Fortis Bank Polska SA

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

prepared pursuant to the International Financial Reporting Standards

FORTIS

Fortis Bank Polska SA with its registered office in Warsaw, at ul. Suwak 3, entered in the National Court Register (KRS) maintained by the District Court for he capital city of Warsaw, XIII Commercial Division of the National Court Register, Entry No. KRS 6421, tax identification number (NIP): 676-007-83-01 nd statistical number (REGON): 003915970, holding share capital of PLN 503,135,400.00 entirely paid in.

Table of Contents

1. Financial Highlights

Financial Highlights	in PLN thousand		in EUR thousand	
	Qtr. I - IV 2007 (YTD)	Quarters I-IV 2006 (YTD)	Quarters I- IV 2007 (YTD)	Quarters I-IV 2006 (YTD)
Interest income	606 041	375 542	160 464	96 315
Commission and fee income	134 231	107 614	35 541	27 600
Total income net	580 289	421 254	153 646	108 039
Gross profit	214 607	104 112	56 822	26 702
Net profit	177 594	85 137	47 022	21 835
Net cash provided by operating activities	-2 792 917	-633 422	-739 493	-162 453
Net cash provided by investing activities	-56 377	-400 810	-14 927	-102 796
Net cash provided by (used in) financing activities	1 612 932	1 787 900	427 063	458 542
Total net cash flow	-1 236 362	753 668	-327 357	193 293
Total assets	14 211 014	10 995 808	3 967 341	2 870 069
Due to banks	5 895 545	4 955 977	1 645 881	1 293 583
Due to Customers	6 307 428	4 627 357	1 760 868	1 207 809
Equity	1 153 956	981 505	322 154	256 187
Number of shares	16 771 180	16 771 180		
Book value per share (in PLN/EUR)	68,81	58,52	19,21	15,28
Diluted book value per share (in PLN / EUR)	68,81	58,52	19,21	15,28
Capital adequacy ratio	11,72%	11,45%		
Basic Earnings Per Share (PLN/EUR)	10,59	5,08	2,80	1,30
Diluted Earnings Per Share (PLN/EUR)	10,59	5,08	2,80	1,30

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for the fourth quarter of 2007 and the corresponding financial figures for the fourth 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 fourth quarter of 2007 have been converted into EUR at the mid-rate binding as at 31 December 2007 published by the National Bank of Poland on 31 December 2007, i.e. EUR 1 = PLN 3.5820; comparative financial data as at the end of the fourth quarter of 2006 have been converted into EUR at the mid-rate binding as at 31 December 2006, i.e., PLN 3.9835, published by the National Bank of Poland on 29 December 2006, i.e. EUR 1 = PLN 3.8312;
- particular items in the profit and loss account and cash flows, and earnings per share as at the end of the fourth 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 December 2007, i.e. EUR 1 = PLN 3.7768, whereas comparative data as at the end of the fourth 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 December 2006, i.e. EUR 1 = PLN 3.8991.

2.Financial data

Income Statement

Income Statement (in PLN thousand)		Quarter IV 2007	Quarters I-IV 2007 (YTD)	Quarter IV 2006	Quarters I-IV 2006 (YTD)
Interest income	**Note 8.1**	190 621	606 041	112 058	375 542
Interest expense	**Note 8.2**	-106 232	-317 008	-54 144	-167 871
Net interest profit (loss)		**84 389**	**289 033**	**57 914**	**207 671**
Commission and fee income	**Note 8.3**	35 991	134 231	33 749	107 614
Commission and fee expense	**Note 8.4**	-2 917	-10 474	-2 886	-9 561
Net commission and fee profit (loss)		**33 074**	**123 757**	**30 863**	**98 053**
Dividend and other investment income		2 800	3 400	-	-
Net profit (loss) on transactions in held-for-trading financial instruments	**Note 8.5**	44 040	155 961	28 298	110 803
Net profit (loss) on transactions in available-for-sale financial assets		-2 968	-2 723	471	-1 031
Net profit (loss) on hedging transactions		-106	-126	-33	7
Other income		3 049	10 987	215	5 751
Total income net		**164 278**	**580 289**	**117 728**	**421 254**
Personnel costs		-41 626	-160 198	-38 506	-121 370
Depreciation of fixed assets and intangible fixed assets		-9 268	-25 257	-5 731	-22 068
Other expenses		-41 868	-138 918	-39 864	-120 421
Net write-offs for impairment	**Note 8.6**	-16 100	-41 309	-9 847	- 53 283
Gross profit		**55 416**	**214 607**	**23 780**	**104 112**
Income tax		-10 091	-37 013	-2 495	-18 975
Net profit		**45 325**	**177 594**	**21 285**	**85 137**

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

EPS ratio	**Note 7**		
Net profit (in PLN)		177 594 000	85 137 000
Weighted average number of ordinary shares		16 771 180	16 771 180
EPS ratio (in PLN)		10,59	5,08
Diluted weighted average number of ordinary shares		16 771 180	16 771 180
Diluted EPS ratio (in PLN)		10,59	5,08

Balance Sheet

Balance sheet (in PLN thousand)		31 December 2007	31 December 2006
Assets			
Cash and cash equivalents	**Note 9.1**	1 590 463	2 826 975
Financial assets held for trading	**(Note 9.3.1)**	253 301	146 869
Due from banks	**(Note 9.2.1)**	228 525	199 129
Loans to Customers	**(Note 9.2.2)**	11 172 026	6 975 222
Investments - Available for Sale	**Note 9.4**	603 235	654 710
Property, Plant and Equipment		113 816	72 057
Intangible Assets		22 287	11 882
Deferred tax assets		33 873	23 285
Other assets		193 488	85 679
Total assets		**14 211 014**	**10 995 808**
Liabilities			
Financial liabilities held for trading	**(Note 9.3.2)**	201 381	61 127
Due to banks	**(Note 9.5.1)**	5 895 545	4 955 977
Due to Customers	**(Note 9.5.2)**	6 307 428	4 627 357
Current tax liabilities		26 601	3 963
Subordinated liabilities		358 200	-
Other liabilities		251 929	353 619
Provisions		15 974	12 260
Total liabilities		**13 057 058**	**10 014 303**
Equity			
Share capital		503 135	503 135
Additional capital		308 656	308 814
Other capital		183 200	74 934
Revaluation reserve		-2 818	2 167
Retained earnings		-15 811	7 318
Net profit (loss) for the year		177 594	85 137
Total equity		**1 153 956**	**981 505**
Total liabilities and equity		**14 211 014**	**10 995 808**

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

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

Balance as at 01.01.06 according to Polish Accounting Principles (PAP)	**Share capital**	**Additional capital**	**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	-	-	6 808	-	-	-208	6 600
Balance as at 01.01.06 according to IFRS	**30 155**	**349 528**	**163 160**	**-**	**153 845**	**1 697**	**698 385**
Net profit (loss) for the year	-	-	-	85 137	-	-	85 137
Share issue	50 804	148 819	-	-	-	-	199 623
Net profits/losses not recognised in the income statement (investments available for sale)	-	-	-	-	-	771	771
Net profits/losses recognised in the income statement (investments available for sale)	-	-	-	-	-	-191	-191
Deferred tax – net profits/losses (investments available for sale)	-	-	-	-	-	-110	-110
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**	**7 318**	**85 137**	**74 934**	**2 167**	**981 505**

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

	Share capital	Additional capital	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
Balance as at 01.01.07	**503 135**	**308 814**	**92 455**	**-**	**74 934**	**2 167**	**981 505**
Net profit (loss) for the year	-	-	-	177 594	-	-	177 594
Net profits/losses not recognised in the income statement (investments available for sale)	-	-	-	-	-	-6 857	-6 857
Net profits/losses recognised in the income statement (investments available for sale)	-	-	-	-	-	703	703
Deferred tax – net profits/losses (investments available for sale)	-	-	-	-	-	1 169	1 169
Distribution of retained earnings	-	-	-108 266	-	108 266	-	-
Issue cost settlement	-	-158	-	-	-	-	-158
Balance as at 31.12.07	**503 135**	**308 656**	**-15 811**	**177 594**	**183 200**	**-2 818**	**1 153 956**

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

Cash Flow Statement

Cash Flow Statement (in PLN thousand)	Qtr. I - IV 2007 (YTD)	Qtr. I - IV 2006 (YTD)
Cash and cash equivalents, gross, opening balance	**2 827 141**	**2 073 473**
Gross profit	**214 607**	**104 112**
Adjustments for:	**-3 007 524**	**-737 534**
Depreciation	25 257	22 068
Write-offs for impairment	26 205	12 774
Profits/losses on account of FX rate differences	-3	
Profits/losses on investing activities	13 773	7 044
Changes in operational assets and liabilities:	-3 047 792	-736 340
- financial assets and liabilities held for trading	33 822	-67 996
- due from banks	-29 415	7 255
- loans to customers	-4 219 657	-2 762 372
- change in the balance of available for sale investments	11 677	10 234
- due to banks	-315 164	563 221
- due to customers	1 680 071	1 290 560
- other assets and liabilities	-209 126	222 758
Income tax (current and deferred)	-24 964	-43 080
Net operating cash flows	**-2 792 917**	**-633 422**
Purchase of available-for-sale investments	-667 467	-693 681
Purchase of property, plant and equipment and intangible fixed assets	- 87 723	-49 211
Proceeds from sales of available-for-sale investments	702 283	343 945
Proceeds from sales of property, plant and equipment	3 703	1 633
Other investment expenses	-7 173	-3 496
Net cash provided by investing activities	**-56 377**	**-400 810**
Issuance of subordinated liabilities	358 200	-
Loans and credit facilities taken	2 149 206	2 392 695
Repayment of loans and credit facilities	-894 474	-802 307
Share issue	-	197 512
Net cash provided by (used in) financing activities	**1 612 932**	**1 787 900**
Cash and cash equivalents, gross, ending balance	**1 590 779**	**2 827 141**
Change in gross cash and cash equivalents	**- 1 236 362**	**753 668**

Cash Flow Statement is prepared using an indirect method.

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

3.The Key Factors Affecting Performance of Fortis Bank Polska SA in Quarter IV of 2007

Financial Results

Income Statement (in PLN thousand)	**Quarters I- IV 2007 (YTD)**	**Qtr. I - IV 2006 (YTD)**	**Change**
Net interest profit (loss)	289 033	207 672	39%
Net commission and fee profit (loss)	123 757	98 053	26%
Net profit (loss) on transactions in held-for-trading financial instruments	155 961	110 802	41%
Other income	10 987	5 751	91%
Personnel costs	-160 198	-121 370	32%
Depreciation of fixed assets and intangible fixed assets	-25 257	-22 068	14%
Other expenses	-138 918	-120 421	15%
Gross profit	**214 607**	**104 112**	**106%**
Net profit	**177 594**	**85 137**	**109%**
Total assets (in PLN thousand)	**14 211 014**	**10 995 808**	**29%**
Loans to Customers	11 172 026	6 975 222	60%
Due to Customers	6 307 428	4 627 357	36%
Total equity	1 153 956	981 505	18%
Financial ratios (%)			
Capital adequacy ratio	11,72	11,45	0,27
Return on assets (ROA)*	1,4	1,0	0,4
Return on equity (ROE)*	16,3	10,7	5,6
Net interest margin*	2,34	2,40	-0,06

*These indicators were calculated as follows:

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

In 2007, the Bank generated the best financial results in its history:

- **The gross profit stood at PLN 214,607 thousand (growth by 106% yoy) while the net profit reached PLN 177,594 thousand (increase by 109% yoy),**
- **The Return on Equity ratio clearly improved up to 16.3%.**
- **EPS growth by 109% (yoy) up to PLN 10.59.**

The year 2007 was another good period for the banking sector.

The financial performance of Fortis Bank Polska S.A. results from business development and fast growing sales of strategic products, both in RB BL and CB BL. Last year, both deposit and loan volumes increased.

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 fourth quarter of 2007, total assets stood at PLN 14,211,014 thousand and were higher by 29% than at the end of the fourth quarter of 2006.

Loans to customers increased by 59 % in comparison to the fourth quarter of 2006, i.e. up to PLN 11.3 billion. Commercial loans (72%) and mortgage loans (23%) prevailed in the "Loans to customers." The value of commercial loans granted to enterprises increased by nearly PLN 3 billion over the result recorded in the previous year.
Mortgage loans continue to be very popular among Private Individuals. As at the end of the fourth quarter 2007, the outstanding balance of such loans was PLN 2.6 billion,
which means 68% growth in comparison to the balance as at the end of Quarter IV of 2006.

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 72% over the fourth quarter of 2006; working capital loans went up by 39 %, while the highest growth was reported for overdraft credit facilities – by 75%.

In the fourth quarter of 2007, liabilities due to customers likewise significantly increased up to PLN 6,307,428 thousand in comparison to PLN 4,627,357 thousand noted in the fourth quarter of 2006. In comparison to Quarter IV of 2006, term deposits grew by 40% while current deposits increase was smaller – by 32%.

As a consequence of the rise in credit volumes, the net interest income went up by 39% while the net commission and fee income grew by 26% in comparison to the corresponding period of the previous year.

Interest income on loans to customers for four quarters of 2007 stood at PLN 530,974 thousand and was higher by 70% than the result recorded for four quarters of 2006. Interest expense growth followed the increase in liabilities: of which, due to customers by 76% while due to banks – by 99%.

An increase was noted as regards commission and fee income on account of card transactions; for Qtr. IV the income stood at PLN 5,757 thousand while in the corresponding period it was PLN 5,111 thousand.

Furthermore, in the entire 2007 the Bank recorded an increase of the FX transaction result by 25% in comparison to 2006.

An intensive development of the Bank, including new offices opened, launch of new products on the market, employment of new personnel, resulted in expense growth: of which personnel costs increased by about 40% over the previous year.

As regards other income of the Bank, income on account of software implementation services and consulting provided for Fortis entities has the highest share – PLN 4,455 thousand.

4.Effects of Adopting IFRS

Income Statement

Period from 1 January to 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)	98 053	-	98 053
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	5 751	-	5 751
Total income net	**422 235**	**- 981**	**421 254**
Personnel costs	-121 370	-	-121 370
Depreciation of fixed assets and intangible fixed assets	-22 068	-	-22 068
Other expenses	-120 632	211	-120 421
Net write-offs for impairment	-25 320	-27 963	-53 283
Gross profit	**132 845**	**-28 733**	**104 112**
Income tax	-24 579	5 604	-18 975
Net profit	**108 266**	**-23 129**	**85 137**

Reversal of a result of a subsidiary valuation by equity method:
difference of PLN (1,104) thousand

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.

Net result on FX differences
difference of PLN 123 thousand.

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
difference of PLN 211 thousand.

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.

Changes to write-offs for loan impairment
difference of PLN (27,963) thousand.

The adjustment results from a difference between the rules of valuation of provisions for loan receivables under the 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.

Reconciliation of Equity

As at:	31.12.2006	01.01.2006
Equity pursuant to PAP	**798 542**	**691 785**
New share issue – prior to the registration in KRS	199 623	-
Write-offs for loan impairment	-15 904	15 103
Provisions for off-balance sheet lending commitments	6 486	-607
Elimination of the general risk reserve	30 743	20 910
Incurred But Not Reported loss reserve (IBNR)	-41 252	-27 494
Elimination of a subsidiary valuation	1 566	2 835
Tax effect (deferred tax)	1 699	-3 936
Capital raise costs booked in assets	-	-211
Other differences	2	-
Equity consistent with the IFRS	**981 505**	**698 385**

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	1 274 818	798 468	2 073 286
Financial assets held for trading	61 370	-3 158	58 212
Due from banks	206 443	-72	206 371
Loans to Customers	4 228 773	-7 110	4 221 663
Investments - Available for Sale	311 903	2 835	314 738
Property, Plant and Equipment	52 756	-	52 756
Intangible Assets	9 220	-	9 220
Deferred tax assets	29 899	-14 790	15 109
Other assets	194 721	-108 784	85 937
Total assets	**6 369 903**	**667 389**	**7 037 292**
Liabilities			
Financial liabilities held for trading	43 625	-3 158	40 467
Due to banks	2 016 093	786 275	2 802 368
Due to Customers	3 324 440	12 357	3 336 797
Current tax liabilities	19 892	-	19 892
Deferred tax liabilities	10 854	-10 854	-
Other liabilities	239 424	-108 551	130 873
Provisions	23 790	-15 280	8 510
Total liabilities	**5 678 118**	**660 789**	**6 338 907**
Total equity	**691 785**	**6 600**	**698 385**
Total liabilities and equity	**6 369 903**	**667 389**	**7 037 292**

As at 31 December 2006 (in PLN thousand)	Pursuant to Polish Accounting Principles	Differen ce	Pursuant to IFRS
Assets			
Cash and cash equivalents	2 129 020	697 955	2 826 975
Financial assets held for trading	167 317	-20 448	146 869
Due from banks	199 186	-57	199 129
Loans to Customers	7 024 074	-48 852	6 975 222
Investments - Available for Sale	663 315	-8 605	654 710
Property, Plant and Equipment	72 057	-	72 057
Intangible Assets	11 882	-	11 882
Deferred tax assets	37 381	-14 096	23 285
Other assets	150 479	-64 800	85 679
Total assets	**10 454 711**	**541 097**	**10 995 808**
Liabilities			
Financial liabilities held for trading	81 575	-20 448	61 127
Due to banks	4 389 374	566 603	4 955 977
Due to Customers	4 609 841	17 516	4 627 357
Current tax liabilities	3 963	-	3 963
Deferred tax liabilities	15 794	-15 794	-
Other liabilities	514 215	-160 596	353 619

Provisions	41 407	-29 147	12 260
Total liabilities	**9 656 169**	**358 134**	**10 014 303**
Total equity	**798 542**	**182 963**	**981 505**
Total liabilities and equity	**10 454 711**	**541 097**	**10 995 808**

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 standardized FX spot transactions, securities purchase and sale transactions, likewise deposit and placement transactions. 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 708,287 thousand as at 31 December 2006 and PLN 798,655 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 and PLN 2,835 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 (49,075) thousand as at 31 December 2006 and PLN (7,368) 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 by, respectively, PLN (84,266) thousand as at 31 December 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 1,619 thousand as at 31 December 2006 and PLN (3,985) 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 and PLN (10,806) thousand as at 1 January 2006.

Adjustments concerning the cash flow statement result directly from adjustments of balance sheet and income statement items.

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*.

Previous adoption of standards that are not binding as at the balance sheet date

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) have not become effective yet:

- IFRS 8 *Operating Segments*; it applies to annual periods starting after 1 January 2009;

- Amendments to IFRS 23 *Borrowing Costs*, effective 1 January 2009; as at the date of making these financial statements, the amendments to IAS 23 have not been approved by the European Commission;

- Amendments to IAS 1 *Presentation of Financial Statements*, effective 1 January 2009; as at the date of making these financial statements, the amendments to IAS 1 have not been approved by the European Commission;

- Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*, effective 1 January 2009; as at the date of making these financial statements, the amendments to IFRS 3 and IAS 27 have not been approved by the European Commission;

- Interpretation IFRIC 11 *Group and Treasury Share Transactions*, applies to annual periods starting after 1 March 2007;

- Interpretation IFRIC 12 *Service Concession Arrangements*; it applies to annual periods starting after 1 January 2008; as at the date of making these financial statements, IFRIC 12 has not been approved by the European Commission;

- Interpretation IFRIC 13 *Customer Loyalty Programmes*; it applies to annual periods starting after 1 July 2008; as at the date of making these financial statements, IFRIC 13 has not been approved by the European Commission;

- Interpretation IFRIC 14 *The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction*; it applies to annual periods starting after 1 January 2008; as at the date of making these financial statements, IFRIC 14 has not been approved by the European Commission.

The Bank did not use the option of an earlier adoption of standards and interpretations that were approved by the European Commission but that became or will become effective after the balance sheet date only. The Bank now analyses in detail the effect of new standards and interpretations on the financial statements. In the opinion of the Bank's Board of Executives, the implementation of new standards and interpretations will not materially affect the Bank's financial statements.

Transformation of comparative data

The annual financial statements of the Bank 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 to obtain relevant comparative data consistent with IFRS. The effects of adopting the IFRS are presented in Section 4 hereof.

Additionally, in order to ensure comparability, data presentation manner was changed in the comparative period. Detailed explanations are presented in Section "Comparability with Previously Published Reports."

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, available-for-sale financial assets which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

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 31.12.07 and comparative data for the period from 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.

<u>Fair value</u>

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.

<u>Write-offs for impairment of financial assets</u>

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

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

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

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

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

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

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

Write-downs for non-financial assets' impairment

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

The determination of the value in use is related to the 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, 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 recognised in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Interest Income and Expense

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

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

Net profit/loss on transactions in financial instruments

Net profit/loss on transactions in financial instruments includes:

- net profit/loss on transactions in financial instruments classified as available for sale, i.e. realised gains or losses on sales that represent the difference between the sales proceeds received and the amortised cost of the asset sold, minus any write-downs for impairment 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

<u>Loans and receivables</u>

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-downs for impairment.

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

<u>Investments held to maturity</u>

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

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

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

<u>Financial assets measured to fair value through profit or loss</u>

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. A gain or loss 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 gain or loss 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

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

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

Valuation techniques include:

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

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

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

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-downs for their impairment.

Any amounts subsequently recovered are charged to the Net 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 a non-financial asset impairment and in the event any such indicators are identified, the Bank estimates the asset's recoverable value.

The recoverable value is the higher of the following:

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

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

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

Cash 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.

Cash and cash equivalents

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

Due from Banks and Loans to Customers

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

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

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

Rules governing impairment estimation are presented above.

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, including write-downs for impairment.

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-downs for impairment. Wartość końcowa oraz okres użytkowania majątku trwałego są przedmiotem corocznych przeglądów.

Any impairment loss identified is recognised in the income statement.

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

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

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

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

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%,
- 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.

In 2007, the Bank applies the following balance-sheet depreciation rates for basic groups of intangible assets:

- system software, i.e. other than operating system software – 33%,

Intangibles are recorded on the balance sheet at acquisition cost less any amortisation and any write-downs 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 consists 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 at the fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

g) CIRS Contracts

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

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

h) OIS Contracts

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

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

i) Futures contracts

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

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

Derivative instruments that are hedging instruments

On 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 export and import letters of credit;

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

- contingent liabilities on account of credit lines obtained by the 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, including on account of the first-time adoption of IFRS.

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. The dividend income is recognised in the income statement at the acquisition of rights. Dividends paid are classified in the cash flow statement as cash provided by (used in) financing activities. Dividends received are classified in operating cash flow.

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 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 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 – 31 Dec. 2007 (in PLN thousand)	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	271 146	305 161	29 734	606 041
Transfer prices expense (internal)	-185 051	-405 262	-38 158	-628 471
Interest expense (external)	-83 976	-230 076	-2 956	-317 008
Transfer prices income (internal)	133 419	415 642	79 410	628 471
Net interest profit (loss)	**135 538**	**85 465**	**68 030**	**289 033**
Other transfer prices (internal)	**-152**	**21 940**	**-21 788**	**-**
Commission and fee income (external)	86 184	44 567	3 480	134 231
Commission and fee expense (external)	-7 089	-1 102	-2 283	-10 474
Net commission and fee profit (loss)	**79 095**	**43 465**	**1 197**	**123 757**
Dividend and other investment income (external)	-	-	3 400	**3 400**
Net profit (loss) on transactions in held-for-trading financial instruments (external)	66 163	89 798	-	**155 961**
Net profit (loss) on transactions in available-for-sale financial assets (external)	-	-111	-2 612	**-2 723**
Net profit (loss) on hedging transactions (external)	-	-	-126	**-126**
Other operating revenues (external)	8 313	2 668	6	**10 987**
Total income net	**288 957**	**243 225**	**48 107**	**580 289**
Personnel costs (external)	-63 934	-44 502	-51 762	**-160 198**
Depreciation of fixed assets and intangible fixed assets* (external)	-	-	-25 257	**-25 257**
Other expenses* (external)	-26 369	-7 491	-105 058	**-138 918**
Net write-offs for impairment (external)	-27 168	-14 148	7	**-41 309**
Costs allocation (rebilling) (internal)	-155 786	-25 780	181 566	**-**
Gross profit	**15 700**	**151 304**	**47 603**	**214 607**
Income tax	-4 239	-24 807	-7 967	**-37 013**
Net profit	**11 461**	**126 497**	**39 636**	**177 594**

1 Jan. 2006 – 31 Dec. 2006 (in PLN thousand)	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	165 107	178 685	31 750	375 542
Transfer prices expense (internal)	-100 292	-227 384	-24 870	-352 546
Interest expense (external)	-60 675	-103 978	-3 218	-167 871
Transfer prices income (internal)	97 873	210 822	43 851	352 546
Net interest profit (loss)	**102 013**	**58 145**	**47 513**	**207 671**
Other transfer prices (internal)	**1 765**	**13 698**	**-15 463**	**-**
Commission and fee income (external)	67 311	37 545	2 758	107 614
Commission and fee expense (external)	-6 139	-913	-2 509	-9 561
Net commission and fee profit (loss)	**61 172**	**36 632**	**249**	**98 053**
Net profit (loss) on transactions in held-for-trading financial instruments (external)	47 355	63 448	-	**110 803**
Net profit (loss) on transactions in available-for-sale financial assets (external)	-	47	-1 078	**-1 031**
Net profit (loss) on hedging transactions (external)	-	-	7	**7**
Other operating revenues (external)	2 916	2 552	283	**5 751**
Total income net	**215 221**	**174 522**	**31 511**	**421 254**
Personnel costs (external)	-54 620	-27 997	-38 753	**-121 370**
Depreciation of fixed assets and intangible fixed assets* (external)	-11 119	-2 976	-7 973	**-22 068**
Other expenses* (external)	-73 383	-17 359	-29 679	**-120 421**
Net write-offs for impairment (external)	-27 116	-26 190	23	**-53 283**
Costs allocation (rebilling) (internal)	-69 173	-6 824	75 997	**-**
Gross profit	**-20 190**	**93 176**	**31 126**	**104 112**
Income tax	-967	-13 658	-4 350	**-18 975**
Net profit	**-21 157**	**79 518**	**26 776**	**85 137**

* 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 quipment 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.

Description of Segment Activity

Retail Banking

Customers

Retail Banking is a dynamically developing business line. As at the end of the fourth quarter of 2007, the number of active customers of this line reached 51,719. On average, the number of the line's customers increased by 14% (four quarters of 2007 compared to four quarters of 2006). Private Individuals (21%) and enterprises (69%) prevail among the Retail Banking customers, while the remaining 10% 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 35 branches that service Retail Banking BL Customers, ten were opened in 2007. The Bank's statistics show that alternative distribution channels have becoming increasingly popular among Customers. Comparing the Quarter IV of 2007 data and Quarter IV of 2006 (YTD), the Bank noted the following:

- the number of Customers using the Pl@net banking system increased by 27%,
- the number of Customers using the MultiCash banking system increased by 12%,
- the number of transfers made via the Pl@net increased by 49%,
- the number of transfers made via the MultiCash increased by 17%.

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 fourth quarter of 2007, the balance of such loans reached PLN 2.6 billion, which means an increase by 68% as compared to the end of the fourth quarter of 2006;
- credit cards: as at the end of the fourth quarter of 2007, the number of credit cards for Private Individuals and mass market Customers stood at 10,158 while the balance of card credits increased by 135% (the average of four quarters of 2007 as compared to the average of four 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 0.6 billion as at the end of the fourth quarter of 2007) increased by 113% over the balance noted as at the end of the fourth quarter of 2006.

The following products are largely popular among Enterprises:

- investment loans: as at the end of the fourth quarter of 2007, the balance of such loans reached PLN 1.9 billion, which means an increase by 57% as compared to the end of the fourth quarter of 2006;
- currency exchange instruments: the number of table-based and negotiated transactions in four quarters of 2007 increased by 23% as compared to four 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 34% in the fourth quarter of 2007 as compared to the fourth quarter of 2006 (YTD). This increase was generated thanks to:

- net income on held-for-trading financial instruments higher by 40%, which was attributable both to the net FX income (growth by 22%) and the net income on derivative instruments (insignificant in 2006, and in 2007 amounting to approx. PLN 9 million);
- net interest profit higher by 33%.
- net commission and fee profit higher by 29%,

The Retail Banking intensive development also resulted in costs increase. Personnel costs grew by 17%. The increase was however mainly due to the growth in FTEs (in periods analysed by 28% 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 fourth quarter of 2007 as compared to the fourth 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 40% 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 fourth quarter of 2007, the number of active customers of this line reached 2,496. On average, the number of the line's customers increased by 28% (four quarters of 2007 compared to four quarters of 2006). Large and medium enterprises that form the Commercial Banking Business Line (CB BL), have the biggest share (93%) 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 IV of 2007 data and Quarter IV of 2006 (YTD), the Bank noted the following:

- the number of Customers using the MultiCash home-banking system increased by 27% (the system is installed by 66% of CB BL institutional customers),
- the number of transfers made via the MultiCash increased by 21%.

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 fourth quarter of 2007, the balance of such loans reached PLN 2.7 billion, which means an increase by 72% as compared to the end of the fourth quarter of 2006,
- working capital loans: as at the end of the fourth quarter of 2007, the balance of such loans reached PLN 1.4 billion, which means an increase by 39% as compared to the end of the fourth quarter of 2006,
- overdraft facilities: as at the end of the fourth quarter of 2007, the balance of such loans reached PLN 1.3 billion, which means an increase by 75% as compared to the end of the fourth quarter of 2006,
- deposits: as at the end of the fourth quarter of 2007, the total balance of deposits reached PLN 2.9 billion, which means an increase by 56% as compared to the end of the fourth quarter of 2006;
- currency exchange instruments: the number of negotiated and table-based transactions in four quarters of 2007 reached 51,000, and the average monthly volume of such transactions oscillates around PLN 1.6 billion.

Private Banking customers gathered approx. PLN 502 million in the fourth 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 39% in the fourth quarter of 2007 as compared to the fourth quarter of 2006. This increase was generated thanks to:

- net profit on transactions in held-for-trading financial instruments higher by 42%, including e.g. net FX income (increase by 34%),
- net interest profit higher by 47%.
- net commission and fee profit higher by 19%,

The Merchant & Private Banking intensive development also resulted in costs increase. Personnel costs increased by 59%. It mainly resulted from the increased employment (by 34%) 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 278% in four quarters of 2007 as compared to four quarters of 2006 was affected by the change in 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 53%), 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

	1.01.2007 – 31.12.2007	1.01.2006 – 31.12.2006
Number of shares as at 31 December	16 771 180	16 771 180
Weighted average number of ordinary shares	16 771 180	16 771 180
Net profit for the period (in PLN)	177 594 000	85 137 000
EPS ratio in PLN	**10,59**	**5,08**
Weighted average diluted number of ordinary shares	16 771 180	16 771 180
Diluted EPS ratio (PLN per share)	10,59	5,08

The basic earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares during the period.
The diluted earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares adjusted to take into consideration the impact of all potential ordinary shares that cause the EPS dilution. As at the reporting date, there occurred no factors resulting in the dilution of potential ordinary shares.

8.Additional Notes to Income Statement

Note 8.1 Interest income

(in PLN thousand)	Quarter IV 2007	Quarters I- IV 2007 (YTD)	Quarter IV 2006	Quarters I- IV 2006 (YTD)
Cash and cash equivalents	9 162	24 207	9 344	22 052
Due from banks	6 283	21 023	4 328	13 862
Investments	6 162	22 972	7 374	25 014
Loans to Customers	166 837	530 974	89 720	312 073
Securities	2 177	6 865	1 292	2 541
Total interest income	**190 621**	**606 041**	**112 058**	**375 542**

Note 8.2 Interest expense

(in PLN thousand)	Quarter IV 2007	Qtr. I - IV 2007 (YTD)	Quarter IV 2006	Quarters I- IV 2006 (YTD)
Due to banks	-50 587	-157 942	-28 928	-79 098
Due to Customers	-49 401	-149 777	-24 153	-84 968
Subordinated loans	-5 257	-5 437	-	-
Derivative instruments	-606	-2 932	-878	-3 204
Other	-381	-920	-185	-601
Total interest expense	**-106 232**	**-317 008**	**-54 144**	**-167 871**

Note 8.3 Commission and fee income

(in PLN thousand)	Quarter IV 2007	Quarters I- IV 2007 (YTD)	Quarter IV 2006	Quarters I- IV 2006 (YTD)
Custody services and securities trading	879	3 043	617	2 314
Cash settlements services	13 945	53 082	12 806	47 611
Guarantees and contingent liabilities	3 611	14 852	3 533	11 259
Commissions related to granting credit facilities (amortised using the straight-line method)	5 662	20 122	4 785	17 325
Commissions related to granting credit facilities (incurred one time)	1 884	6 173	775	4 337
Income on account of agency in customer acquisition	2 530	10 050	1 468	2 307
Card transactions income	5 757	17 009	5 111	11 938
Other income	1 723	9 900	4 654	10 523
Total commission and fee income	**35 991**	**134 231**	**33 749**	**107 614**

Note 8.4 Commission and fee expense

(in PLN thousand)	Quarter IV 2007	Quarters I- IV 2007 (YTD)	Quarter IV 2006	Quarters I- IV 2006 (YTD)
Custody services and securities trading	-236	-680	-135	-687
Card related expenses	-1 208	-4 357	-1 067	-3 718
Cash transactions expenses	-833	-3 062	-410	-2 543
Settlements	-360	-1 431	-386	-1 274
Other expenses	-280	-944	-888	-1 339
Total commission and fee expenses	**-2 917**	**-10 474**	**-2 886**	**-9 561**

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

(in PLN thousand)	Quarter IV 2007	Quarters I- IV 2007 (YTD)	Quarter IV 2006	Quarters I- IV 2006 (YTD)
Securities	-1 015	-2 142	197	463
Derivative instruments	9 773	28 291	-4 265	6 450
Foreign exchange transactions	35 282	129 812	32 366	103 890
Total net profit (loss) on transactions in held-for-trading financial instruments	**44 040**	**155 961**	**28 298**	**110 803**

Note 8.6 Net write-offs for impairment

(in PLN thousand)	Quarter IV 2007	Qtr. I - IV 2007 (YTD)	Quarter IV 2006	Quarters I- IV 2006 (YTD)
Cash and cash equivalents	-70	-150	-54	51
Due from banks	-1	-19	-82	-96
Loans to Customers	-15 767	-37 953	-11 015	-53 578
Other receivables	315	121	910	731
Off-balance sheet assets	-2 248	-3 833	3 168	1 394
Other assets	6	416	-7	13
Other	1 665	109	-2 767	-1 798
Total write-offs for impairment, net	**-16 100**	**-41 309**	**-9 847**	**-53 283**

9.Additional Notes to Balance Sheet

Note 9.1 Cash and cash equivalents

(in PLN thousand)	31 December 2007	31 December 2006
Cash at hand	543 343	299 142
Due from the central bank	17 153	76 620
Short-term due from banks	1 006 442	2 433 752
-nostro accounts	97	2 223
- short-term deposits from banks	150 516	1 864 588
-other short-term receivables	855 829	566 941
Short-term loans to customers	23 841	17 627
Total cash and cash equivalents, gross	**1 590 779**	**2 827 141**
Write-downs for impairment	**-316**	**-166**
- for Incurred But Not Reported losses (IBNR)	-316	-166
Total cash and cash equivalents, net	**1 590 463**	**2 826 975**

Receivables

Note 9.2.1. Due from Banks

(in PLN thousand)	31 December 2007	31 December 2006
Loans	74 999	20 000
Debt securities not traded on an active market	150 639	155 295
Other receivables	2 964	23 892
Total due from banks, gross	**228 602**	**199 187**
Write-downs for impairment	**-77**	**-58**
- for Incurred But Not Reported losses (IBNR)	-77	-58
Total net due from banks	**228 525**	**199 129**

Note 9.2.2 Loans to Customers

(in PLN thousand)	31 December 2007	31 December 2006
Loans to budgetary entities	454	492
Mortgage loans	2 660 307	1 573 712
Consumer loans and credit facilities	489 765	220 129
Commercial loans	8 215 694	5 351 146
Other receivables	215	1 299
Total loans to customers, gross	**11 366 435**	**7 146 778**
Write-downs for impairment	**-194 409**	**-171 556**
- for incurred, reported losses	-145 351	-138 609
- for Incurred But Not Reported losses (IBNR)	-49 058	-32 947
Total net loans to customers	**11 172 026**	**6 975 222**

Financial assets and liabilities held for trading

Note 9.3.1 Financial assets held for trading

(in PLN thousand)	31 December 2007	31 December 2006
Held-for-trading securities:	**48 241**	**87 508**
- treasury bonds	33 309	87 508
- treasury bills	14 932	-
Derivative financial instruments:	**205 060**	**59 361**
- foreign currency contracts	160 130	44 419
- interest rate contracts	44 930	14 942
Total financial assets held for trading	**253 301**	**146 869**

As at the end of 2007 and 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)	31 December 2007	31 December 2006
Derivative financial instruments:	**201 381**	**61 127**
- foreign currency contracts	157 620	46 152
- interest rate contracts	43 761	14 975
Total financial liabilities held for trading	**201 381**	**61 127**

Note 9.4 Investments Available for Sale

31 December 2007 (in PLN thousand)	Book value	Valuation	Balance sheet value
Treasury bills	95 928	-93	95 835
Treasury bonds	467 572	-3 386	464 186
Shares	18 235	-	18 235
NBP Bonds	24 979	-	24 979
Total investments available for sale	**606 714**	**-3 479**	**603 235**

31 December 2006 (in PLN thousand)	Book value	Valuation	Balance sheet 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**

Liabilities

Note 9.5.1 Due to banks

(in PLN thousand)	31 December 2007	31 December 2006
Due to the central bank	**-**	**320 000**
Deposits	**1 373 528**	**1 478 163**
-Current	103 769	87 199
- Term	856 300	1 209 771
- Cash collateral	316 059	181 193
- Other	97 400	-
Loans and credit facilities received	**3 666 796**	**2 591 117**
Other	**855 221**	**566 697**
Total due to banks	**5 895 545**	**4 955 977**

Note 9.5.2 Due to Customers

(in PLN thousand)	31 December 2007	31 December 2006
Current deposits	1 425 475	1 076 486
Term deposits	4 597 824	3 296 996
Cash collateral	260 334	236 219
Other	23 795	17 656
Total due to customers	**6 307 428**	**4 627 357**

10. Capital Adequacy and Financial Liquidity

Capital adequacy

The present policy of the Bank regarding maintaining adequate level of equity funds refers to the capital adequacy category, solvency ratio and the structure of equity funds described in the Banking Law and its relevant administrative law provisions. Work is in progress on the expansion and adjustment of the policy to methods based on the internal capital measurement.

The basic goal of FBP in the analysed period is to maintain the equity funds at the level that guarantees the solvency ratio of at least 9%.

Should there arise any risk of going below that threshold (i.e. below 9%), the Bank will undertake steps aimed at the equity funds' increase, including the Tier 1 funds, and in particular the share capital, additional capital and reserve capital.

The consistent policy of building the core capital, applied in recent years, has provided the Bank with a foundation that now ensures a greater flexibility in looking for alternative sources of financing its business activity.

Capital adequacy and financial liquidity (in PLN thousand)	**31 December 2007**	**31 December 2006**
Risk-weighted off-balance sheet assets and liabilities	**11 726 693**	**8 040 041**
Share capital	503 135	503 135
Additional capital	308 656	308 814
Other reserve capital	183 200	74 934
Subordinated liabilities included in the capital	358 200	-
Other elements of the equity capital included in the capital adequacy ratio calculation	67 810	67 909
Gross equity capital, total	**1 421 001**	**954 792**
Deductions		
Capital shares in financial entities	18 196	18 196
Net intangible assets	22 287	11 882
Total deductions	**40 483**	**30 078**
Net equity capital	**1 380 519**	**924 714**
Short-term capital	14 286	9 533
including current profit on the Trading Portfolio	14 286	9 533
Total equity capital plus short-term capital	**1 394 805**	**934 247**
Credit risk	938 135	643 203
Market risk	14 286	9 533
Total capital requirement	**952 421**	**652 736**
Capital adequacy ratio	**11,72%**	**11,45%**

As at 31 December 2007 the capital adequacy ratio was 11.72% in comparison to 11.45% as at the end of December 2006. The ratio expresses the proportion between the Bank's capital and its exposure on account of specific risks.

The Bank's equity (as a category computed for calculation of capital adequacy ratio) increased by 49% versus the end of 2006, while risk-weighted assets and off-balance sheet items increased by 46% in the corresponding period.

Capital requirements for specific risks have been calculated pursuant to rules defined in Resolution no. 1/2007 of the Banking Supervision Commission dated 13 March 2007, regarding the scope and detailed rules of setting out capital requirements for specific risks, including the extent of use of statistical methods and conditions whose fulfilment results in obtaining the approval for their use, the manner and detailed rules of calculation of the banks' capital adequacy ratio, the scope and manner of taking bank's business in holdings into account in the calculation of capital requirements and the capital adequacy ratio likewise the determination of additional items in the bank's balance sheet statement recognized jointly with the equity in the capital adequacy computation and the scope, manner and terms of their setting out (Official Journal of the NBP No. 2 item 2). The table below presents minimum capital requirements as at 31 December 2007 and as at 31 December 2006.

Minimal capital requirements (in PLN thousand)	**31.12.2007**	**31.12.2006**
Credit risk	938 135	643 203
Market risk, including:	14 286	9 533
- general interest rate risk	5 707	6 768
- delivery settlement and counterparty risk	8 579	2 765
Total capital requirement	**952 421**	**652 736**

11. Comparability with Previously Published Reports

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

Balance as at 31 December 2006

Item	Report for the first half of 2007	Quarterly report for Qtr. IV of 2007	Difference	Change description
Cash and cash equivalents	2 825 999	2 826 975	1 312	Short-term due from banks
			112	IBNR - cash and cash equivalents
			-448	Measurement of FX Spot transactions
Financial assets held for trading	143 107	146 869	3 762	Change in the rules of measurement of interest rate derivative instruments
Due from banks	200 405	199 129	-1 312	Short-term due from banks
			38	IBNR - due from banks
			-2	Effective interest rate - banks
Loans to Customers	6 975 116	6 975 222	-112	IBNR reserve cash and cash equivalents
			-38	IBNR - due from banks
			254	Reclassification of deferred interest income (substandard)
			2	Effective interest rate - banks
Property, Plant and Equipment	60 275	72 057	11 782	Operating software
Intangible Assets	23 664	11 882	-11 782	Operating software
Deferred tax assets	21 289	23 285	1 996	Adjustment to the opening balance regarding change in the value of deferred tax on account of IBNR
Other assets	65 583	85 679	-254	Reclassification of deferred interest income (substandard)
			20 350	Recognition of financial instruments at the transaction date
Total changes			**25 660**	
Financial liabilities held for trading	57 365	61 127	3 762	Change in the rules of measurement of interest rate derivative instruments
Due to banks	5 106 686	4 955 977	-150 614	Reclassification of Due to Brokerage Houses from Due to Banks
			-95	Valuation of FX Spot transactions
Due to Customers	4 476 883	4 627 357	150 614	Reclassification of Due to Brokerage Houses from Due to Banks
			-140	Measurement of FX Spot transactions
Other liabilities	333 483	353 619	20 136	Recognition of financial instruments at the transaction date
Retained earnings	5 633	7 318	1 251	Adjustment to the opening balance regarding change in the value of deferred tax on account of IBNR
			434	Other adjustments
Net profit (loss) for the year	84 825	85 137	746	Adjustment to the opening balance regarding change in the value of deferred tax on account of IBNR
			-434	Other adjustments
Total changes			**25 660**	

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.
The Board of Executives intends to recommend that the Annual General Shareholders' Meeting should resolve to pay no dividend and allocate the entire 2007 net profit to increase the Bank's equity funds.

Information on Changes to Contingent Liabilities 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 liabilities granted and received.

Contingent liabilities received (in PLN thousand)	31 December 2007	31 December 2006	Change (%)
Financial liabilities received	584 232	330 194	77%
Guarantee liabilities received	259 712	192 463	35%
Total contingent sheet commitments received	**843 944**	**522 657**	

Contingent liabilities granted (in PLN thousand)	31 December 2007	31 December 2006	Change (%)
Financial liabilities granted	3 730 140	2 757 239	35%
Guarantee liabilities granted	876 428	779 640	12%
Total contingent sheet commitments granted	**4 606 568**	**3 536 879**	

Agreements Significant for the Bank's Activity Signed in Qtr IV of 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. On 21 November 2007, the Board of Executives of Fortis Bank Polska S.A. obtained the consent of the Banking Supervision Commission to include the loan as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law.

On 5 November 2007, Fortis Bank Polska SA signed a Distribution Agreement with Fortis Private Investments Polska S.A. regarding the acquisition by Fortis Bank Polska S.A. of customers interested in using third party's brokerage financial instrument portfolio services of Fortis Private Investments Polska S.A.. The agreement replaced the cooperation agreement dated 7 January 2000.

On 26 November 2007, Fortis Bank Polska SA signed an annex to the Agreement on Investment Outlays Sale concluded in Krakow on 1 April 2007 with Dominet Bank S.A. based in Lubin. Under the Annex, the final date for the Final Price determination was changed into 10 December 2007.

On 6 December 2007, a credit agreement was signed between Fortis Bank Polska S.A. and Fortis Finance Belgium S.C.R.L./C.V.B.A. based in Brussels on taking a EUR 200 million revolving credit line by the Bank from Fortis Finance Belgium to finance the Bank's current operating activity. Detailed interest rate conditions and financing term were determined on 2 January 2008, at the disbursement of the credit first tranche of EUR 200 million. Variable interest rate is EURIBOR 1M plus 7 bp., interest is accrued monthly, and repayment period - from 4 January 2008 until 4 January 2010.

On 13 December 2007, Fortis Bank Polska S.A. and Fortis Foundation Polska signed an agreement on a PLN 500,000 donation in favour of Fortis Foundation Polska.

Description of Unusual Factors and Events

In the fourth 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 fourth 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 fourth 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

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

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

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

Issue, Redemption and Reimbursement of Debt and Capital Securities

In the fourth 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 fourth 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 31.12.2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Assets				
Cash and cash equivalents	527 221	-	40 340	567 561
Financial assets held for trading	103 238	-	-	103 238
Due from Banks and Loans to Customers	-	1	119 540	119 541
Other assets	197	402	488	1 087
Total	**630 656**	**403**	**160 368**	**791 427**
Liabilities				
Financial liabilities held for trading	104 540	-	-	104 540
Due to banks and customers	834 133	10 171	4 007 143	4 851 447
Subordinated liabilities	-	-	358 200	358 200
Other liabilities	829	15	38 372	39 216
Total	**939 502**	**10 186**	**4 403 715**	**5 353 403**

Balance sheet items as of 31.12.2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Assets				
Cash and cash equivalents	1 645 323	-	2 223	1 647 546
Financial assets held for trading	17 282	-	-	17 282
Due from Banks and Loans to Customers	1 226	-	43 211	44 437
Other assets	1 866	89	91	2 046
Total	**1 665 697**	**89**	**45 525**	**1 711 311**
Liabilities				
Financial liabilities held for trading	19 432	-	-	19 432
Due to banks and customers	227 160	3 005	2 779 197	3 009 362
Other liabilities	5 185	11	12 923	18 119
Total	**251 777**	**3 016**	**2 792 120**	**3 046 913**

Loss and Profit Account 1.01.2007- 31.12.2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Interest income	20 285	-	3 413	23 698
Interest expense	-3 985	-299	-126 745	-131 029
Commission and fee income	3 814	8 537	2 227	14 578
Commission and fee expense	-1 867	-	-2	-1 869
Dividend and other investment income	-	3 400	-	3 400
Net profit (loss) on transactions in held-for-trading financial instruments	34 746	-	28	34 774
Net profit (loss) on hedging transactions	4 180	-	-	4 180
Other income	6 095	-	-	6 095

Loss and Profit Account 1.01.2006 - 31.12.2006 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Interest income	20 295	-	1 926	22 221
Interest expense	-3 446	-397	-45 847	-49 690
Commission and fee income	2 998	1 396	1 478	5 872
Commission and fee expense	-1 195	-	-	-1 995
Net profit (loss) on transactions in held-for-trading financial instruments	22 889	-	9	22 898
Net profit (loss) on hedging transactions	2 138	-	-	2 138
Other income	1 760	-	-	1 760

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

Structure of shareholders as at the balance sheet day, i.e. 31 December 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 SA/NV	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 fourth quarter of 2007, i.e. 7 February 2008, 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 third quarter of 2007, i.e. 31 October 2007.

As at 31 December 2006, none of the Members of the Board of Executives held any shares issued by Fortis Bank Polska S.A.

As at 31 December 2007, Members of the Supervisory Board, held neither shares of the Bank nor rights to them.

As at 31 December 2006 Mr. Antoni Potocki, Deputy Chairman of the Supervisory Board, held five (5) shares of the Bank. On March 8, 2007 as a result of a transaction concluded at the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) the above mentioned shares were sold.

Other Important Events

Effective 7 December 2007, the Supervisory Board recalled Mr. Jan Bujak from his function of the President of the Board of Executives, and simultaneously appointed Mr. Alexander Paklons, the Senior Vice-President of the Board of Executives and Country Manager, to the position of the President of the Board of Executives from 8 December 2007 until the end of the current five-year tenure ending with the Annual General Meeting of the Bank’s Shareholders’ approval of the 2009 fiscal year. Effective 8 December 2007, Mr. Jan Bujak is the Senior Vice-President of the Board of Executives of Fortis Bank Polska SA until the end of the current five-year tenure ending with the Annual General Meeting of the Bank’s Shareholders’ approval of the 2009 fiscal year.

Effective 8 December 2007, the Board of Executives composition is as follows:

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

At the meeting of the Supervisory Board of Fortis Bank Polska SA held on 7 December 2007, Mr. Thierry Schuman and Mr. Didier Giblet resigned from their membership in the Supervisory Board of Fortis Bank Polska SA. Mr. Thierry Schuman was a member of the FBP Supervisory Board since 24 May 2005, while Mr. Didier Giblet – since 27 June 2002.

Effective 8 December 2007, the FBP Supervisory Board's composition is as follows:

Jos Clijsters	- Chairman
Werner Claes	- Deputy Chairman
Antoni Potocki	- Deputy Chairman
Zbigniew Dresler	
Peter Ullmann	