4,8	0,1	-	-4,6
M12	-	-0,5	-11,1	0,1	-	-11,5
Y2	-	-0,8	-4,3	0,1	-	-5,0
Y3	-	-0,7	-8,8	-	-	-9,5
Y5	-	2,3	-57,2	-	-	-54,9
Y10	-	0,4	-58,3	-	-	-57,9
Total	-62,0	-3,5	-150,1	1,0	0,1	

Since the beginning of 2009, the utilisation of interst rate risk limits for the portfolio managed by the Treasury Department was as follows:

Note 31.4.3

1.01.2009 – 31.12.2009	Limit utilisation		
	minimum	medium	maximum
VaR	26%	75%	172%
Global interest rate position	30%	63%	105%

1.01.2008 – 31.12.2008	Limit utilisation		
	minimum	medium	maximum
VaR	17%	39%	96%
Global interest rate position	14%	59%	88%

As at 31 December 2009, no established liquidity limits were exceeded.

Counterparty risk

Counterparty risk is the risk of the counterparty's default on its liabilities under contracts 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 transactions can result in a change in the exposure scale over time, thus generating credit risk when a customer is insolvent. Actual exposure depends on contract measurement and surcharge that depends on a transaction type, customer type and settlement dates.

As at the end of December 2009, the counterparty risk calculation included the following transaction types included in the Bank's trading portfolio:

- day-to-day foreign exchange contracts

- interest rate contracts

- FX options

- interest rate options

In the measurement of FX forward transactions and FX options, the Bank adjusted the fair value of those instruments by the impact of credit risk, the materiality of which has considerably increased in the current market conditions.

The fair value of financial instruments is adjusted on account of credit risk by an assessment of cash flows, generated by customers, that might cover the valuation derivative instruments. The customer ability to settle their commitments, estimated in the above process, is then compared to the size of customer exposure, taking into account the transactions signed with other banks. A negative difference between the two amounts adjusts the fair value of financial instruments.

Fair value

Note 31.5.1

Fair value table (in PLN thousand)	31.12.2009		31.12.2008	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	832 724	832 695	1 494 888	1 494 600
Due from banks	1 573 242	1 567 038	606 373	605 290
Loans to customers	13 811 556	12 233 299	14 823 117	13 515 781
Due to banks	2 011 154	1 999 803	2 276 963	2 242 228
Due to customers	9 226 316	9 225 412	6 368 464	6 365 862
Loans and credit facilities received	6 560 893	6 241 080	8 198 200	7 953 609
Liabilities related to issuance of debt securities	30 000	29 988	-	-
Subordinated liabilities	582 984	478 252	417 240	320 332

The Bank calculates fair values of transactions that are not measured to fair value by discounting all cash flows in the transaction using interest rate curves characteristic for each group of transactions:

An interest rate curve used to calculate a fair value of the Bank's liabilities and receivables consists of:

1. for liabilities (e.g. customer deposits, inter-bank deposits):

   - interest rate curve free of credit risk

   - valid at the last day of the year, costs of these funds acquisition exceeding interest rate curve free of credit risk

2. for receivables (e.g. loans to customers, inter-bank placements):

   - interest rate curve free of credit risk

- valid at the last day of the year, costs of the financial sources acquisition exceeding interest rate curve free of credit risk

- market margin that reflects the credit risk

For instruments where future cash flows cannot be determined it is assumed that their fair value equals the carrying value.

Operational risk

Fortis Bank Polska SA

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 Basle 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: "Strategy and Policy regarding Operational Risk and Business Risk Management of 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. To this end, the Bank's Board of Executives is kept informed on a regular 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 - Operational Risk Management Department of the Transversal Risk Management Line. In addition to the above, co-ordination of the operational risk management process in the units belonging to TOPS is the responsibility of the Risk Transfer and Information Security Department, whose scope of competence includes also definition and implementation of the Bank's strategy in terms of Bank insurance, as a risk mitigation method.

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, monitoring, mitigation and reporting of 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 Operational Risk Management 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 checks operational risk level using predefined Key Risk Indicators, i.e. measurable values that enable ongoing monitoring of changes in operational risk profile, analysis of trend of changes in exposure to risk and early detection of increased operational risk for specified areas of the Bank's activity.

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 operational risk, the Bank uses the Basic Indicator Approach.

As part of legal risk management, the Legal Department monitors and analyses the above-mentioned areas and notifies the Compliance Department and Audit Department about any risks or irregularities identified.

The Bank performs measures leading to the creation of an integrated business continuity management system. The system will enable to identify potential threats for the organisation and to estimate a probable impact that such treats, if they occur, might have on processes existing in the Bank.

Rules of the Bank's business continuity management are described in internal regulations: "Crisis Management at Fortis Bank Polska S.A." and "Business Continuity Management Policy of Fortis Bank Polska SA" .

There is a specialised Business Continuity Committee in the Bank, established as an approving body to support the Board of the Executives in an effective management of the Bank's business continuity.

The Bank makes analyses regarding business continuity and indicating the need to secure a given area, develops business continuity plans that precisely describe actions that should be taken to restore business functions before, during and after an incident.

Fortis Private Investments Polska S.A.

For the needs of operational risk management, Fortis Private Investments Polska S.A. has adopted the definition 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, i.e. Fortis Private Investments Polska (FPIP). Operational losses suffered by FPIP are evidenced in a database kept by the Bank on the basis of information provided by FPIP.

FPIP is not a company subject to banking law requirements and it does not have to calculate a capital charge for operational risk. Nevertheless, as the Bank subsidiary, FPIP shall provide financial data to compute the capital charge and enable the Bank to report it further. In order to calculate the capital charge for operational risk, FPIP provides financial data consistent with regulatory recommendations to the capital charge calculation for operational risk according to the Basic Indicator Approach.

Compliance risk

Fortis Bank Polska SA

The Bank's Supervisory Board considers the Bank's image and trust that is systematically built in relationship with its customers, business partners, shareholders and employees, one of key 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.

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 current or future position of the Bank in relation to its competitors and the public, the "Compliance Risk Management Policy at Fortis Bank Polska SA" was developed. 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 the binding law, were implemented. The said processes are the responsibility of the Compliance Department.

The Bank developed an internal Customer Acceptance Policy, thus implementing necessary IT software used to verify whether customers serviced were recorded on sanctioned entities lists, and adjusting the Bank 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.

Fortis Private Investments Polska S.A.

The Internal Compliance Team of FPIP is responsible for ensuring and control of compliance of the investment firm's activity and conduct of its employees, both with the binding legal regulations and internal procedures of FPIP. Procedures and organisational solutions required under the capital market regulations are systematically implemented in compliance with any amendments to law provisions. Internal compliance performance reports are regularly sent to the Management Board and Supervision Board of FPIP likewise to the Polish Financial Supervision Authority, which enables the market regulator to assess the effectiveness of those actions at FPIP.

Using the methodology developed in the capital Group, every year FPIP analyses the compliance risk to determine a plan indicating priority actions in areas that demand particular attention.

Security policy

Fortis Bank Polska SA

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. The implemented system is based on a process approach in the aspect of implementation of the security measures applied.

The designed and implemented system approach to information security, with respect to the applied security measures, is driven by the need of a continued improvement of products and services offered to customers.

System actions, 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 2009, in the course of supervision over the Information Security Management System performed by an external auditor, the compliance of the System with the requirements set by the international standard ISO/IEC 27001 was re-assessed.

The audit was successful and resulted in preserving the validity of Certification of the Information Security Management System of Fortis Bank Polska SA in the full scope of ISO /IEC 27001 standard for the year 2010.

Fortis Bank Polska SA implements the scheme of actions taken under the Information Security Management System 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.

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.

The information security process in the Bank is coordinated by the Risk Transfer and Information Security Department, Information Security Committee and specialised units that perform their tasks in specific Information Security areas: Information Systems and Technology Line, Facility Management and Procurement Line, Compliance Department, Transversal Risk Management Line and Human Capital Management Line.

Taking into account a growing number of external and internal threats that bore the hallmarks of abuse or offence against assets of the Bank or its customers, likewise continuously improved *modus operandi* of such events, the Bank extended and enhanced the process of counteraction, detection and examination of such cases. The above scope of duties is covered by the Investigations Department which carries out its tasks through close cooperation with financial market institutions in Poland.

Fortis Private Investments Polska S.A.

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

Business risk

Fortis Bank Polska SA

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 usually results from external factors, it can be mitigated by efficient management actions.

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

The strategic risk should 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.

The reputation risk should be understood as the risk that may adversely affect the business potential and scale of activity of the whole Bank as well as of other BNP Paribas Fortis 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.

Fortis Private Investments Polska S.A.

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

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

Capital management

Principles applicable to the capital adequacy computation

From 1 January 2008, Fortis Bank Polska SA has applied rules resulting from the New Capital Accord implementation into the Polish law through amendments to the Banking Law Act and through Resolutions of the Polish Financial Supervision Authority.

The New Capital Accord comprises three pillars:

- Pillar I – changes have been introduced as regards capital requirements for credit risk, new capital requirements for operational risk have been determined while capital requirements for market risk remained unchanged,
- Pillar II – banks are obliged to develop internal capital assessment processes and to determine target capital levels consistent with risk profiles of a given bank and regulatory requirements,
- Pillar III – banks are obliged to disclose information on their risk profile and capitalisation level.

Fortis Bank Polska SA fulfils the above duties by computing the capital requirement for credit risk using a standard approach which is a development of the Basel I method. Pursuant to that approach, borrower classes have been defined in greater detail and banks can use external ratings assigned by specified rating agencies.

In order to determine the capital requirement for market risk, a requirement for interest rate risk and requirements charge for and FX risk are calculated. The total requirement for general interest rate risk is computed for original items by maturity, and the total capital requirement for FX risk is computed applying a basic method.

The requirement for operational risk is computed using the Basic Indicator Approach (BIA) as the percentage of the net income earned.

Within Pillar II, the Bank fulfils duties related to the internal capital computation under Resolution No. 383/2008 of the Polish Financial Supervision Authority dated 17 December 2008 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process. For all risks that have been considered material, internal capital estimation methodologies have been developed. They are used by the Bank to make monthly internal assessments of the internal capital needs.

The Bank performs its duties under Pillar III by publishing information, on the Bank's website, on a measurement of risks identified in the Bank's activity, and on own funds required to cover those risks.

The scope and detailed rules of setting capital requirements for specific risks are determined by Resolution No. 380/2008 of the Polish Financial Supervision Authority dated 17 December 2008 regarding the scope and detailed rules of determination of capital requirements on account of specific risk types (…).

The manner of calculation of equity capital used in the capital adequacy ratio computation is governed by Resolution no. 381/2008 of the Polish Financial Supervision Authority dated 17 December 2008 regarding other reductions of Tier 1 funds (...).

Current capital adequacy situation

The present policy of the Bank regarding maintaining adequate level of equity funds refers to the capital adequacy category, solvency ratio and the structure of equity funds described in the Banking Law and its relevant administrative law provisions. The basic goal of the Bank in the analysed period is to maintain the equity funds at the level that guarantees the solvency ratio of at least 9.5%.

In order to prevent the risk of exceeding the capital adequacy limit of 9.5%, the Bank manages its capital position actively. This refers to actions taken with the view to increase the equity and also actions to mitigate the risk generated by the business activity.

Note 31.6.1

Capital adequacy (in PLN thousand)	31.12.2009	31.12.2008
Risk-weighted off-balance sheet assets and liabilities	**12 554 691**	**13 980 907**
Share capital	1 206 175	503 135
Additional capital	554 445	308 656
Reserve capital together with retained earnings	45 639	344 983
Subordinated liabilities included in own funds	582 984	417 240
Other elements of the equity capital included in the capital adequacy ratio calculation	-441 822	52 095
Gross equity capital, total	**1 947 421**	**1 626 109**
Deductions		
Capital shares in financial entities	-	-
Net intangible assets	42 229	26 000
Total deductions	**42 229**	**26 000**
Net equity capital	**1 905 192**	**1 600 109**
Short-term capital	**-**	**-**
including current profit on the Trading Portfolio	-	-
Total equity capital plus short-term capital	**1 905 192**	**1 600 109**
Capital charge for:		
Credit risk	1 026 737	1 209 643
Market risk	5 062	9 654
Operational risk	105 840	76 333
Total capital requirement	**1 137 639**	**1 295 630**
Capital adequacy ratio	**13,40%**	**9,88%**

In 2009 the Bank suffered losses that adversely affected the Bank's equity amount.

Because the loss had an adverse impact on the solvency ratio, in 2009 the Bank has undertaken a number of measures to improve the Bank's capital position.

First of all, assumptions regarding an increase of the Bank's capital base were fulfilled by the acquisition of a subordinated loan of EUR 20 million from Fortis Finance Belgium SCRL Funds thus acquired were included as subordinated liabilities in the Tier 2 capital of the Bank, under the decision of the Polish Financial Supervision Authority (KNF) dated 30 June 2009.

Furthermore, the Bank's own funds increased in 2009 following a double increase of the share capital as a result of the issue of new shares. On 31 July 2009, the Bank's share capital increased by PLN 157.3 million after the issue of series L shares addressed to the existing shareholder of Dominet Bank S.A., in exchange for the net assets of Dominet Bank S.A. taken over in effect of the merger.

Then in September 2009, the work related to direct providing additional capital to the Bank through an issuance of shares was finished. The Bank's principal shareholder, i.e. Fortis Bank Belgium, subscribed for the entire M series share issue of PLN 440.7 million. The Bank acquired the consent of the Polish Financial Supervision Authority (KNF) for making amendments to the Statute and registered the capital increase in the National Court Register. The Bank included the funds acquired through the new issue when the capital increase was registered by the National Court Register on 14 September 2009.

Moreover, in September 2009, the share capital of Fortis Bank Polska SA was increased by PLN 440.3 million as a result of increasing the nominal value of the existing shares from PLN 30.00 to PLN 50.00.

As a result of the aforesaid actions, the Bank's own funds (as a category calculated for the capital adequacy ratio computation needs) increased by 19,1% in comparison to the end of 2008, i.e. up to PLN 1,905 million. In the same period, risk-weighted off-balance sheet assets and liabilities dropped by 10.2% down to PLN 12,555 million.

As at 31 December 2009, the Bank recorded growth in the solvency ratio, which in effect of the credit risk requirements limitation and the simultaneous increase in the value of own funds stood at 13.40% as compared to 9.88% noted as at the end of December 2008. The ratio expresses the proportion between the Group's capital and its exposure on account of specific risks.

Note 31.6.2

Minimal capital requirements (in PLN thousand)	**31.12.2009**	**31.12.2008**
Credit risk	1 026 737	1 209 643
Market risk, including:	5 062	9 654
- general interest rate risk	5 062	6 047
Operational risk	105 840	76 333
Total capital requirement	**1 137 639**	**1 295 630**

32. Events after the Balance Sheet Date

32.1. Closing of the securitisation transaction

On 11 February 2010, an agreement was signed under which the Bank bought the credit receivables due from the securitisation of the consumer loan portfolio of Dominet Bank S.A. back from the special purpose vehicle.

32.2. Agreement between Fortis Bank Polska S.A. and BGL BNP Paribas (formerly Fortis Banque Luxembourg S.A.)

On 5 March 2010, the financing term was extended by 12 months pursuant to an annex to the agreement signed on 5 March 2010. Under the agreement, BGL BNP Paribas granted the Bank a credit line up to EUR 300 million (or its equivalent amount in USD or CHF). The credit line will be available effective 5 March 2011 and it will be allocated for the funding of the Bank's current operating activity. Terms and conditions of the financing granted correspond to market conditions.

32.3. Acceptance of the rehabilitation programme for Fortis Bank Polska SA

On 4 March 2010, the Polish Financial Supervision Authority accepted the revised version of the rehabilitation programme of the Bank delivered to the Polish Financial Supervision Authority on 16 December 2009. The Board of Executives of Fortis Bank Polska SA has been appointed as a body responsible for a proper implementation of the programme.

33. Other Material Information

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

As at 31 December 2009, the shareholders' structure was as follows:

Balance as at 31 Dec. 2009	Number of shares held	Share (%) in the share capital	Number of votes at the AGM*	Share (%) in the total number of votes at the AGM
Fortis Bank S.A./NV	18 848 593	78,13%	18 848 593	78,13%
Dominet S.A.**	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%**

As at the date of publishing this report, i.e. 12 March 2010, the shareholders' structure was as follows:

Balance as at 31 Dec. 2009	Number of shares held	Share (%) in the share capital	Number of votes at the AGM*	Share (%) in the total number of votes at the AGM
Fortis Bank S.A./NV	18 848 593	78,13%	18 848 593	78,13%
Dominet S.A.**	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.

The Bank's share capital is divided into 24,123,506 shares of PLN 50 nominal value each, which constitutes 24,123,506 votes at the General Meeting of the Bank's Shareholders.

33.2. Information about the owner of Fortis Bank Polska SA

As a result of a takeover of the Fortis Group's assets by the Belgian, Dutch and Luxembourgian governments in September and October 2008, likewise following further agreements entered into by the government of the Kingdom of Belgium and the Fortis Group, there was a change in the ownership structure of the principal shareholder of Fortis Bank Polska SA Since 10 October 2008, the government of the Kingdom of Belgium held 99.93% of Fortis Bank SA/NV through the Belgian Federal Participation and Investment Company (SFPI).

At the same time, in October 2008 the Belgian government reached an agreement with BNP Paribas, a financial and banking group registered in France, that subject to BNP Paribas' obtaining necessary permits, it would acquire a 75% interest in Fortis Bank SA/NV and 100% of Fortis Insurance Belgium from the Belgian State Treasury and would buy a 16% share of Fortis Banque Luxembourg (thus increasing its controlling interest up to 67%) from the Luxembourgian State Treasury. BNP Paribas announced taking control over Fortis Bank SA/NV along with its international subsidiaries, including Fortis Bank Polska SA.

Shareholders present at the General Meeting held on 28 and 29 April 2009 in Ghent and Utrecht approved the agreement signed by and between Fortis Holding, BNP Paribas and the Belgian Federal Participation and Investment Company (SFPI), as regards the amended conditions of the planned transaction. Under provisions of the new agreement, the Belgian government was to transfer 75% of shares in Fortis Bank SA/NV (Fortis Bank Belgium) to BNP Paribas based on the valuation of 100% assets at EUR 11 billion, in exchange for shares of BNP Paribas issued at EUR 68 each, whereas Fortis Bank SA/NV was to acquire 25% of Fortis Insurance Belgium from Fortis Holding. As a result of the transaction finalised on 12 May 2009, BNP Paribas group has become the parent entity of the Bank's majority shareholder.

By taking over from SFPI the first tranche of shares in Fortis Bank SA/NV, BNP Paribas has become its majority shareholder and thereby indirectly purchased, on 12 May 2009, 16,738,712 shares of Fortis Bank Polska SA, which account for 99.81% of the share capital of Fortis Bank Polska SA and entitle to 99.81% of the total number of votes at the General Meeting of Fortis Bank Polska SA.

On 20 May 2009, the Polish Financial Supervision Authority granted permits to BNP Paribas based in Paris to exercise via Fortis Bank S.A./NV based in Brussels i) more than 75% of the voting rights at the General Meeting of Shareholders of Fortis Bank Polska SA and ii) more than 75% of the voting rights at the General Meeting of Shareholders of Dominet Bank S.A. based in Lubin, under, among other things, the following conditions:

- commitment to refrain from taking any actions towards the change of the business activity pursued currently in Poland by Fortis Bank Polska SA into a branch office until 2017; Should a new branch office of BNP Paribas be opened in Poland, it will conduct an activity other than the banking activity pursued currently by Fortis Bank Polska SA and Dominet Bank S.A.
- commitment to refrain from taking any actions leading to withdrawal of the shares of Fortis Bank Polska SA from the public trading on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie) until 2017 and increasing and maintaining the liquidity of the Bank's shares quoted on the Warsaw Stock Exchange to the level of at least 15% within 2 years of issuance of the aforesaid permits.

Having obtained the permit of the Polish Financial Supervision Authority and after announcing a tender offer, Fortis Bank SA/NV was entitled to exercise voting rights attached to all shares held, i.e. 16,739,799 shares representing 99.81% of the share capital and 16,739,799 voting rights at the General Meeting of the Bank, which constitute 99.81% of total votes.

On 4 June 2009, BNP Paribas SA announced a tender offer to acquire shares of Fortis Bank Polska SA under Article 74 item 2 of the Act on Public Offering and Conditions of Financial Instruments Introduction into an Organised Trading System, and on Public Companies, dated 29 July 2005. The subscriptions for shares, under the tender offer, were made between 25 June 2009 and 24 July 2009. On 29 July 2009, as a result of conducting the tender offer, transactions of acquisition of 1,087 shares were made at PLN 196. The acquiring entity was Fortis Bank SA/NV, which as a result of the said transactions obtained 16,739,799 shares of Fortis Bank Polska SA, which accounted for 99.81% of all shares of the Bank. Upon announcement of the tender offer, Fortis Bank SA/NV, having been granted the KNF permit, acquired the right to exercise voting rights attached to all the shares held.

33.3. Changes in the ownership structure as a result of the merger of the banks

On 6 August 2009, Fortis Bank Polska SA received a notification from Dominet S.A. based in Piaseczno that as of 31 July 2009 Dominet SA (a subsidiary of Fortis Bank SA/NV based in Brussels) became a shareholder of Fortis Bank Polska SA holding 5,243,532 ordinary Series L shares representing 99.82% of the share capital and thus obtained 23.82% of the total number of votes at the General Meeting of the Bank. Under the notification received, Dominet S.A. does not intend to increase its shares in Fortis Bank Polska SA within 12 months from 31 July 2009. As a result of the foregoing, Fortis Bank SA/NV held directly 76.04% shares in the Bank's share capital, which entitled it to exercise 76.04% of the total votes at the General Meeting of Fortis Bank Polska SA.

33.4. Changes that followed the increase in the share nominal value and issue of series M shares

In August 2009, the Bank carried out a private placement of series M shares with the exclusion of pre-emptive rights. The series M share issue was offered in a private placement. The series M share subscription offer was addressed to Fortis Bank SA/NV based in Brussels. On 6 August 2009, a subscription agreement was signed between the Bank and Fortis Bank SA/NV. Under the Agreement, Fortis Bank SA/NV took up 2,108,794 ordinary bearer series M shares at the issue price of PLN 209.00 each. The issue value was PLN 440,737,946. The shares were covered in full by cash contribution. Therefore, the placement was closed on August 12, 2009 and shares were allocated to their purchaser by the Board of Executives of the Bank.

As a result of the issue of 2,108,794 series M shares, the number of shares held by Fortis Bank SA/NV rose to 18,848,593 shares representing 78.13% ownership interest in the share capital and entitling it to exercise 18,848,593 votes at the Shareholder General Meeting. The ownership interest of Dominet S.A. dropped to 21.74% of the share capital.

On 14 September 2009, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered the Bank's share capital increase from PLN 660,441,360to PLN 1,206,175,300, that is by PLN

545,733,940 including PLN 440,294,240 as a result of increasing the series A to L share nominal value from PLN 30 up to PLN 50, and PLN 105,439,700 as a result of the series M share issue.

Upon registration of the increase, the Bank's share capital is divided into 24,123,506 shares of PLN 50 nominal value each, which entitle to 24,123,506 votes at the Bank's General Meeting.

33.5. Financing of Fortis Bank Polska SA by the Fortis Bank Group

The primary source of financing for the Bank are credit facilities from the Fortis Bank Group. As at 31 December 2009, the structure of loans disbursed was as follows:

- CHF 440 million – maturity in March 2010;
- CHF 297 million – maturity in October 2010;
- EUR 200 million – maturity in February 2011;
- CHF 440 million – maturity in July 2011;
- CHF 734 million – maturity in June 2012;
- EUR 2.5 million – maturity in June 2012;
- PLN 150 million – maturity in March 2014;
- EUR 100 million – maturity in September 2017;
- EUR 20 million – maturity in April 2019.
- PLN 60 million – maturity in April 2019.
- PLN 240 million – maturity in March 2029;

Additionally, as at 31 December 2009 the Bank held bonds issued, in the total amount of PLN 60 million, maturing in July 2014.

33.6. Shares of Fortis Bank Polska SA held by Management or Supervisory Board Members

As at December 31, 2009, none of the Board of Executives or the Supervisory Board's Members held any shares issued by Fortis Bank Polska SA or other financial instruments related to them or any holdings in affiliated entities of Fortis Bank Polska SA, which also did not changed since the moment of submitting the report for the third quarter of 2009, i.e. November 14, 2009.

33.7. 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 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 intercharge 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. The proceedings have not been closed. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

The Bank is a defendant is cases regarding obligations resulting from master agreements on derivative transactions, including foreign currency options. The biggest claim in this group concerned the amount of PLN 18.5 million. The claim regarded determination of the non-existence of a legal relationship with the Bank, resulting from disputable FX option transactions, or termination of the transactions, or determination of the manner of the fulfilment of obligations likewise their amount, or determination of invalidity of such transactions. At the turn of December 2009 and January 2010, a composition agreement was signed with the company; under the agreement the company paid off a portion of the Bank's receivable under the option contract and withdrew the suit.

33.8. Other Important Events

Change in the composition of the Supervisory Board of Fortis Bank Polska SA

As at 31 December 2009, 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 Member
5. Reginald De Gols Supervisory Board Member

In 2009 the composition of the Supervisory Board changed as follows:

On 31 January 2009, Mr Christopher Norris resigned from his function in the Supervisory Board of Fortis Bank Polska SA Mr Christopher Norris was a member of the Supervisory Board of Fortis Bank Polska SA since 26 September 2008.

On 26 June 2009, Mr Peter Ullmann resigned from his function in the Supervisory Board of the Bank. Mr Peter Ullmann was a member of the Supervisory Board of Fortis Bank Polska SA since 24 May 2005.

The Annual General Meeting held on 26 June 2009 appointed Mr Camille Fohl and Mr Reginald de Gols to the Supervisory Board, effective 26 June 2009. Mr Camille Fohl took up the position of the Chairman and Mr Jos Clijsters assumed the position the Deputy Chairman of the Bank's Supervisory Board.

On 25 September 2009, Mr Lucas Willemyns resigned from his function in the Supervisory Board of Fortis Bank Polska SA, effective 30 September 2009. Mr Lucas Willemyns was a member of the Supervisory Board of the Bank since 21 February 2008.

The aforementioned persons have been appointed to the Supervisory Board until the end of the current five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2009 fiscal year.

Change in the composition of the Board of Executives of Fortis Bank Polska SA

The composition of the Board of Executives of Fortis Bank Polska SA as at 31 December 2009:

1. Alexander Paklons - President of the Board of Executives
2. Jan Bujak - Senior Vice-President
3. Frederic Amoudru - Vice-President, Country Manager for Poland
4. Jean-Luc Deguel - Vice-President
5. Jacek Obłękowski - Vice-President
6. Jaromir Pelczarski - Vice-President
7. Michel Thebault - Vice-President
8. Philippe Van Hellemont - Vice-President

In 2009 the composition of the Bank Board of Executives changed as follows:

The Supervisory Board of the Bank appointed Mr Jacek Obłękowski, the President of Dominet Bank S.A. Management Board, a Vice-President of the Board of Executives of Fortis Bank Polska SA, effective 1 April 2009. Mr Obłękowski held the position of the President of Dominet Bank S.A. until 31 July 2009.

The Supervisory Board recalled Mr Thierry Lechien from his function of a Member and Vice-President of the Board of Executives of Fortis Bank Polska SA, effective June 15, 2009 and appointed Mr Philippe Van Hellemont to the position of Vice-Persident of the Board of Executives, effective June 16, 2009. Mr Philippe Van Hellemont was entrusted with the risk management area.

On 1 September 2009, the Bank's Supervisory Board appointed Mr Michel Thebault to the position of a Vice-President of the Board of Executives. Mr Michel Thebault supervises the Personal Finance area.

On 13 November 2009, the Bank's Supervisory Board appointed Mr Frederic Amoudru to the position of a Vice-President of the Board of Executives. Since October 2009, Mr Amoudru has been working as a BNP Paribas Country Manager for Poland.

The aforementioned persons have been appointed to the Board of Executives until the end of the current five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2009 fiscal year.

Project of Fortis Bank Polska SA operating activity's optimisation

In connection with the formal and legal merger with Dominet Bank S.A. on 31 July 2009 as well as with simultaneous integration of operating systems of both Banks, Fortis Bank Polska SA continues the operation optimisation project. Integration of the existing functions and operations carried out by the Head Office of Dominet Bank in Lubin with operating structures of Fortis Bank Polska SA will be the next step to increase the operating efficiency of Fortis Bank Polska SA. The integration will result in downsizing of employment, which will affect 361 staff members in the entire Bank and it is carried out in the period: from the fourth quarter of 2009 to the second quarter of 2010. On 27 October 2009 the Bank's Board of Executives notified district labour offices of employment downsizing plans by way of group lay-offs.

Actions targeted at increasing efficiency of the Bank's operation should improve financial performance of the Capital Group of Fortis Bank Polska SA. Further, they are a part of the Rehabilitation Program prepared in accordance with Article 142 of the Banking Law Act, which is currently the subject matter of consultations with the Polish Financial Supervision Authority (KNF).

The most important assumptions of the Rehabilitation Program, whose implementation should lead to the generation of the positive financial result by the Bank again in 2010, are measures undertaken to ensure adequate risk control in various areas of the Bank's operations, stable increase of its lending portfolio and improvement to the cost/income ratio, specifically following the merger with Dominet Bank S.A.

Within continued consultations on the Rehabilitation Program, on 29 October 2009 the Polish Financial Supervision Authority (KNF) has requested the Bank to verify its assumptions and present further explanations in this regard. The Bank has been consulting the KNF to determine optimal measures that would lead to a lasting improvement of the Bank's financial performance. On 16 December 2009 the Bank provided the KNF with a revised version of the Rehabilitation Program.

Material agreements with entities not affiliated with the Capital Group of Fortis Bank Polska SA

On November 30, 2009 Fortis Bank Polska SA signed a loan agreement with the European Investment Bank (EIB) based in Luxembourg under which EBI granted the Bank a loan of EUR 50 million. The Bank obtained funds allocated for financing of investment projects of small and medium-sized enterprises.

Detailed terms and conditions of the financing are to be specified separately for each loan tranche disbursed. The maximum loan tranche repayment term is 12 years. Fixed or variable interest rate shall depend on the currency of the loan tranche to be disbursed (EUR, PLN, GBP, USD): a relevant reference rate (EURIBOR, WIBOR, LIBOR) plus margin.

The agreement's fulfilment was conditional upon obtaining Fortis Bank SA/NV guarantee. Fortis Bank SA/NV based in Brussels issued a guarantee of fulfilment of the Bank's obligations under the loan agreement.

On 31 March 2009, Fortis Bank Polska SA and Fortis Bank SA/NV signed an agreement with a Customer not affiliated with the Capital Group of Fortis Bank Polska SA. Pursuant to the aforementioned agreement, the Parties agreed to suspend for a period of two months the repayment of the debt due under the loan agreements concluded with the Customer. The lenders committed to refrain from taking any enforcement or securing actions with respect to the Customer in that period. Later, the agreement validity term was extended until 31 July 2009.

On 28 July 2008, an agreement was signed ("amending agreement") under which credit agreements and surety agreement were modified. The amendments related to new repayment deadlines determined according to the repayment schedule adopted for the following agreements:

- loan agreement concluded by Fortis Bank SA/NV and the company on 27 June 2008, as amended; the loan principal of PLN 50,000,000 to be repaid until 5 January 2012 at the latest;
- loan agreement concluded by Fortis Bank Polska SA and the company on 8 May 2008, as amended; the loan principal of PLN 198,430,286 to be repaid until 5 January 2018, at the latest;
- surety agreement concluded by Fortis Bank Polska SA and the company on 18 January 2007, as amended; in the amount of EUR 4,197,813.67 until 5 January 2018, at the latest. The surety agreement applies to the loan agreement concluded by Fortis Bank Polska SA and the subsidiary of the customer on 18 May 2007, as amended.

The amending agreement was signed subject to conditions precedent that include e.g. adopting a resolution by the general meeting of the Company, by 29 July 2009 at the latest, regarding consent to establish registered pledges on the Company's enterprise in favour of Fortis Bank Polska SA. The conditions have been met. The amending agreement also included the commitment of the Bank to subscribe for new series I shares in the increased share capital of the customer's company.

On 24 November 2009 a subscription agreement regarding the Customer company's shares was signed. Through the private placement, the Bank acquired 8,247,423 Series I bearer shares with the face value of PLN 0.20 each and the share issue price of PLN 4.85 each. The total issue price of the subscribed shares amounted to PLN 40,000,001.55 and was paid by a set-off of the mutual receivables. Thus, the Bank has become the owner of 8,247,423 shares that entitle to 8,247,423 votes, accounting for 7.4% of the total number of votes at the General Meeting of the Company. The share capital of the company was increased on 17 December 2009.

Effective the registration date of the company's share capital increase, entered into force the commitment of the Bank, the company's shareholder, to vote together at the company shareholders' meetings with respect to candidatures to the company's supervisory board, provided in the agreement with the company's shareholders dated 28 July 2009.

Prior to the acquisition of 8,247,423 shares of the company by the Bank, the parties to the agreement of 28 July 2009 (excl. the Bank that was not the company's shareholder) held jointly 20,659,736 shares of the company that entitled to 19.99% of total voting rights. After the Bank's acquisition of 8,247,423 shares in the company, the parties to the agreement of 28 July 2008 held jointly 28,907,159 shares that entitled to 25.91% of total voting rights.

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 amendment regarded 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.

33.9. Statements of the Bank's Board of Executives

Correctness and reliability of reports presented

According to the best knowledge of the Bank's Board of Executives, the annual financial data and the comparative data presented in these Annual Consolidated Financial Statements of Fortis Bank Polska SA Capital Group for the period ending 31 December 2009 were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Group and its net profit.

Selection of an entity authorised to audit the financial statements

On 1 September 2009, the Supervisory Board of the Bank selected Mazars & Guérard Audyt Sp. z o.o. based in Warsaw (address: 00-372 Warsaw, ul. Foksal 16), as the entity that will:

- audit the consolidated financial statements of the Capital group of Fortis Bank Polska SA and separate financial statements of the Bank for 2009;
- review the consolidated financial statements of the Capital group of Fortis Bank Polska SA and separate financial statements of the Bank for the first half of 2010.

In the past, the Bank did not use the services of the selected entity authorised to audit financial statements.

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

9 March 2010	Alexander Paklons President of the Board of Executives	.... signature
9 March 2010	Jan Bujak Senior Vice-President of the Board of Executives Financial Director	.... signature
9 March 2010	Frédéric Amoudru Vice-President	.... Signature
9 March 2010	Jean–Luc Deguel Vice-President	.... Signature
9 March 2010	Jacek Obłękowski Vice-President	.... Signature
9 March 2010	Jaromir Pelczarski Vice-President	.... Signature
9 March 2010	Michel Thebault Vice-President	.... Signature
9 March 2010	Philippe Van Hellemont Vice-President	.... Signature