Fortis Bank Polska SA

Interim Financial Statements of Fortis Bank Polska SA for Quarter III 2007

prepared pursuant to the International Financial Reporting Standards

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1. Financial Highlights

Financial Highlights	in PLN thousand		in EUR thousand	
	Qtr. I-III of 2007 (YTD)	Qtr. I-III 2006 (YTD)	Qtr. I-III of 2007 (YTD)	Qtr. I-III 2006 (YTD)
Interest income	415 420	263 485	108 425	67 265
Commission and fee income	98 240	73 865	25 641	18 857
Total income net	416 011	303 526	108 579	77 487
Gross profit	159 191	80 332	41 549	20 508
Net profit	132 269	63 852	34 522	16 301
Net cash provided by operating activities	-3 686 028	-1 689 341	-962 058	-431 273
Net cash provided by investing activities	243 306	-355 633	63 503	-90 790
Net cash provided by (used in) financing activities	2 001 168	1 670 828	522 307	426 547
Total net cash flow	- 1 441 554	-374 146	-376 247	-95 516
Total assets	13 069 941	9 133 142	3 459 945	2 292 743
Due to banks	5 735 360	4 023 220	1 518 295	1 009 971
Due to Customers	5 466 548	4 117 600	1 447 134	1 033 664
Equity	1 108 429	756 074	293 429	189 801
Number of shares	16 771 180	15 077 700	16 771 180	15 077 700
Book value per share (in PLN / EUR)	66.09	50.15	17.50	12.59
Diluted book value per share (in PLN / EUR)	66.09	50.15	17.50	12.59
Capital adequacy ratio	9.03%	9.69%		
EPS ratio (PLN)				
Basic	7.89	4.23	2.06	1.08
Diluted	7.89	4.23	2.06	1.08

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for the third quarter of 2007 and the corresponding financial figures for the third quarter of 2006 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 the third quarter of 2007 have been converted into EUR at the mid-rate binding as at 30 September 2007 published by the National Bank of Poland on 28 September 2007, i.e. EUR 1 = PLN 3.7775; comparative financial data as at the end of the third quarter of 2006 have been converted into EUR at the mid-rate binding as at 30 September 2006, i.e., PLN 3.9835, published by the National Bank of Poland on 29 September 2006;
- particular items in the profit and loss account and cash flows, and earnings per share as at the end of the third quarter of 2007 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 September 2007, i.e. EUR 1 = PLN 3.8314, whereas comparative data as at the end of the third quarter of 2006 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 September 2006, i.e. EUR 1 = PLN 3.9171.

2.The Key Factors Affecting Performance of Fortis Bank Polska SA in Quarter III of 2007.

Financial Results

Income statement (in PLN thousand)	**Qtr. I-III of 2007 (YTD)**	**Qtr. I - III 2006 (YTD)**	**Change**
Net interest profit (loss)	204 644	149 758	37%
Net commission and fee profit (loss)	90 683	67 190	35%
Net profit (loss) on transactions in held-for-trading financial instruments	111 921	82 504	36%
Personnel costs	-118 572	-82 864	43%
Depreciation of fixed assets and intangible fixed assets	-15 989	-16 337	-2%
Other expenses	-97 050	-80 557	20%
Gross profit	**159 191**	**80 332**	**98%**
Net profit	**132 269**	**63 852**	**107%**
Total assets (in PLN thousand)	**13 069 941**	**9 133 142**	**43%**
Loans to Customers	10 286 583	6 288 950	64%
Due to Customers	5 466 548	4 117 600	33%
Total equity	1 108 429	756 074	47%
Financial ratios (%)			
Capital adequacy ratio	9.03	9.69	-0.66 pp.
Return on assets (ROA)	1.53	1.1	0.43 pp.
Return on equity (ROE)	17.8	11.8	6 pp.
Net interest margin	2.36	2.67	-0.31 pp.

Very good financial performance of the Bank recorded as at the end of the third quarter resulted in the following:

- **Net profit of PLN 132,269 thousand was higher by 107 % than the net profit earned in the corresponding period of 2006, while the gross profit increased by 98% up to PLN 159,191 thousand.**
- **The Bank's business efficiency improved further: return on equity (ROE) increased by 6 p.p. up to 17.8%, while the return on assets (ROA) improved by 0.43 p.p. up to 1.53%.**

The financial performance of Fortis Bank Polska S.A. in the third half of 2007 results from further business development and fast growing sales of strategic products, both in RB BL and CB BL.

Furthermore, the Bank continued its strategy, adopted in 2006, to increase the Bank's share in the mortgage loan market, enterprise financing, and savings and investment products, improve the product offering to provide customers with a comprehensive set of banking services, and to open new branches. All the above actions greatly contributed to the income generated.

As at the end of the third quarter of 2007, total assets stood at PLN 13,069,941 thousand and were higher by 43% than at the end of the third quarter of 2006.

Loans to customers increased by 64% in comparison to the third quarter of 2006, i.e. up to PLN 10,286,583 thousand. Commercial loans, which increased by 85%, and mortgage loans, which grew by 85%, accounted for the highest share in the loans to customers (in comparison to the corresponding period of the previous year). Mortgage loans continue to be very popular among Private Individuals. As at the end of the third quarter, the outstanding balance of such loans was PLN 2.5 billion.

Credit action growth resulted in the capital adequacy ratio decline down to 9.03%, i.e. by 0.66 pp. in comparison to Quarter III of 2006. The equity taken into account in the ratio computation increased by PLN

324,898 thousand over the third quarter of 2006, i.e. up to PLN 1,029,232 thousand. In order to further increase the equity, the Bank took a loan of EUR 100 million from Fortis Bank (Nederland) N.V. based in Rotterdam, and applied to the Banking Supervision Commission for the consent to include the loan into the Tier 2 capital.

A considerable increase in volume of loans granted to Institutional Customers was noted. Investment loans, including loans for the purchase or construction of commercial real estate, grew by 71% over the third quarter of 2006; working capital loans went up by 35%, while the highest growth was reported for overdraft credit facilities – by as much as 101%.

In the third quarter of 2007, liabilities due to customers likewise significantly increased up to PLN 5,466,548 thousand in comparison to PLN 4,117,600 thousand noted in the third quarter of 2006. In comparison to Quarter III of 2006, term deposits grew by 38% while current deposits increase was smaller – by 17% only.

As a consequence of the rise in credit volumes, the net interest income went up by 37% while the net commission and fee income grew by 35% in comparison to the corresponding period of the previous year.

Interest income on loans to customers for three quarters of 2007 stood at PLN 364,137 thousand and was higher by 63.7% than the result recorded for three quarters of 2006. The increase in liabilities was followed by interest expense: of which, due to customers by 65%, banks by 113%, interest expense related to derivative instruments remained at unchanged level.

The most dynamic increase was noted as regards commission and fee income on account of card transactions; for Qtr. III the income stood at PLN 7,742 thousand while in the corresponding period it was PLN 2,826 thousand.

Furthermore, in the analysed period the Bank recorded increase of the FX transaction result by 16% in comparison to three quarters of 2006.

3.Financial data

Income Statement

Income Statement (in PLN thousand)		3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Interest income	**Note 8.1**	162 926	415 420	101 815	263 485
Interest expense	**Note 8.2**	-87 886	-210 776	-46 008	-113 727
Net interest profit (loss)		**75 040**	**204 644**	**55 807**	**149 758**
Commission and fee income	**Note 8.3**	36 598	98 240	27 408	73 865
Commission and fee expense	**Note 8.4**	-2 981	-7 557	-1 830	-6 675
Net commission and fee profit (loss)		**33 617**	**90 683**	**25 578**	**67 190**
Dividend and other investment income		-	600	-	-
Net profit (loss) on transactions in held-for-trading financial instruments	**Note 8.5**	43 945	111 921	28 101	82 504
Net profit (loss) on transactions in available-for-sale financial assets		-74	245	-449	-1 502
Net profit (loss) on hedging transactions		93	-20	-20	40
Other income		214	7 938	853	5 536
Total income net		**152 835**	**416 011**	**109 870**	**303 526**
Personnel costs		-42 488	-118 572	-28 960	-82 864
Depreciation of fixed assets and intangible fixed assets		-5 794	-15 989	-5 365	-16 337
Other expenses		-35 610	-97 050	-34 001	-80 557
Net write-offs for impairment	**Note 8.6**	-12 812	-25 209	-20 985	-43 436
Gross profit		**56 131**	**159 191**	**20 559**	**80 332**
Income tax		-10 301	-26 922	-4 398	-16 480
Net profit		**45 830**	**132 269**	**16 161**	**63 852**

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

EPS ratio (PLN)	**Note 7**		
Net profit (in PLN)		132 269 000	63 852 000
Weighted average number of ordinary shares		16 771 180	15 077 700
EPS ratio (in PLN)		7.89	4.23
Weighted average number of ordinary shares		16 771 180	15 077 700
EPS ratio (in PLN)		7.89	4.23

Balance Sheet

Balance sheet (in PLN thousand)		30 September 2007	31 December 2006	30 September 2006
Assets				
Cash and cash equivalents	Note 9.1	1 384 445	2 825 999	1 699 573
Financial assets held for trading	(Note 9.3.1)	296 289	143 107	126 682
Due from banks	(Note 9.2.1)	256 839	200 405	186 372
Loans to Customers	(Note 9.2.2)	10 286 583	6 975 116	6 288 950
Investments - Available for Sale	Note 9.4	348 664	654 710	632 288
Property, Plant and Equipment		96 151	60 275	51 398
Intangible Assets		26 270	23 664	21 984
Deferred tax assets		36 884	21 289	26 227
Deferred acquisition cost, accrued interest and other assets		337 816	65 583	99 668
Total assets		**13 069 941**	**10 970 148**	**9 133 142**
Liabilities				
Financial liabilities held for trading	(Note 9.3.2)	129 701	57 365	41 519
Due to banks	(Note 9.5.1)	5 735 360	4 956 072	4 023 220
Due to Customers	(Note 9.5.2)	5 466 548	4 627 497	4 117 600
Current tax liabilities		29 031	3 963	13 489
Subordinated liabilities		377 750	-	-
Accrued interest and expenses and other liabilities		207 723	333 483	171 918
Provisions		15 399	12 260	9 322
Total liabilities		**11 961 512**	**9 990 640**	**8 377 068**
Equity				
Share capital		503 135	503 135	452 331
Share premium		308 814	308 814	159 995
Other reserve capital		183 200	74 934	74 934
Unsettled gains (losses) on available-for-sale financial instruments		-1 179	2 167	-671
Retained earnings		-17 810	5 633	5 633
Net profit (loss) for the year		132 269	84 825	63 852
Total equity		**1 108 429**	**979 508**	**756 074**
Total liabilities and equity		**13 069 941**	**10 970 148**	**9 133 142**

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

Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity for three quarters of 2006 (in PLN thousand)

Balance as at 01.01.06 according to Polish Accounting Principles (PAP)	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
Share capital	30 155	-	-	-	-	-	30 155
Additional capital	-	349 528	-	-	11	-	349 539
Revaluation reserve	-	-	-	-	510	1 905	2 415
Other reserve capital	-	-	-	-	153 834	-	153 834
Retained earnings	-	-	155 842	-	-	-	155 842
First-Time Adoption of IFRS	-	-	5 633	-	-510	-207	4 916
Balance as at 01.01.06 according to IFRS	**30 155**	**349 528**	**161 475**	**-**	**153 845**	**1 698**	**696 701**
Net profit (loss) for the year	-	-	-	63 852	-	-	63 852
Profits/ Losses net (financial assets available for sale)	-	-	-	-	-	-2 369	-2 369
Profit allocation	-	-	-101 499	-	101 499	-	-
Coverage of uncovered losses with the reserve capital	-	-	10 199	-	-10 199	-	-
Movement of undistributed retained earnings to supplementary capital	-	-	- 64 542	-	64 542	-	-
Movement of funds from other capital	422 176	-189 533	-	-	-232 643	-	-
Other	-	-	-	-	-2 110	-	-2 110
Balance as at 30.09.06	**452 331**	**159 995**	**5 633**	**63 852**	**74 934**	**-671**	**756 074**

Statement of Changes in Shareholders' Equity in 2006 (in PLN thousand)

Balance as at 01.01.06 according to Polish Accounting Principles (PAP)	**Share capital**	**Share premium**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Share capital	30 155	-	-	-	-	-	30 155
Additional capital	-	349 528	-	-	11	-	349 539
Revaluation reserve	-	-	-	-	510	1 905	2 415
Other reserve capital	-	-	-	-	153 834	-	153 834
Retained earnings	-	-	155 842	-	-	-	155 842
First-Time Adoption of IFRS	-	-	5 633	-	-510	-207	4 916
Balance as at 01.01.06 according to IFRS	**30 155**	**349 528**	**161 475**	**-**	**153 845**	**1 698**	**696 701**
Net profit (loss) for the year	-	-	-	84 825	-	-	84 825
Share issue	50 804	148 819	-	-	-	-	199 623
Profits/ Losses net (financial assets available for sale)	-	-	-	-	-	469	469
Profit allocation	-	-	-101 499	-	101 499	-	-
Coverage of uncovered losses with the reserve capital	-	-	10 199	-	-10 199	-	-
Movement of undistributed retained earnings to supplementary capital	-	-	- 64 542	-	64 542	-	-
Movement of funds from other capital	422 176	-189 533	-	-	-232 643	-	-
Other	-	-	-	-	-2 110	-	-2 110
Balance as at 31.12.06	**503 135**	**308 814**	**5 633**	**84 825**	**74 934**	**2 167**	**979 508**

Statement of Changes in Shareholders' Equity for three quarters of 2007 (in PLN thousand)

Balance as at 01.01.07	**Share capital**	**Share premium**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
	503 135	**308 814**	**5 633**	**84 825**	**74 934**	**2 167**	**979 508**
Net profit (loss) for the year	-	-	-	132 269	-	-	132 269
Profits/ Losses net (financial assets available for sale)	-	-	-	-	-	-3 346	-3 346
Distribution of retained earnings	-	-	-23 443	-84 825	108 266	-	-2
Balance as at 30.09.07	**503 135**	**308 814**	**-17 810**	**132 269**	**183 200**	**-1 179**	**1 108 429**

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

Cash Flow Statement

Cash Flow Statement (in PLN thousand)	Qtr. I - III 2007 (YTD)	2006 year	Qtr. I - III 2006 (YTD)
Cash and cash equivalents, opening balance	**2 825 999**	**2 073 719**	**2 073 719**
Gross profit	**159 191**	**104 998**	**80 332**
Adjustments for:	**-3 845 219**	**-788 320**	**-1 769 673**
Realised gains (losses) on sales*	63	1 086	1 502
Depreciation	18 183	22 242	20 525
Write-offs for impairment	20 322	54 124	42 270
Changes in operational assets and liabilities:	-3 867 123	- 822 156	- 1 797 739
- financial assets and liabilities held for trading	-80 846	- 67 996	-66 830
- due from banks	-56 413	- 32 696	20 187
- loans to customers	-3 333 289	- 2 772 511	-2 106 120
- other receivables	-14 917	4 240	-804
- due to banks	-994 744	678 746	-529 921
- due to customers	989 664	1 135 075	853 442
- other assets and liabilities	-376 578	232 986	32 307
Income tax paid	-16 664	- 43 616	-36 231
Net operating cash flows	**-3 686 028**	**- 683 322**	**-1 689 341**
Purchase of available-for-sale investments	-128 819	- 694 759	-503 972
Purchase of property, plant and equipment	-47 929	- 32 932	-18 833
Purchase of intangible assets	-11 939	- 15 404	-11 087
Proceeds from sales of available-for-sale investments	428 785	354 163	178 259
Proceeds from sales of property, plant and equipment	3 208	1 633	-
Net cash provided by investing activities	**243 306**	**- 387 299**	**-355 633**
Issuance of subordinated liabilities	377 750	-	-
Loans and credit facilities taken	1 768 642	2 427 695	2 427 695
Proceeds from the issuance of shares		197 513	-2 111
Repayment of loans and credit facilities	-145 224	- 802 307	-754 756
Net cash provided by (used in) financing activities	**2 001 168**	**1 822 901**	**1 670 828**
Cash and cash equivalents, ending balance	**1 384 445**	**2 825 999**	**1 699 573**
Change in cash and cash equivalents	**-1 441 554**	**752 280**	**- 374 146**

*- Realised gains (losses) on sales of fixed assets and investments.

Cash Flow Statement is prepared using an indirect method.

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

4.Effects of Adopting IFRS

Income Statement

As at end of the prior year (31 December 2006) in PLN thousand	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Net interest profit (loss)	207 671	-	207 671
Net commission and fee profit (loss)	93 319	-	93 319
Dividend and other investment income	1 104	-1 104	-
Net profit (loss) on transactions in held-for-trading financial instruments	110 680	123	110 803
Net profit (loss) on transactions in available-for-sale financial instruments	-1 031	-	-1 031
Net profit (loss) on hedging transactions	7	-	7
Other income	10 485	886	11 371
Total income net	**422 235**	**- 95**	**422 140**
Personnel costs	-119 495	-	-119 495
Depreciation of fixed assets and intangible fixed assets	-22 067	-	-22 067
Other expenses	-122 507	211	-122 296
Net write-offs for impairment	-25 321	-27 963	-53 284
Gross profit	**132 845**	**-27 847**	**104 998**
Income tax	-24 579	4 406	-20 173
Net profit	**108 266**	**-23 441**	**84 825**

As at the end of the corresponding period (30 September 2006) in PLN thousand	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Net interest profit (loss)	149 758	-	149 758
Net commission and fee profit (loss)	67 190	-	67 190
Dividend and other investment income	848	-848	-
Net profit (loss) on transactions in held-for-trading financial instruments	82 645	-141	82 504
Net profit (loss) on transactions in available-for-sale financial instruments	-1 502	-	-1 502
Net profit (loss) on hedging transactions	40	-	40
Other income	4 648	888	5 536
Total income net	**303 627**	**-101**	**303 526**
Personnel costs	-82 864	-	-82 864
Depreciation of fixed assets and intangible fixed assets	-16 337	-	-16 337
Other expenses	-80 768	211	-80 557
Net write-offs for impairment	-18 238	-25 198	-43 436
Gross profit	**105 420**	**-25 088**	**80 332**
Income tax	-19 043	2 563	-16 480
Net profit	**86 377**	**-22 525**	**63 852**

Changes to write-offs for loan impairment

The adjustment results from a difference between the rules of valuation of provisions for loan receivables under the Polish Accounting Principles (PAP) and the rules of measurement of write-offs for impairment pursuant to IAS 39. Additionally, the general risk reserve created under the PAP was eliminated and an Incurred But Not Reported as at the balance sheet date loss reserve made under IAS 39 was booked.

Net result on FX differences

Adjustments related to the transformation of the financial statements had an impact on the FX position and hence, on its measurement result.

Depreciation of capital raise costs

In the financial statements according to the IFRS, the capital raise costs decrease the equity capital when the expenditure is incurred, while pursuant to the previous accounting principles the costs were booked as assets and then depreciated through profit or loss for five years.

Reversal of a result of a subsidiary valuation by equity method

In the financial statements pursuant to the IFRS, shares in an immaterial subsidiary were measured at acquisition cost, while pursuant to the previous accounting principles the valuation was made by the equity method.

Reconciliation of Equity

	Balance as at 31 December 2006	Balance as at 30 September 2006	Balance as at 1 January 2006
Equity pursuant to PAP	**798 542**	**773 720**	**691 785**
Unregistered share issue	199 623	-	-
Write-offs for loan impairment	-15 904	-14 024	15 103
Provisions for off-balance sheet lending commitments	6 486	4 431	-607
General risk reserve	30 743	28 928	20 910
Reserve for Incurred But Not Reported loss (IBNR)	-41 252	-36 761	-27 494
Valuation of a subsidiary	1 566	1 943	2 808
Tax effect (deferred tax)	-298	-2 164	-5 181
Capital raise costs booked in assets	-	-	-211
Other differences	2	1	-412
Equity consistent with the IFRS	**979 508**	**756 074**	**696 701**

The tables below present an explanation of differences between the Bank's financial statements according to the PAP and the statements pursuant to the IFRS with respect to equity capital.

New share issue – prior to the registration in KRS
In the financial statements under the PAP, an issue increased the equity at the registration date. In the financial statements under the IFRS, an unregistered share issue was recognised at the payment date.

Write-offs for loan impairment and provisions for off-balance sheet lending commitments
The adjustment results from a difference between the rules of valuation of provisions for loan receivables under the Polish Accounting Principles (PAP) and the rules of measurement of write-offs for impairment pursuant to IAS 39.

Elimination of the general risk reserve
In the financial statements under the PAP, the Bank recognised the general risk reserve, established according to the Polish accounting rules.
In the statements under the IFRS, the effects of that reserve were removed.

Incurred But Not Reported loss reserve (IBNR)
In the financial statements pursuant to the IFRS, the Bank recognises a reserve for loan losses incurred but not reported as at the balance sheet date, which is created pursuant to IAS 39.
Such a reserve was not recognised in the financial statements under the PAP.

Capital raise costs
In the financial statements pursuant to the PAP, capital raise costs were booked as intangible assets and then depreciated through profit or loss for five (5) years.
In the financial statements according to the IFRS, such costs decrease the equity at the moment they are incurred.

Elimination of a subsidiary valuation
In the financial statements pursuant to the PAP, the Bank's shares in a subsidiary were measured by the equity method.
In the financial statements according to the IFRS, shares in an immaterial subsidiary have been measured at the acquisition cost.

Tax effect
The above-mentioned adjustments had an impact on deferred tax.

Balance Sheet

As at 1 January 2006 (in PLN thousand)	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Assets			
Cash and cash equivalents	1 274 752	798 967	2 073 719
Financial assets held for trading	61 371	-6 444	54 927
Due from banks	206 578	-6	206 572
Loans to Customers	4 228 462	-1 983	4 226 479
Investments	311 903	2 836	314 739
Property, Plant and Equipment	47 454	-707	46 747
Intangible Assets	14 521	-176	14 345
Deferred tax assets	29 899	-15 589	14 310
Deferred acquisition cost, accrued interest and other assets	194 963	-108 375	86 588
Total assets	**6 369 903**	**668 523**	**7 038 426**
Liabilities			
Financial liabilities held for trading	43 625	-6 445	37 180
Due to banks	2 093 764	786 439	2 880 203
Due to Customers	3 246 790	17 368	3 264 158
Current tax liabilities	20 318	-	20 318
Deferred tax liabilities	10 853	-10 853	-
Accrued interest and expenses and other liabilities	240 135	-108 779	131 356
Provisions	22 633	-14 123	8 510
Total liabilities	**5 678 118**	**663 607**	**6 341 725**
Total equity	**691 785**	**4 916**	**696 701**
Total liabilities and equity	**6 369 903**	**668 523**	**7 038 426**

As at 30 September 2006 (in PLN thousand)	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Assets			
Cash and cash equivalents	980 467	719 106	1 699 573
Financial assets held for trading	137 477	-10 795	126 682
Due from banks	186 387	-15	186 372
Loans to Customers	6 332 477	-43 527	6 288 950
Investments	630 345	1 943	632 288
Property, Plant and Equipment	51 398	-	51 398
Intangible Assets	21 984	-	21 984
Deferred tax assets	40 740	-14 513	26 227
Deferred acquisition cost, accrued interest and other assets	171 414	-71 746	99 668
Total assets	**8 552 689**	**580 453**	**9 133 142**
Liabilities			
Financial liabilities held for trading	52 454	-10 935	41 519
Due to banks	3 312 514	710 706	4 023 220
Due to Customers	4 085 305	32 295	4 117 600
Current tax liabilities	13 489	-	13 489
Deferred tax liabilities	12 350	-12 350	-
Accrued interest and expenses and other liabilities	267 177	-95 259	171 918
Provisions	35 680	-26 358	9 322
Total liabilities	**7 778 969**	**598 099**	**8 377 068**

Total equity	**773 720**	**-17 646**	**756 074**
Total liabilities and equity	**8 552 689**	**580 453**	**9 133 142**

As at 31 December 2006 (in PLN thousand)	Pursuant to Polish Accounting Principles	Difference	Pursuant to IFRS
Assets			
Cash and cash equivalents	2 127 708	698 291	2 825 999
Financial assets held for trading	167 317	-24 210	143 107
Due from banks	200 501	-96	200 405
Loans to Customers	7 023 818	-48 702	6 975 116
Investments	663 315	-8 605	654 710
Property, Plant and Equipment	60 275	-	60 275
Intangible Assets	23 664	-	23 664
Deferred tax assets	37 381	-16 092	21 289
Deferred acquisition cost, accrued interest and other assets	150 732	-85 149	65 583
Total assets	**10 454 711**	**515 437**	**10 970 148**
Liabilities			
Financial liabilities held for trading	81 576	-24 211	57 365
Due to banks	4 539 988	566 698	5 106 686
Due to Customers	4 459 227	17 656	4 476 883
Current tax liabilities	3 963	-	3 963
Deferred tax liabilities	15 794	-15 794	-
Accrued interest and expenses and other liabilities	514 214	-180 731	333 483
Provisions	41 407	-29 147	12 260
Total liabilities	**9 656 169**	**334 471**	**9 990 640**
Total equity	**798 542**	**180 966**	**979 508**
Total liabilities and equity	**10 454 711**	**515 437**	**10 970 148**

Differences in the balance sheet total refer chiefly to the following factors:

- Recognition at the trade date of the following: assets and liabilities, settlements on account of standardised FX spot transactions, securities purchase and sale transactions, likewise deposit and placement transactions on the interbank market. Under the PAP, such assets and liabilities were recognised at the settlement date. The impact of such transactions on the balance sheet total was, respectively, PLN 698,568 thousand as at 31 December 2006, PLN 719,350 thousand as at 30 September 2006 and PLN 799,295 thousand as at 1 January 2006.
- Measurement of shares in immaterial subsidiaries to the acquisition cost. Under the PAP, such shares were measured by the equity method. The impact of such transactions on the balance sheet total was, respectively, PLN 1,565 thousand as at 31 December 2006, PLN 1,943 thousand as at 30 September 2006 and PLN 2,808 thousand as at 1 January 2006.
- Measurement of write-offs for loan receivables pursuant to IAS 39. The impact of such transactions on the balance sheet total was, respectively, PLN (48,979) thousand as at 31 December 2006, PLN (44,432) thousand as at 30 September 2006 and PLN (7,367) thousand as at 1 January 2006.
- Removal of contractual interest accrued after determination of the receivable impairment. Under the PAP, such interest is accrued in correspondence to a relevant item of liabilities, whereas under the IFRS, the interest is not recognised. The balance sheet total was adjusted, respectively, by PLN (84,201) thousand as at 31 December 2006, PLN (102,565) thousand as at 30 September 2006 and PLN (107,963) thousand as at 1 January 2006.
- The impact of effects of the above adjustments on deferred tax assets which adjusted the balance sheet total by, respectively, PLN (378) thousand as at 31 December 2006, PLN (2,220) thousand as at 30 September 2006 and PLN (5,227) thousand as at 1 January 2006.
- Recognition of deferred tax assets and liabilities in net amounts. The adjustment of the balance sheet total on that account was, respectively, PLN (15,714) thousand as at 31 December 2006, PLN (12,293) thousand as at 30 September 2006 and PLN (10,807) thousand as at 1 January 2006.

5.Accounting Policies

Basis of presentation

Statement on consistency with the IFRS

These interim financial statements have been prepared pursuant to the International Financial Reporting Standards 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 October 2005, regarding current and periodical information submitted by issuers of securities (Journal of Laws of 2005 No. 209, item 1744).

The financial statements comply with the requirements of the International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Transformation of comparative data

The annual financial statements of the Bank for the reporting period ended on 30 September 2006 and for the year ended on 31 December 2006 were prepared pursuant to the relevant Polish accounting principles. The said principles (Polish Accounting Principles, PAP) were described in the Bank's financial statements for 2006. The Bank transformed the data contained in the 2006 report and for the period ended on 30 September 2006 to obtain relevant comparative data consistent with the IFRS. The effects of adopting the IFRS are presented in Section 4 "Effects of Adopting IFRS" hereof.

Business continuity, historical cost principle

The financial statements of the Bank were prepared assuming the continuation of the Bank'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.

The financial statements of the Bank 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 and available-for-sale financial assets which were measured at fair value.

First-Time Adoption of IFRS

In the first-time adoption of the International Financial Reporting Standards a retrospective method was used pursuant to IFRS 1.

Comparative data

The financial statements present financial data for the period from 1 January 2007 through 30 September 2007 and comparative data for the periods: from 1 January 2006 through 30 September 2006 and 1 January 2006 through 31 December 2006.

Accounting Estimates

When preparing the financial statements pursuant to the IFRS, the Bank's 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 care 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.

Write-offs for impairment of financial assets

The Bank regularly reviews the credit portfolio with the view to impairment in monthly periods. In the estimation of write-offs for impairment, the Bank assesses whether there are any indicators of impairment for specific receivables or groups of receivables or not. 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 debtor'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.

Receivables with respect to which impairment was identified, are subsequently subject to an estimation of a write-off 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 are no indicators 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 the IBNR reserve.

A write-off 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, although 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.

Write-offs 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 Bank'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 Bank.

A residual value of an item of property, plant and equipment and intangible assets is the expected amount that the Bank 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 Bank 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 Bank's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.

Foreign Currency

The financial statements are stated in Polish zlotys (PLN), rounded up to one thousand zlotys, unless indicated otherwise. The functional currency is Polish zloty (PLN).

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.

Rules of Balance Sheet Recognition of Financial Assets and Liabilities

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

The Bank recognises standardised purchase and sale transactions of financial assets in the balance sheet at the trade date which is the date of the Bank'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 in the Bank apply in particular to FX spot currency transactions, interbank 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.

Rules of financial asset derecognition from the balance sheet

The Bank derecognises financial assets from the balance sheet when contractual rights to cash flows from a financial asset expire or when the Bank transfers a financial asset pursuant to paragraphs 18 and 19 of IAS 39, and the transfer meets the conditions of derecognition from the balance sheet in line with paragraph 20 of IAS 39.

Segment Reporting

Business segments

A business segment is a distinguishable component of a business entity that is engaged either in providing products or services, or a group of products and services, which is subject to risks and rewards that are different from those of other business segments.

As the risk that the Bank is exposed to and the rate of return achieved depend chiefly on differentiation of products and services provided, the business segment has been defined as the primary reporting segment pursuant to the IAS 14 requirements.

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

- Retail Banking Business Line (RB BL)
- Merchant & Private Banking Business Line (M&PB BL)
- Asset & Liability Management (ALM) and support units (horizontal functions) are the Bank's Head Office units, except the Treasury Department, which belongs to in the Merchant & Private Banking Business Line.

Geographical segments

Geographical segment is a distinguishable component of an enterprise that provides products and services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Bank operates in Poland as the sole geographical segment.

Offsetting

Financial assets and liabilities are offset and the net amount reported 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.

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-off 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-off for impairment.

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 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, i.e. the difference between the carrying value at the end of the current reporting period and the previous reporting period.

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 Bank 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.

When a financial instrument is measured at fair value through profit or loss, the fees related to the instrument are recognised as revenue when the instrument is initially recognised.

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 syndication 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.

Current and deferred income tax

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the Bank'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 to the extent to which they can be utilised to decrease future tax liability.
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.

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 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.

Classification and Measurement of Financial Assets and Liabilities

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:
- financial assets that the Bank 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;
- financial assets that upon initial recognition were designated by the Bank 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 rate method, including write-offs for impairment.

In the category of loans and receivables, the Bank 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-offs for impairment.

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

a) held-for-trading securities,
b) derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

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 rate 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 short 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 Bank classifies held-for-trading financial liabilities into the category of financial liabilities, in particular:

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

b) 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 Bank classifies in particular the following into the category of other financial liabilities:

a) due to banks;
b) due to customers.

Fair Value of Financial Instruments

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.

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 Bank 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 Bank estimates a write-off amount 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-offs 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), write-offs are set using recoverability parameters, determined by models, on account of voluntary repayments and collateral value (portfolio analysis of future cash flows).

The Bank creates a reserve 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 IBNR reserve 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 Bank writes down such loans and receivables to the related write-offs for their impairment.
Any amounts subsequently recovered adjust the changes to write-offs for impairment in the income statement.

When objective evidence of an available-for-sale financial asset impairment is found, the Bank transfers the cumulated measurement on account of changes to fair value of the asset from the revaluation reserve to the income statement, in the amount equal to the difference between the acquisition price 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 Bank makes an assessment whether there is any indicator of 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 financial instruments with less than three months maturity from the date of acquisition.

Cash Flow Statement

The statement of cash flow, presented by the Bank, has been prepared using an indirect method, according to which the net profit is adjusted by non-cash transactions, accruals and settlements of the future and past cash flows, likewise by cash flows items related to investing or financing activity.

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.

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 Bank 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 trading liability.

Shares in subsidiaries

Shares in subsidiaries which are not subject to consolidation due to immateriality are measured by acquisition price method.

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 Bank in order to provide services.

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and write-offs for impairment.

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.
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.

In 2007, the Bank applies the following balance-sheet depreciation rates for basic groups of the property, plant and equipment:

- leasehold improvements – 10%,
- equipment: IT and telephone equipment – 10%, 17%, 20%, 33% - depending on the useful life of a given asset,
- means of transport – 33%, 25% – depending on the useful life of a given asset,
- operating system software – 20%,
- system software, i.e. other than operating system software – 33%,
- other fixed assets – 10%, 20% – depending on the useful life of a given asset.

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 Bank 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 Bank does not hold any non-current assets held for sale and discontinued operations.

Intangible Assets

Intangible assets are identifiable assets which are not physical in nature and are recognised at acquisition cost. An intangible asset is recognised in the balance sheet if it will generate financial benefits in the future and can be reliable measured. The Bank assesses regularly if an intangible asset may be impaired.
Intangible assets include intangible assets with definite lives, such as trademarks and licenses. They are amortised over their useful lives using the straight-line method.

The Bank 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 write-offs for impairment. The residual value and useful life of intangible assets are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

Derivative instruments

Derivative instruments are financial instruments whose value change 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.

Derivative instruments in the Bank 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 Bank'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 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 the contracts is to hedge against interest rate risk and to maintain liquidity, likewise 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 Bank'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 consist in an agreement between the parties to the transaction 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 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 transaction rate.

FRAs 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.

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 the date a derivative contract is entered into, this contract may 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 Bank applies hedge accounting with respect to hedging against the risk of fair value changes as a result of interest rate alterations. The fair value is hedged to limit a risk that fair value changes resulting from a specific risk related to financial assets and liabilities or a specific part thereof entered into accounting books may affect the financial result.
An effective component of a change 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.

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.

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 Bank measures reserves established for retirement severance pay, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, likewise for liabilities on account of customary jubilee awards. 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 retirement severance pay, disability benefits, post-death benefits and jubilee awards 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 Bank 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 Bank 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 Bank; 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 Bank 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 Bank – in the amount unused by customers;
- contingent liabilities granted on account of guarantees issued by the Bank in favour of customers – in the amount specified in agreements;
- contingent liabilities on account of credit lines obtained by the Bank – in the amount available for use by the Bank;
- contingent liabilities on account of guarantees received by the Bank – in the amount specified in agreements.

Equity Capital

The equity capital comprises capital and funds established pursuant to the binding regulations, i.e. the statute and the applicable Acts.

Share Issue Costs

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders. 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:

- First-time adoption of the IFRS

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

6.Segment Reporting

Information on Segments

A segment is a distinguishable component of the Bank that is engaged either in providing products or services, which are subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10% or more of all the segments are reported separately. The Bank's reportable segments are defined using the "management approach" which are those reviewed by Management to strategically manage the Bank and make business decisions and are based on the risks and rewards of the product lines and services provided. The primary segmentation covers a breakdown by products and services.

Primary segmentation

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

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

Accounting principles for specific segments are the same as the ones described in the accounting principles. Transactions between specific business segments are subject to customary commercial and market conditions. 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.

Banking 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.

Consumer Finance, separated within the Retail Banking business line, specialises in sale and service of credit cards and cash loans for Private Individuals.

- **Merchant & Private Banking**

Within this segment the following lines exist:

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

Private Banking provides integrated services and solutions in terms of asset management for the most affluent Private Individuals.

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

The 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.

Income Statement by Business Segments

1 Jan. 2007 – 30 Sept. 2007 (in PLN thousand)	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	187 756	206 457	21 207	415 420
Transfer prices expense (internal)	-124 768	-274 464	-26 349	-425 581
Interest expense (external)	-60 309	-148 140	-2 327	-210 776
Transfer prices income (internal)	95 992	276 446	53 143	425 581
Net interest profit (loss)	**98 671**	**60 299**	**45 674**	**204 644**
Other transfer prices (internal)	**-404**	**12 762**	**-12 358**	**-**
Commission and fee income (external)	62 806	32 950	2 484	98 240
Commission and fee expense (external)	-5 183	-734	-1 640	-7 557
Net commission and fee profit (loss)	**57 623**	**32 216**	**844**	**90 683**
Dividend and other investment income (external)	-	-	600	**600**
Net profit (loss) on transactions in held-for-trading financial instruments (external)	47 619	64 302	-	**111 921**
Net profit (loss) on transactions in available-for-sale financial assets (external)	-	-111	356	**245**
Net profit (loss) on hedging transactions (external)	-	-	-20	**-20**
Other operating revenues (external)	6 035	1 899	4	**7 938**
Total income net	**209 544**	**171 367**	**35 100**	**416 011**
Personnel costs (external)	-47 522	-32 939	-38 111	**-118 572**
Depreciation of fixed assets and intangible fixed assets* (external)	-	-	-15 989	**-15 989**
Other expenses* (external)	-20 944	-5 019	-71 087	**-97 050**
Net write-offs for impairment (external)	-17 903	-7 300	-6	**-25 209**
Costs allocation (rebilling) (internal)	-108 112	-16 702	124 814	**-**
Gross profit	**15 063**	**109 407**	**34 721**	**159 191**
Income tax	-2 662	-18 110	-6 150	**-26 922**
Net profit	**12 401**	**91 297**	**28 571**	**132 269**

1 Jan. 2006 – 30 Sept. 2006 (in PLN thousand)	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	116 573	123 781	23 131	263 485
Transfer prices expense (internal)	-69 848	-161 159	-17 858	-248 865
Interest expense (external)	-44 900	-61 243	-7 584	-113 727
Transfer prices income (internal)	71 740	145 520	31 605	248 865
Net interest profit (loss)	**73 565**	**46 899**	**29 294**	**149 758**
Other transfer prices (internal)	**910**	**4 848**	**-5 758**	**-**
Commission and fee income (external)	46 448	23 357	2 060	73 865
Commission and fee expense (external)	- 4 649	-665	-1 361	-6 675
Net commission and fee profit (loss)	**41 799**	**24 692**	**699**	**67 190**
Net profit (loss) on transactions in held-for-trading financial instruments (external)	35 074	47 430	-	**82 504**
Net profit (loss) on transactions in available-for-sale financial assets	-380	-70	-1 052	**-1 502**

(external)				
Net profit (loss) on hedging transactions (external)	-	-	40	**40**
Other income	2 463	1 903	1 170	**5 536**
Total income net	**153 431**	**125 702**	**24 393**	**303 526**
Personnel costs (external)	-36 439	-19 312	-27 113	**-82 864**
Depreciation of fixed assets and intangible fixed assets* (external)	- 8 447	-2 110	-5 780	**-16 337**
Other expenses* (external)	-47 080	-12 769	-20 708	**-80 557**
Net write-offs for impairment (external)	-33 302	-10 063	-71	**-43 436**
Costs allocation (rebilling) (internal)	-48 079	-5 216	53 295	**-**
Gross profit	**- 19 916**	**76 232**	**24 016**	**80 332**
Income tax	- 1 560	-11 016	-3 904	**-16 480**
Net profit	**-21 476**	**65 216**	**20 112**	**63 852**

* In 2006, direct costs were recognised in segments according to entries in the general ledger, i.e. according to where they originated (by profitability codes).
In 2007, following a change in the rebilling methodology, specific cost groups (e.g. costs related to the management of the property, plant and equipment and intangible assets, depreciation) are recognised in units responsible (with respect to the content) for the level of such costs. Subsequently, the costs are transferred to where they have originated, i.e. business lines and support units (horizontal functions) through rebilling. Hence an inconsistency in the recognition of costs in 2006 and in 2007.

Description of Segment Activity

Retail Banking

Customers

Retail Banking is a dynamically developing business line. As at the end of the third quarter of 2007, the number of active customers of this line reached 51,542. On average, the number of the line's customers increased by 16% (three quarters of 2007 compared to three quarters of 2006). Private Individuals (69%) and enterprises (20%) prevail among the Retail Banking customers, while the remaining 11% are mass market customers acquired by the end of the first quarter 2007 within the RB dedicated line - Consumer Finance. Portfolios of that line's customers (credit cards, cash loans) continue to be maintained, however the Bank does not focus on this area any longer.

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 both the above distribution channels. Out of 33 branches that service Retail Banking BL Customers, seven have been opened in 2007. The Bank's statistics show that alternative distribution channels have becoming increasingly popular among Customers. Comparing the Quarter III 2007 data and Quarter III 2006 (YTD), the Bank noted the following:

- the number of Customers using the Pl@net banking system increased by 25%,
- the number of Customers using the MultiCash banking system increased by 12%,
- the number of transfers made via the Pl@net increased by 43%,
- the number of transfers made via the MultiCash increased by 19%.

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 the third quarter of 2007, the balance of such loans reached PLN 2.5 billion, which means an increase by 84% as compared to the end of the third quarter of 2006; from 1 January 2007 till 30 September 2007 the Bank have already granted 2,889 mortgage loans;
- credit cards: as at the end of the third quarter of 2007, the number of credit cards for Private Individuals and mass market Customers stood at 10,031 while the balance of card credits increased by 111% (the average of three quarters of 2007 as compared to the average of three quarters of 2006);
- investment type products: e.g. foreign investment funds like L-FIX and L-Funds managed by Fortis Investments or Fortis FIO investment portfolios managed by Fortis Private Investments Polska S.A.; their balance (PLN 0.7 billion as at the end of the third quarter of 2007) increased by 253% over the balance noted as at the end of the third quarter of 2006.

The following products are largely popular among Enterprises:

- investment loans: as at the end of the third quarter of 2007, the balance of such loans reached PLN 1.7 billion, which means an increase by 56% as compared to the end of the third quarter of 2006;
- currency exchange instruments: the number of table-based and negotiated transactions in three quarters of 2007 increased by 22% as compared to three quarters of 2006, and the average monthly volume of such transactions oscillates around PLN 1.5 billion.

Results

The growing interest of Retail Banking Customers in the Bank's products is reflected in the Bank's income statement as this line's net revenues increased by 33% in the third quarter of 2007 as compared to the third quarter of 2006 (YTD). The increase was generated thanks to:

- net commission and fee profit higher by 38%,
- net income on held-for-trading financial instruments higher by 36%, which was attributable both to the net FX income (growth by 21%) and the net income on derivative instruments (insignificant in 2006, and in 2007 amounting to approx. PLN 5.0 million);
- net interest profit higher by 34%.

The Retail Banking intensive development also resulted in costs increase. Personnel costs grew by 30%. The increase was however mainly due to the growth in FTEs (in periods analysed by 30% on average). The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The increase of the costs by 125% in the third quarter of 2007 as compared to the third quarter of 2006 (YTD) was affected by the change of a methodology of defining the bank's units' direct costs (details are specified below in the part regarding ALM and support units [horizontal functions]). Having disregarded the costs related to the changed methodology, the increase of costs transferred amounted to 36% and resulted from the growth of customers' activity and the increase in products and services sold. The support units (horizontal functions) involved in the service of such products and services, transferred to business lines costs proportional to the increasing production.

Merchant & Private Banking

Customers

As at the end of the third quarter of 2007, the number of active customers of this line reached 2,330. On average, the number of the line's customers increased by 27% (three quarters of 2007 compared to three quarters of 2006). Large and medium enterprises that form the Commercial Banking Business Line (CB BL), have the biggest share (94%) in the number of Merchant & Private Banking customers. The Private Banking line was separated in 2006.

Distribution channels

M&PB customers have at their disposal both a network of Business Centres (8), which are part of the international Fortis Bank network including about 125 centres in 20 countries, as well as alternative channels: Multicash, Pl@net systems and Call Centre. As statistics show, these channels are more and more willingly used by the customers. Comparing the Quarter III 2007 data and Quarter III 2006 (YTD), the Bank noted the following:

- the number of Customers using the MultiCash home-banking system increased by 29% (the system is installed by 68% of CB BL institutional customers),
- the number of transfers made via the MultiCash increased by 22%.

Products

M&PB 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 Bank to institutional customers include:

- investment loans (including loans to purchase / construction of commercial real properties): as at the end of the third quarter of 2007, the balance of such loans reached PLN 2.4 billion, which means an increase by 71% as compared to the end of the third quarter of 2006;
- working capital loans: as at the end of the third quarter of 2007, the balance of such loans reached PLN 1.3 billion, which means an increase by 35% as compared to the end of the third quarter of 2006;
- overdraft facilities: as at the end of the third quarter of 2007, the balance of such loans reached PLN 1.3 billion, which means an increase by 101% as compared to the end of the third quarter of 2006;
- deposits: as at the end of the third quarter of 2007, the total balance of deposits reached PLN 2.4 billion, which means an increase by 53% as compared to the end of the third quarter of 2006;
- currency exchange instruments: the number of negotiated and table-based transactions in three quarters of 2007 reached 37 000, and the average monthly volume of such transactions oscillates around PLN 1.6 billion.

Private Banking customers gathered approx. PLN 429 million in the third quarter of 2007 (deposits and investment type products).

The range of products offered has expanded. In 2007, the Bank has added the following to its offering: energy derivatives and cash collection. Changes in the organisational structure have continued to provide a better and more precise service of institutional customers. To this end, a Cash Management Group has been established to deal with specialised settlement products such as Notional Cash Pooling or Cash Collection.

Results

The constantly developing base of Merchant & Private Banking customers and growing interest in the Bank's products is reflected in the Bank's income statement as this line's net revenues increased by 35% in the third quarter of 2007 as compared to the third quarter of 2006. This increase was generated thanks to:

- net profit on transactions in held-for-trading financial instruments higher by 36%, including e.g. net FX income (increase by 31%),
- net commission and fee profit higher by 30%,
- net interest profit higher by 29%.

The Merchant & Private Banking intensive development also resulted in costs increase. Personnel costs increased by 71%. It mainly resulted from the increased employment (by 42%) and adjustment of the remuneration policy to the present situation on the labour market. Moreover, within the presented segment, a new specialised business line (Private Banking) and the back-office units processing credit transactions have dynamically developed. Costs allocation (rebilling) position is the net value of business line costs allocated and transferred from M&PB line to other units. The increase of the costs by 220% in the third quarter of 2007 as compared to the third quarter of 2006 was affected by the change of a methodology of defining the bank's units' direct costs (details are specified below in the part regarding ALM and support units [horizontal functions]). The other factor affecting the increase of costs transferred was the growth of Customers' activity and the increase in products and services sold – support units engaged in the process of servicing these products and services transferred to business lines costs proportional to the increasing production.

ALM and support units (horizontal functions)

Results

On one hand, the ALM segment presents the results of FX, interest rate and liquidity risk management (net profit on the activity increased by 44%), and on the other hand, costs of support units reflecting the Bank's development. In 2007, the Bank implemented a new methodology of costs allocation, in accordance with the methodology applied in the Fortis Group. This methodology introduces a new definition of the unit's direct costs i.e. the cost that is in the area of a given unit's responsibility is treated as a direct cost of a given unit. In accordance with this methodology, costs of depreciation, rent and training are reported as a direct cost of appropriate support units responsible for this cost. Finally, the costs are allocated to business units, in a proportion appropriate to the support rendered to a given business line, increasing the unit's allocation costs. According to the methodology applied in 2006, costs of this type were other (direct) costs of business lines.

7.Earnings per share

Note 7. Earnings per share

	1 January 2007 – 30 September 2007	1 January 2006 – 30 September 2006
Number of shares as at 30 September	16 771 180	15 077 700
Weighted average number of ordinary shares	16 771 180	15 077 700
Net profit of the period (annualised) in PLN thousand	132 269 000	63 852 000
EPS ratio in PLN	**7.89**	**4.23**
Weighted average diluted number of ordinary shares	16 771 180	15 077 700
Diluted EPS ratio (PLN per share)	7.89	4.23

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 based on the relation of the profit attributable to the Bank's shareholders to the weighted average number of ordinary shares adjusted as if all the ordinary dilutive potential shares were converted into shares. As at the reporting date, there occurred no factors resulting in the dilution of potential ordinary shares.

8.Additional Notes to Profit and Loss Account

Note 8.1 Interest income

(in PLN thousand)	3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Cash and Cash Equivalents	7 261	15 045	6 218	12 708
Due from banks	5 437	14 740	3 005	9 534
Investments	4 199	16 810	7 970	17 640
Loans to Customers	144 115	364 137	83 925	222 354
Securities	1 914	4 688	697	1 249
Total interest income	**162 926**	**415 420**	**101 815**	**263 485**

Note 8.2 Interest expense

(in PLN thousand)	3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Due to banks	-46 029	-107 355	-23 051	-50 170
Due to Customers	-40 750	-100 376	-21 681	-60 815
Derivative instruments	-722	-2 326	-860	-2 326
Others	-385	-719	-416	-416
Total interest expense	**-87 886**	**-210 776**	**-46 008**	**-113 727**

Note 8.3 Commission and fee income

(in PLN thousand)	3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Custody services and securities trading	739	2 164	562	1 697
Cash settlements services	8 876	39 137	9 348	34 805
Guarantees and contingent liabilities	3 913	11 241	3 133	7 726
Commissions related to granting credit facilities (settled using the straight-line method)	5 256	14 460	4 425	12 540
Income on account of agency in customer acquisition	2 349	7 520	707	839
Card transactions income	7 742	11 252	2 826	6 827
Other income	7 723	12 466	6 407	9 431
Total commission and fee income	**36 598**	**98 240**	**27 408**	**73 865**

Note 8.4 Commission and fee expense

(in PLN thousand)	3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Custody services and securities trading	-149	-444	-186	-552
Card related expenses	-1 188	-3 149	-735	-2 651
Cash transactions expenses	-1 061	-2 229	-518	-2 133
Transfers expenses	-354	-1 071	-319	-888
Other expenses	-229	-664	-72	-451
Total commission and fee expenses	**-2 981**	**-7 557**	**-1 830**	**-6 675**

Note 8.5 Net profit (loss) on transactions in held-for-trading financial instruments

(in PLN thousand)	3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Securities	272	-1 127	66	266
Derivative instruments	9 796	29 947	-2 327	10 715
Foreign exchange transactions	33 877	83 101	30 362	71 523
Total net profit (loss) on transactions in held-for-trading financial instruments	**43 945**	**111 921**	**28 101**	**82 504**

Note 8.6 Net write-offs for impairment

(in PLN thousand)	3rd quarter 2007	Qtr. I-III of 2007 (YTD)	3rd quarter 2006	Qtr. I-III of 2006 (YTD)
Cash and cash equivalents	-148	-80	-34	105
Due from banks	-49	-18	82	-14
Loans to Customers	-10 242	-22 186	-20 916	-42 563
Other receivables	-169	-194	-187	-179
Off-balance sheet assets	-403	-1 585	-31	-1 774
Other assets	16	410	31	20
Others	-1 817	-1 556	70	969
Total net write-offs for impairment	**-12 812**	**-25 209**	**-20 985**	**-43 436**

9.Additional Notes to Balance Sheet

Note 9.1 Cash and cash equivalents

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Cash at hand	**164 039**	**299 142**	**158 655**
Due from the central bank	**76 546**	**76 620**	**51 005**
Short-term due from banks, gross	**1 084 646**	**2 432 777**	**1 457 716**
-nostro accounts	22 541	911	31 978
- short-term deposits from banks	613 396	1 771 588	738 214
-other short-term receivables	448 709	660 278	687 524
Write-offs for impairment	**-246**	**-277**	**-224**
- for Incurred But Not Reported loss (IBNR)	-246	-277	-224
Total short-term due from banks, net	**1 084 400**	**2 432 500**	**1 457 492**
Short-term loans to customers	**59 460**	**17 737**	**32 421**
Total cash and cash equivalents	**1 384 445**	**2 825 999**	**1 699 573**

Receivables

Note 9.2.1 Due from banks

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Deposits	75 550	-	-
Loans	25 033	20 086	66
Debt securities not traded on an active market	152 012	155 295	154 783
Other receivables	4 319	25 120	31 537
Total due from banks, gross	**256 914**	**200 501**	**186 386**
Write-offs for impairment:	**-75**	**-96**	**-14**
- for Incurred But Not Reported loss (IBNR)	-75	-96	-14
Total net due from banks	**256 839**	**200 405**	**186 372**

Note 9.2.2 Loans to Customers

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Loans to budgetary entities	704	489	997
Mortgage loans	2 493 863	1 573 712	1 346 426
Consumer loans and credit facilities	355 431	224 500	221 713
Commercial loans	7 617 056	5 346 778	4 900 104
Other receivables	1 867	1 296	2 842
Total loans to customers, gross	**10 468 921**	**7 146 775**	**6 472 082**
Write-offs for impairment:	**-182 338**	**-171 659**	**-183 132**
- for credit risk	-138 143	-138 862	-153 609
- for Incurred But Not Reported loss (IBNR)	-44 195	-32 797	-29 523
Total net loans to customers	**10 286 583**	**6 975 116**	**6 288 950**

Financial assets and liabilities held for trading

Note 9.3.1 Financial assets held for trading

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Held-for-trading securities:	**182 903**	**87 507**	**90 390**
- treasury bonds	182 903	87 507	90 390
Derivative financial instruments	**113 386**	**55 600**	**36 292**
Total financial assets held for trading	**296 289**	**143 107**	**126 682**

As at 30 September 2007, 31 December 2006 and 30 September 2006, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

Note 9.3.2 Financial liabilities held for trading

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Derivative financial instruments	129 701	57 365	41 519
Total financial liabilities held for trading	**129 701**	**57 365**	**41 519**

Note 9.4 Investments Available for Sale

30 Sept. 2007 (in PLN thousand)	Balance sheet value	Valuation	Fair value
Treasury bonds	306 903	- 1 456	305 447
Shares	18 238	-	18 238
NBP Bonds	24 979	-	24 979
Total investments available for sale	**350 120**	**-1 456**	**348 664**

31 December 2006 (in PLN thousand)	Balance sheet value	Valuation	Fair value
Treasury bills	4 999	-2	4 997
Treasury bonds	603 819	2 677	606 496
Shares	18 238	-	18 238
NBP Bonds	24 979	-	24 979
Total investments available for sale	**652 035**	**2 675**	**654 710**

30 Sept. 2006 (in PLN thousand)	Balance sheet value	Valuation	Fair value
Treasury bills	8 937	3	8 940
Treasury bonds	580 960	-831	580 129
Shares	18 240	-	18 240
NBP Bonds	24 979	-	24 979
Total investments available for sale	**633 116**	**-828**	**632 288**

Liabilities

Note 9.5.1 Due to banks

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Banks' deposits	**1 439 930**	**1 798 162**	**607 334**
-Current	114 339	87 198	95 437
- Term	1 074 943	1 209 771	416 293
- Other	250 648	501 193	95 604
Loans and credit facilities received	**3 799 260**	**2 591 117**	**2 728 674**
Other	**496 170**	**566 793**	**687 212**
Total due to banks	**5 735 360**	**4 956 072**	**4 023 220**

Note 9.5.2 Due to Customers

(in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Current deposits	1 254 147	1 076 486	1 088 944
Term deposits	4 152 865	3 533 215	2 996 262
Other	59 536	17 796	32 394
Total due to customers	**5 466 548**	**4 627 497**	**4 117 600**

10. Capital adequacy and financial liquidity

Capital adequacy and financial liquidity (in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Share capital	503 135	503 135	452 331
Share premium	308 814	308 814	159 995
Other reserve capital	183 200	74 934	74 934
Other elements of the equity capital included in the capital adequacy ratio calculation	67 450	66 223	57 254
Gross equity capital, total	**1 062 599**	**953 106**	**744 514**
Deductions			
Capital shares in financial entities	18 196	18 196	18 196
Net intangible assets	26 270	23 664	21 984
Total deductions	**44 466**	**41 860**	**40 180**
Net equity capital	**1 018 133**	**911 246**	**704 334**
Short-term capital	**11 099**	**-**	**-**
including current profit on the Trading Portfolio	11 099	-	-
Total funds	**1 029 232**	**911 246**	**704 334**
Credit risk	900 986	618 133	574 837
Market risk	6 645	6 768	4 556
Delivery settlement and counterparty risk	4 454	2 765	2 160
Total capital requirement	**912 085**	**627 666**	**581 553**
Capital adequacy ratio	**9,03%**	**11,61%**	**9,69%**

Minimal capital requirements (in PLN thousand)	30 September 2007	31 December 2006	30 September 2006
Credit risk	900 986	618 133	574 837
Interest rate general risk	6 645	6 768	4 556
Delivery settlement and counterparty risk	4 454	2 765	2 160
Total capital requirement	**912 085**	**627 666**	**581 553**

11. Data comparability

There have been changes made with respect to the manner of presentation of the data, published previously in the semi-annual report for the first half of 2007, as at 31 December 2006 to ensure the data comparability.

Balance as at 31 December 2006

Item	Semi-annual report for the first half of 2007	Quarterly report for Qtr. III of 2007	Difference	Change description
Due to banks	5 106 686	4 956 072	-150 614	Transfer of 'due to brokerage houses', in the semi-annual report recognised under 'Due to banks' and in the current report under 'Due to customers'.
Due to Customers	4 476 883	4 627 497	150 614	

12. Additional information

Information on Previously Published Financial Forecast

Fortis Bank Polska S.A. Board of Executives has not published any financial forecast.

Explanations regarding Seasonal or Periodical Nature of the Interim Business

In Fortis Bank Polska S.A. activity, there are no material seasonal or periodical events.

Information on Dividends Paid

At the meeting held on June 15, 2007, the General Meeting of Shareholders resolved to pay no dividend and allocate the entire 2006 net profit of PLN 108,266,204.72 to increase the Bank's equity funds.

Information on Changes to Contingent Assets or Liabilities Occurred in the Period from the Close of the Last Fiscal Year

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 changes to contingent assets and liabilities.

Contingent assets (in PLN thousand)	30 September 2007	31 December 2006	Change (%)
Financial liabilities received	476 906	330 194	44.4%
Guarantee liabilities received	199 876	192 463	3.9%
Total off-balance sheet commitments received	**676 782**	**522 657**	

Contingent liabilities (in PLN thousand)	30 September 2007	31 December 2006	Change (%)
Financial liabilities granted	3 707 269	2 757 239	34.5%
Guarantee liabilities granted	872 755	779 639	11.9%
Total off-balance sheet commitments granted	**4 580 024**	**3 536 878**	

Agreements significant for the Bank's activity

On 28 September 2007, the Bank signed a credit agreement with Fortis Bank (Nederland) N.V. based in Rotterdam, on a subordinated loan with EUR 100 million limit granted to the Bank by Fortis Bank (Nederland) N.V. The loan was taken for the period until 28 September 2017. Interest rate: EURIBOR 3M plus a margin of 1% p.a. The agreement meets the criteria of a significant agreement, because the value of the agreement subject, at NBP rate at the end of September 2007, constitutes 35.5% of the value of the Bank's equity capital that equalled PLN 1 062.6 million as at the end of September 2007.

On 23 October 2007, the Bank signed a credit agreement with Fortis Bank (Nederland) N.V. based in Rotterdam, on a subordinated loan with EUR 100 million limit granted to the Bank by Fortis Bank (Nederland) N.V., which replaced the agreement dated 28 September 2007. Interest rate: EURIBOR 3M for the first interest period, EURIBOR 1M + margin of 1% p.a. starting from the second interest period, EURIBOR 1M + margin increased by 0.5% p.a. starting from 28 December 2012.

The Board of Executives of Fortis Bank Polska S.A. has applied to the Banking Supervision Commission for approval of including the loan as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law.

On 19 July 2007, Fortis Bank Polska S.A. and Fortis Private Investments Polska S.A. signed an agreement for an indefinite term with SKARBIEC Towarzystwo Funduszy Inwestycyjnych S.A., under which Fortis Bank Polska S.A. and Fortis Private Investments Polska S.A. provide agency services related to the distribution of participation units of SKARBIEC Towarzystwo Funduszy Inwestycyjnych S.A. The Bank receives remuneration for financial agency services on conditions corresponding to the market conditions.

On 27 August 2007, pursuant to the Outsourcing Framework Agreement dated 15 November 2006, regarding payment servicing by the Shared Service Centre, Fortis Bank Polska S.A. concluded an agreement with Fortis Bank SA/NV Branch in France regarding provision by Fortis Bank Polska S.A. of clearing services for domestic and cross-border transfers, handling customer complaints, settling transactions of the Treasury Department, Fortis Bank in France, servicing loans and reporting in favour of Fortis Bank SA/NV Branch in France, for which the Bank is paid remuneration pursuant to the framework agreement.

Description of Unusual Factors and Events

In the third quarter of 2007 in the Bank, there were no unusual events which affected the financial result and changed the structure of the balance sheet items.

Corrections of Prior Period Errors

In the third quarter of 2007 in the Bank, there was no need to correct any errors related to prior periods.

Information on Sureties for Loan or Credit Facilities or Guarantees Issued by the Issuer or Its Subsidiary

In the third quarter of 2007, the Bank or its subsidiary issued no securities for loan or credit facilities or guarantees, which would have exceeded 10% of the Bank's equity.

Post-balance Sheet Events

The Bank applied to the Banking Supervision Commission for the consent to include the loan of EUR 100 million taken from Fortis Bank (Nederland) N.V. based in Rotterdam, into the Tier 2 capital.

Material Events Occurring after the Close of the Quarter, Excluded from the Quarterly Financial Statements

There were no events, excluded from the Statement, which could have a material effect on the future financial results.

Issue, Redemption and Reimbursement of Debt and Capital Securities

In the third quarter of 2007, no issue, redemption nor reimbursement of debt and capital securities occurred.

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

In the third quarter of 2007, there were no pending proceedings related to the obligations or claims of the Bank or its subsidiary before court, relevant authority for arbitration or state administration bodies, whose total value would account for at least 10% of the Bank's equity.

Information on Related Party Transactions

The Bank holds 100 % shares in its subsidiary - Fortis Private Investments Polska S.A. Considering no material importance, the aforesaid subsidiary was not consolidated in this financial report.
Information on transactions of Fortis Bank Polska S.A. with its parent company, its subsidiary and entities affiliated by management is presented below. Transactions refer to banking operations performed within a standard business activity; the terms and conditions of transactions presented correspond to market conditions.

Balance sheet items as of 30 September 2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Assets				
Cash and cash equivalents	694 098	1	25 835	719 934
Financial assets held for trading	61 956	-	-	61 956
Due from Banks and Loans to Customers	1 002	-	78 091	79 093
Deferred acquisition cost, accrued interest and other assets	1 219	487	297	2 003
Total	**758 275**	**488**	**104 223**	**862 986**
Liabilities				
Financial liabilities held for trading	87 983	9 546	-	97 529
Due to banks and customers	355 159	-	4 065 454	4 420 613
Subordinated liabilities		11	377 750	377 761
Accrued interest and expenses and other liabilities	8 536	-	35 354	43 890
Total	**451 678**	**9 557**	**4 478 558**	**4 939 793**

Balance sheet items as of 31 December 2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Assets				
Cash and cash equivalents	1 645 564	-	2 232	1 647 796
Financial assets held for trading	15 717	-	-	15 717
Due from Banks and Loans to Customers	1 226	-	43 210	44 436
Deferred acquisition cost, accrued interest and other assets	18 039	89	91	18 219
Total	**1 680 546**	**89**	**45 533**	**1 726 168**
Liabilities				
Financial liabilities held for trading	16 068	-	-	16 068
Due to banks and customers	227 207	3 005	2 779 197	3 009 409
Accrued interest and expenses and other liabilities	23 158	12	12 923	36 093
Total	**266 433**	**3 017**	**2 792 120**	**3 061 570**

Balance sheet items as of 30 September 2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Assets				
Cash and cash equivalents	1 012 299	-	617	1 012 916
Financial assets held for trading	13 008	-	-	13 008
Due from Banks and Loans to Customers	-	-	44 998	44 998
Deferred acquisition cost, accrued interest and other assets	1 386	37	128	1 551
Total	**1 026 693**	**37**	**45 743**	**1 072 473**
Liabilities				
Financial liabilities held for trading	13 389	-	-	13 389
Due to banks and customers	355 743	2 542	2 817 867	3 176 152
Accrued interest and expenses and other liabilities	10 359	13	11 030	21 402
Total	**379 491**	**2 555**	**2 828 897**	**3 210 943**

1 Jan. 2007 – 30 Sept. 2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Income Statement				
Interest income	12 369	-	2 061	14 430
Interest expense	-2 911	-181	-82 359	-85 451
Commission and fee income	2 715	6 965	1 543	11 223
Commission and fee expense	-1 392	-	-2	-1 394
Dividend and other investment income	-	600	-	600
Net profit (loss) on transactions in held-for-trading financial instruments	47 475	-	11	47 486
Net profit (loss) on hedging transactions	3 001	-	-	3 001
Other income	4 685	-	-	4 685

1 Jan. 2006 – 30 Sept. 2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Income Statement				
Interest income	12 127	-	1 454	13 581
Interest expense	-2 625	-375	-25 476	-28 476
Commission and fee income	2 162	294	781	3 237
Commission and fee expense	-835	-	-	-835
Net profit (loss) on transactions in held-for-trading financial instruments	-8 961	-	478	-8 483
Net profit (loss) on hedging transactions	2 772	-	-	2 772
Other income	-	161	-	161
Other expenses	-	-	-367	-367

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

Structure of shareholders as at the balance sheet day, i.e. 30 September 2007.

	number of shares owned	share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank S.A./N.V.	16.635.287	99.19%	16 635 287	99.19%
Others	135.893	0.81%	135.893	0.81%
Total:	16.771.180	100%	16.771.180	100%

The Bank's share capital is divided into 16,771,180 shares of PLN 30 nominal value each, which constitutes 16,771,180 votes at the General Meeting of the Bank's Shareholders.

Shares of Fortis Bank Polska S.A. held by Management or Supervisory Board Members

As at the date of submitting this report for the third quarter of 2007, i.e. October 31, 2007, none of the Members of the Board of Executives or Members of the Supervisory Board held any shares issued by Fortis Bank Polska S.A. or any other related financial instruments, which means that no change occurred from the date of submitting the previous quarterly report for the second quarter of 2007, i.e. August 6, 2007.

Other Important Events

The Banking Supervision Commission, under Decision No. 399/2007 of September 4, 2007, approved amendments to the Statute of Fortis Bank Polska SA. resolved at the AGM on June 15, 2007. After registration of the amendments to the Statute of Fortis Bank Polska SA. on September 10, 2007, made by the District Court for the capital city of Warsaw, XIII Commercial and Registration Department of the National Court Register (reference no. WA.XIII NS-REJ. KRS/025274/07/443), with current report no. 20/2007 the Board of Executives of Fortis Bank Polska S.A. announced the consolidated text of the Statute. The consolidated text was determined by the Supervisory Board based on the formerly binding unified text of the Statute including the amendments introduced with Resolution No. 9 of the Annual General Meeting on June 15, 2007.

Compliant to the Supervisory Board's decision of June 15, 2007, Mr. Pan Thierry Lechien was appointed to the Bank's Board of Executives as Vice-President effective September 1, 2007. Effective 1 September 2007, the Board of Executives composition is as follows:

Jan Bujak - President of the Board
Alexander Paklons - Senior Vice-President
Bartosz Chytła - Vice-President
Jean-Luc Deguel - Vice-President
Jaromir Pelczarski - Vice-President
Thierry Lechien - Vice-President