Abbreviated Interim Consolidated Financial Statements of Fortis Bank Polska SA Capital Group for the first half of 2010

BNP PARIBAS FORTIS | Bank zmieniającego się świata

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1. Financial Highlights

On 31 July 2009, Fortis Bank Polska SA and Dominet Bank S.A. were merged. Pursuant to the accepted accounting principles, since the merger with Dominet Bank S.A., Fortis Bank Polska SA does not present financial statements retrospectively, that is with relevant items of Dominet Bank S.A. included in comparative data. Consequently, the Bank's results for the first half of 2009 do not include the results of Dominet Bank S.A.

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Profit & Loss Account	**30 Jun 2010 (YTD)**	**30 Jun 2009 (YTD)**	**30 Jun 2010 (YTD)**	**30 Jun 2009 (YTD)**
Interest income	453 927	415 243	113 363	91 900
Fee and commission income	106 600	66 398	26 622	14 695
Total income, net	428 594	165 050	107 036	36 528
Gross profit/loss	21 932	-275 828	5 477	-61 046
Net profit/loss	14 787	-231 938	3 693	-51 332
Ratios				
Number of shares	24 123 506	16 771 180	-	-
Basic Earnings/Loss Per Share (PLN/EUR)	0,61	-13,83	0,15	-3,06
Diluted Earnings/Loss Per Share (PLN/EUR)	0,61	-13,83	0,15	-3,06
Cash Flow Statement				
Net cash provided by operating activities	-1 035 631	1 261 530	-258 636	279 198
Net cash provided by investing activities	87 435	-1 072 841	21 836	-237 438
Net cash provided by (used in) financing activities	568 666	349 097	142 017	77 261
Total net cash flow	-379 530	537 786	-94 783	119 021
Balance Sheet	**Balance as at 30 Jun 2010**	**Balance as at 31 Dec 2009**	**Balance as at 30 Jun 2010**	**Balance as at 31 Dec 2009**
Total assets	18 660 082	20 294 483	4 500 960	4 939 994
Due to banks	1 597 582	2 011 154	385 350	489 546
Due to customers	7 467 961	9 226 324	1 801 332	2 245 831
Loans and credit facilities received	7 084 114	6 560 893	1 708 745	1 597 024
Equity	1 391 836	1 368 634	335 722	333 147
Ratios				
Number of shares	24 123 506	24 123 506	-	-
Book value per share (in PLN / EUR)	57,70	56,73	13,92	13,81
Diluted book value per share (in PLN / EUR)	57,70	56,73	13,92	13,81
Capital adequacy				
Capital adequacy ratio	13,76%	13,40%	-	-

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for the first half of 2010 and the corresponding financial figures for the first half of 2009 and for 2009 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 first half of 2010 have been converted into EUR at the mid-rate binding as at 30 June 2010 published by the National Bank of Poland on 30 June 2010, i.e. EUR 1 = PLN 4.1458; comparative financial data as at the end of the first half of 2009 have been converted into EUR at the mid-rate binding as at 31 December 2009, published by the National Bank of Poland on 31 December 2009, i.e. EUR 1 = PLN 4.1082;
- particular items in the profit and loss account and cash flow statement, and earnings per share as at the end of the first half of 2010 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 June 2010, i.e. EUR 1 =

PLN 4.0042, whereas comparative data as at the end of the first half of 2009 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through June 2009, i.e. EUR 1 = PLN 4.5184.

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

On 31 July 2009, Fortis Bank Polska SA and Dominet Bank S.A. were merged. Pursuant to the accepted accounting principles, since the merger with Dominet Bank S.A., Fortis Bank Polska SA does not present financial statements retrospectively, that is with relevant items of Dominet Bank S.A. included in comparative data. Consequently, the Bank's results for the first half of 2009 do not include the results of Dominet Bank S.A.

Consolidated Income statement (in PLN thousand)	Notes	1.01.2010-30.06.2010	1.01.2009-30.06.2009
Interest income	7.1	453 927	415 243
Interest expense	7.2	-163 048	-236 110
Net interest income		**290 879**	**179 133**
Fee and commission income	7.3	106 600	66 398
Fee and commission expense	7.4	-27 305	-5 989
Net fee and commission income		**79 295**	**60 409**
Dividend and other investment income		68	-
Net trading income	7.5	49 129	-88 850
Net gain/loss on available-for-sale financial assets		1 310	6 300
Other revenues		7 913	8 058
Total income, net		**428 594**	**165 050**
Personnel expenses		-118 370	-86 560
Depreciation of fixed assets and intangible fixed assets		-40 204	-21 432
Other expenses	7.6	-137 800	-77 191
Net impairment losses	7.7	-110 288	-255 695
Gross profit/loss		**21 932**	**-275 828**
Income tax expense		-7 145	43 890
Net profit/loss		**14 787**	**-231 938**
Consolidated Earnings Per Share	7.8		
Net profit/loss (in PLN thousand)		14 787	-231 938
Weighted average number of ordinary shares		24 123 506	16 771 180
EPS ratio (in PLN)		0,61	-13 ,83
Weighted average diluted number of ordinary shares		24 123 506	16 771 180
Diluted earnings per ordinary share (in PLN)		0,61	-13 ,83

Consolidated report of total income (in PLN thousand)	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
Net profit (loss) for the year	**14 787**	**-231 938**
Profits / losses not recognised in income statement (investments available for sale)	11 974	7 178
Deferred tax - profits/losses not recognised in income statement (investments available for sale)	-2 275	-1 363
Profits/losses not recognised in the income statement (investments available for sale) - net	**9 699**	**5 815**
Net profits / losses recognised in income statement (investments available for sale)	-1 584	-6 313
Deferred tax – net profits/losses recognised in income statement (investments available for sale)	300	1 199
Profits/losses recognised in income statement (investments available for sale), net	**-1 284**	**-5 114**
Total income	**23 202**	**-231 237**

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

Consolidated balance sheet (in PLN thousand)	Notes	30 Jun 2010	31 Dec 2009	30 Jun 2009
ASSETS				
Cash and cash equivalents	8	454 021	832 724	2 031 736
Financial assets held for trading	9.1	494 806	664 305	1 171 221
Due from banks	10.1	602 977	1 573 242	339 294
Loans to customers	10.2	13 814 460	13 811 556	13 846 427
Investments - Available for Sale	11.1	2 687 057	2 785 842	2 213 465
Other investments	11.2	12	12	-
Property, Plant and Equipment		178 615	188 372	129 801
Intangible assets		28 439	42 229	39 569
Income tax settlements		22 772	48 554	-
Deferred tax assets		232 629	227 819	192 407
Other assets		144 294	119 828	98 592
Total assets		**18 660 082**	**20 294 483**	**20 062 512**
LIABILITIES				
Financial liabilities held for trading	9.2	135 178	171 474	637 426
Due to banks	12.1	1 597 582	2 011 154	994 690
Due to customers	12.2	7 467 961	9 226 324	8 169 307
Loans and credit facilities received	12.3	7 084 114	6 560 893	8 294 839
Liabilities related to issue of debt securities		30 000	30 000	-
Subordinated liabilities		587 496	582 984	670 440
Current tax liabilities		131	107	25 104
Other liabilities		304 476	286 140	270 311
Provisions		61 308	56 773	13 710
Total liabilities		**17 268 246**	**18 925 849**	**19 075 827**
EQUITY CAPITAL				
Share capital		1 206 175	1 206 175	503 135
Additional capital		124 810	554 446	341 878
Other capital		45 685	45 685	390 029
Revaluation reserve		-326	-8 741	-17 368
Retained earnings		705	949	949
Net profit (loss) for the year		14 787	-429 880	-231 938
Total equity		**1 391 836**	**1 368 634**	**986 685**
Total liabilities and equity		**18 660 082**	**20 294 483**	**20 062 512**

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

Consolidated Statement of Changes in Shareholders' Equity in the first half of 2009 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2009	**503 135**	**308 656**	**79 201**	**-**	**344 983**	**-18 053**	**1 217 922**
Total income for the first half of 2009	-	-	-	-231 938	-	701	-231 237
Reclassification	-	-	-	-	16	-16	-
Distribution of retained earnings	-	33 222	-78 252	-	45 030	-	-
Balance as at 30 Jun 2009	**503 135**	**341 878**	**949**	**-231 938**	**390 029**	**-17 368**	**986 685**

Consolidated Statement of Changes in Shareholders' Equity in 2009 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2009	**503 135**	**308 656**	**79 201**	**-**	**344 983**	**-18 053**	**1 217 922**
Merger with Dominet Bank S.A.	157 306	-23 982	-	-	-	101	133 425
Total income for 2009	**-**	**-**	**-**	-429 880	-	9 227	-420 653
Reclassification	-	-	-	-	16	-16	-
Share issue	105 440	332 505	-	-	-	-	437 945
Increase in the nominal share value	440 294	-95 955	-	-	-344 344	-	-5
Distribution of retained earnings	-	33 222	-78 252	-	45 030	-	-
Balance as at 31 Dec 2009	**1 206 175**	**554 446**	**949**	**-429 880**	**45 685**	**-8 741**	**1 368 634**

Consolidated Statement of Changes in Shareholders' Equity in the first half of 2010 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2010	**1 206 175**	**554 446**	**-428 931**	**-**	**45 685**	**-8 741**	**1 368 634**
Total income for the first half of 2010	-	-	-	14 787	-	8 415	23 202
Distribution of retained earnings	-	-429 636	429 636	-	-	-	-
Balance as at 30 Jun 2010	**1 206 175**	**124 810**	**705**	**14 787**	**45 685**	**-326**	**1 391 836**

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

Consolidated Cash Flow Statement (in PLN thousand)	**1.01.2010-30.06.2010**	**1.01.2009-30.06.2009**
Cash and cash equivalents, gross, opening balance	**833 802**	**1 495 348**
Gross profit/loss	**21 932**	**-275 828**
Adjustments for:	**-1 057 563**	**1 537 358**
Depreciation	40 204	21 432
Impairment losses	105 550	260 751
Profits/losses on investing activities	14 712	9 744
Changes in operational assets and liabilities:	-1 231 881	1 329 188
- financial assets and liabilities held for trading	133 203	-123 251
- due from banks	970 277	267 027
- loans to customers	-113 373	717 273
- change in the balance of available-for-sale investments	-2 425	-375
- change in the balance of other investments	-	-
- due to banks	-413 572	-1 282 273
- due to customers	-1 758 355	1 800 843
- liabilities due on account of credits and loans received	-45 445	742
- liabilities due on account of a subordinated loan	4 512	-
- other assets and liabilities	-6 703	-50 798
Income tax (current and deferred)	13 852	-83 757
Net operating cash flows	**-1 035 631**	**1 261 530**
Purchase of available-for-sale investments	-19 837 753	-7 388 950
Purchase of property, plant and equipment and intangible fixed assets	-21 464	-61 902
Proceeds from sales of available-for-sale investments	19 947 379	6 377 397
Proceeds from sales of property, plant and equipment	193	1 289
Other investment expenses	-920	-675
Net cash provided by investing activities	**87 435**	**-1 072 841**
Issuance of subordinated liabilities	**-**	253 200
Payment of subordinated liabilities	**-**	**-**
Loans and credit facilities taken	5 854 683	1 822 817
Repayment of loans and credit facilities	-5 286 017	-1 726 920
Net cash provided by (used in) financing activities	**568 666**	**349 097**
Cash and cash equivalents, gross Ending balance	**454 272**	**2 033 134**
Change in cash and cash equivalents, net	**-379 530**	**537 786**

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

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

Additional Notes to Financial Statements

3. Information on Fortis Bank Polska SA Capital Group

Basic data on the Issuer

Fortis Bank Polska SA ("the Bank"), with its registered office in Warsaw at ul. Suwak 3, was entered in the register of entrepreneurs of the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. KRS 6421.

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

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

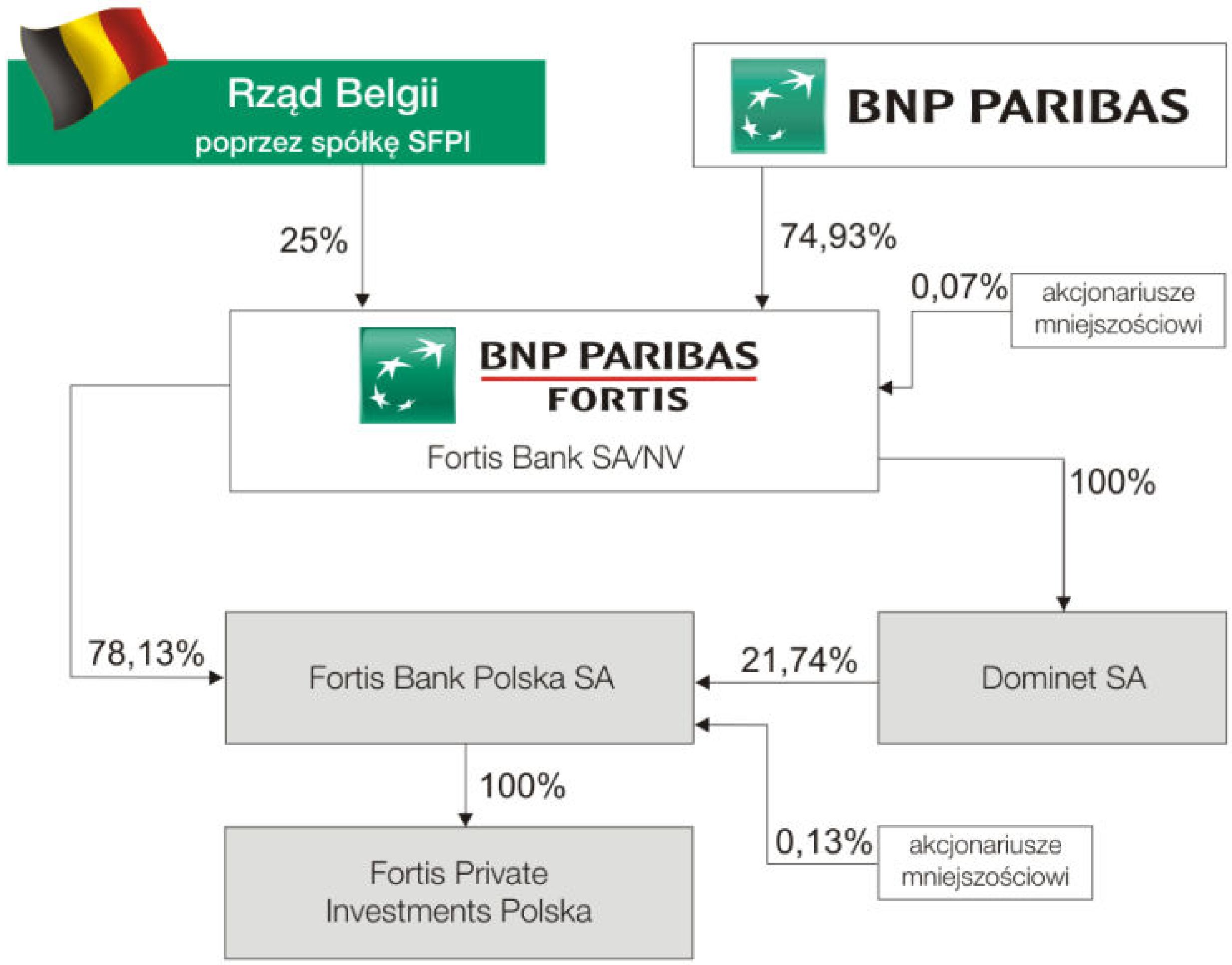
The consolidated financial statements of Fortis Bank Polska SA capital group for the first half of 2010 contains the data of the Bank and of its subsidiary, Fortis Private Investments S.A. (jointly referred to as "the Group").

The Group's structure

As at 3 June 2010, the capital group of Fortis Bank Polska SA was part of BNP Paribas SA, an international financial institution based in Paris.

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

The diagram below presents the position of Fortis Bank Polska SA in the BNP Paribas group.



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

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

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

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

Field of business activity of the Group

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

The Bank's business activity consists, in particular, of the following:

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

- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.

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

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

4. Accounting Policies

4.1 Basis of presentation

4.1.1 Statement on consistency with the IFRS

These interim financial statements follow the same accounting policies and calculation methods as the latest annual financial statements.

The abbreviated interim consolidated financial statements of the Bank have been prepared pursuant to the International Accounting Standard 34 *Interim Financial Reporting* (IAS 34), approved by the EU, and other binding provisions. This financial report does not contain all information required for annual consolidated financial statements and therefore, it should be read together with the consolidated financial statement of Fortis Bank Polska SA capital group for the year ended on 31 December 2009. The Consolidated Financial Statement of Fortis Bank Polska SA capital group for the year ended on 31 December 2009 is available on the Bank's website: www.bnpparibasfortis.pl.

Pursuant to the Ministry of Finance Ordinance dated 19 February 2009 regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State (Journal of Laws No. 33/2009, item 259), the Bank shall publish its financial performance for the period of six months ending on 30 June 2010, which is considered a current interim reporting period.

These abbreviated consolidated financial statements of the Bank were approved for publishing by the Bank Board of Executives on 26 August 2010.

4.1.2 New standards and interpretations, likewise amendments to standards or interpretations, which have not been binding yet and have not been applied earlier by the Group.

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) have not become effective yet as at 30 June 2010:

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

- Amendments to IFRS 3 *Business Combinations* effective for annual periods beginning on or after 1 July 2010, as at the date of preparing this financial statement, amendments to IFRS 3 have not been approved by the European Commission;

- Amendments to IFRS 7 *Financial Instruments: Disclosures,* effective for annual periods beginning on or after 1 January 2011, as at the date of preparing these financial statements, amendments to IFRS 7 have not been approved by the European Commission;

- Amendments to IAS 1 *Presentation of Financial Statements,* effective for annual periods beginning on or after 1 January 2011, as at the date of preparing these financial statements, amendments to IAS 1 have not been approved by the European Commission;

- Amendments to IAS 34 *Interim Financial Reporting,* effective for annual periods beginning on or after 1 January 2011, as at the date of preparing these financial statements, amendments to IAS 34 have not been approved by the European Commission;

- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, IFRS 9 has not been approved by the European Commission.

Other standards and interpretations that have not become effective yet, and have not been mentioned in these financial statements, are not material from the Group activity point of view. The Group is currently analysing in detail the effect of new standards and interpretations on the financial statements.

4.2 Base assumptions

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

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

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

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

4.3 Comparative data

The consolidated financial statements present consolidated data of Fortis Bank Polska SA and its subsidiary, Fortis Private Investments Polska S.A., for the period from 1 January 2010 through 30 June 2010 and as at 30 June 2010, likewise consolidated comparative data for the period from 1 January 2009 through 30 June 2009, and from 1 January 2009 through 31 December 2009, and as at 31 December 2009.

Pursuant to the accounting principles adopted for the merger of Fortis Bank Polska SA and Dominet Bank S.A., after the merger date with Dominet Bank S.A., Fortis Bank Polska SA does not present financial statements retrospectively, that is with relevant items of Dominet Bank S.A. included in comparative data. Consequently, the Bank's results for the period from 1 January 2009 through 31 July 2009 do not include the results for 2009 of Dominet Bank S.A.

4.4 Consolidation basis

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

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

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

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

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

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

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

Before recognising a gain on bargain purchase, the Group shall review the procedures applied for proper calculation of this type of gain under IFRS 3.

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

The Group's entities apply the uniform accounting standards.

Under IAS 27, in the consolidated financial statements of Fortis Bank Polska SA capital group for the first half of 2010, the full consolidation is applied to the following subsidiary:

- Fortis Private Investments Polska S.A.

4.5 Accounting Estimates

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

The results constitute 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.

4.5.1 Fair value

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

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

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

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

4.5.2 Write-downs for impairment of financial assets

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

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

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

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

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

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

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

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

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

Impairment losses for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

4.5.3 Write-downs for non-financial assets' impairment

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

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

4.5.4 Useful lives and residual values

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

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

4.5.5 Other Accounting Estimates

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

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

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

4.6 Foreign currencies

Foreign currency transactions are accounted for using the exchange rate at the date of the transaction settlement. Outstanding balances in foreign currencies at the end of a reporting period are translated at the exchange rates binding the end of the reporting period. Non-monetary items recorded 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.

4.7 Financial assets and liabilities

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

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

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

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

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

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

4.7.2 Classification and measurement

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

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

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

4.7.3 The Group classifies financial instruments into the following categories:

Loans and receivables

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

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

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

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

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

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

Investments held to maturity

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

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

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

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

Financial assets measured to fair value through profit or loss

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

a) classified at initial recognition as held for trading if they were acquired chiefly to be sold in the near term, i.e. within 6 months from the acquisition date;

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

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

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

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

a) held-for-trading securities,

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

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

Financial assets available for sale

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

a) loans and receivables,

b) investments held to maturity,

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

Available-for-sale financial assets are held at fair value. A gain or loss on an available-for-sale financial asset shall be recognised directly in the revaluation reserve whose changes are presented in the statement of total income, except for write-downs 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 revaluation reserve shall be recognised in profit or loss.

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

Financial liabilities measured to fair value through profit or loss.

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

a) classified at initial recognition as held for trading if they were assumed chiefly to be repurchased in the near term, i.e. within 6 months from the acquisition date;

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

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

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

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

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

4.7.4 Fair Value of Financial Instruments

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

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

Valuation techniques include:

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

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

- Fair values for securities are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the market interest rate curves.

- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models,

- Fair values of loans are determined using discounted cash flow models based upon present interest rates for similar type loans. For variable-rate loans that re-price frequently, fair values are approximated by the carrying amount,

- The carrying amounts are considered to approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

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

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

The analysis takes into account a possibility that customers take additional financing to cover unsettled transactions which, however, do not hedge their contracts to be settled in foreign currencies.

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

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

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

4.7.5 Reclassification of financial instruments

a) from their initial recognition and classification into the category of instruments measured at fair value through profit or loss, derivative instruments are not subject to reclassification into another category;

b) financial instruments that at their initial recognition have been specified as measured at fair value through profit or loss, are not subject to reclassification into another category (option of measurement at fair value pursuant to IAS 39);

c) financial instruments classified as loans and receivables at their initial recognition are not subject to reclassification into another category;

d) financial instruments that at their initial recognition have been classified as measured at fair value through profit or loss, different from the ones referred to in subsections a) and b) above:

   - may be reclassified into the category of loans and receivables provided that they are not held by the Bank for sale or repurchase in the near future and that the Bank intends and is able to hold them for a foreseeable future or to maturity,

   - may be reclassified into the available-for-sale or held-to-maturity category provided that they are not already held by the Bank for sale or repurchase in the near future and only in rare cases (i.e. in cases resulting from single events that are not common and it is highly unlikely that such event would occur again in the near future);

e) financial instruments that at initial recognition were classified as available for sale:

   - and that meet the criteria specified in the definition of loans and receivables (if they are not classified as available for sale),may be reclassified into the category of loans and receivables if the Bank has the intention and is able to hold them in the foreseeable future or till their maturity;

   - with payments established or possible to determine and with an established maturity date, with respect to which the Bank has a firm intention and possibility of holding them till maturity, may be reclassified to the held-to-maturity category unless in the current financial year or over the last two financial years the Bank sold or reclassified more than more than an immaterial amount of investment held to maturity;

f) Financial instruments classified at initial recognition as held to maturity, with respect to which it has become improper to be classified as such as a result of change of intention or possibilities, the Bank shall reclassify into the available-for-sale category. In each case when more than an immaterial amount of instrument held-to-maturity is sold or reclassified, the Bank shall also reclassify into the available-for-sale category all the other instruments classified as held to maturity, unless the ale of reclassification was made:

- at a date close to the maturity date,
- after recovering a substantial notional amount of the instrument,
- as a result of event beyond the Bank's control and of non-recurring nature, which may not have been reasonably foreseen.

4.8 Offsetting financial instruments

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

The Group made no setoff referred to above.

4.9 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 considered interest and accrued over the life of the agreements using the effective interest method.

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

Repurchase agreements or agreements to resell are recognised at the transaction settlement date which is the asset delivery date.

4.10 Derivative instruments

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

Derivative instruments in the Group include the following transactions:

<u>IRS Contracts</u>

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.

<u>FX Forward Contracts</u>

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.

FX Swap Contracts

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

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

Interest Rate Options

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

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

FX Options

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

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

FRA Contracts

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

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.

<u>OIS Contracts</u>

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.

<u>Futures contracts</u>

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.

4.11 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.

4.12 Asset Impairment

4.12.1 <u>Financial assets</u>

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

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

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

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

The Group creates impairment write-downs 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 impairment write-down for IBNR losses is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.

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

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

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

4.12.2 Non-financial Assets

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

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

The recoverable value is the higher of the following:

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

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

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

4.13 Cash and cash equivalents

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

4.14 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, taking into account impairment write-downs.

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.

4.15 Property, Plant and Equipment

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

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

Any impairment loss identified is recognised in the income statement.

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

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

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

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

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

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

Useful lives of fixed assets are as follows*:

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

*applicable to fixed assets purchased after 1 January 2010. With respect to fixed assets purchased before that date, useful lives are presented in the Group's financial statement for 2009.

4.16 Non-Current Assets Held for Sale and Discontinued Operations

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

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

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

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

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

4.17 Intangible assets

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

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

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

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

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

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

4.18 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.

4.19 Employee Benefits

4.19.1 Long-Term Obligations to Employees

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

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

4.19.2 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.

4.19.3 Benefits on account of work relationship termination

The Group recognises benefits on account of work relationship termination as a liability and expense when it is determined to, and is able to prove it that:

- the work relationship will be terminated with an employee or a group of employees before they reach the retirement age, or

- it will provide benefits on account of work relationship termination as a result of a proposal made by the Group to encourage the employees to voluntarily terminate the work relationship.

4.20 Provisions

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

The Group recognises provisions in the balance sheet, when:

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

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

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

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

4.21 Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

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

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

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

- contingent liabilities granted on account of credit lines extended by the Group – in the amount unused by customers;
- contingent liabilities granted on account of guarantees issued by the Group in favour of customers – in the amount specified in agreements;
- contingent liabilities on account of export and import letters of credit;
- contingent liabilities on account of financial and guarantee master agreements concluded – in the amount unutilised by the customer;
- contingent liabilities on account of credit lines obtained by the Group – in the amount available for use by the Group;
- contingent liabilities on account of guarantees received by the Group – in the amount specified in agreements.

4.22 Equity Capital

4.22.1 Definition

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

Equity Capital Items

Share capital

Share capital is recognised in the nominal value and may be increased through new share issue or through increase in par value of existing shares.

Additional capital

Additional capital is established from net profit deductions and share premiums obtained from share issue above the nominal value and allocated to cover losses that may be incurred in connection with the Bank's business activity.

Other capital

Reserve capital is established for the purposes defined in the statute from profit deductions.

General risk reserve is established pursuant to the Banking Law Act dated 29 August 1997 from after-tax profit.

Revaluation reserve

Revaluation reserve includes differences from the measurement of available-for-sale financial assets decreased by the related deferred tax deductions. The revaluation reserve is not subject to distribution.

Retained earnings

The retained earnings comprise undistributed profits and retained losses from previous years.

Net profit (loss) for the year

Current year's net profit (loss) is the net profit or loss resulting from the income statement for the period the financial report is prepared. Net profit takes into account income tax.

4.22.2 Transaction costs related to equity capital operations

Transaction costs related to operations involving equity capital decrease the equity capital by an amount equal to incremental costs directly related to the operation, that is costs that would not be incurred otherwise.

4.22.3 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.

4.23 Earnings per Share

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

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

4.24 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.

4.25 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.

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

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

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

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

4.26 Net profit/loss on transactions in financial instruments

Net profit/loss on transactions in financial instruments includes:

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

4.27 Current and deferred income tax

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

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

Deferred tax assets are recognised up to the amount that it is probable that taxable profit will be available that would enable to deduct the temporary negative differences.

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.

4.28 Government subsidies

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

4.29 Securitisation

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

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

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

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

In February 2010 the securitisation transaction was settled and closed.

4.30 Lease facility

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

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

Leasing payments are divided into financial (interest) expense and lease liability reduction. Interest expense is directly recognised in the profit and loss account.

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

4.31 Business Segment Reporting

4.31.1 Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) and whose operating results are reviewed regularly by a chief decision-making body with respect to operating decisions in the entity and which decision-making body will use the said results when making decisions about resources to be allocated to the segment and when assessing the segment performance; and for which discrete financial information is available.

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

- Retail Banking (RB)
- Enterprise and Transaction Banking (ETB)
- other banking activity

4.31.2 Geographical segments

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

Information on changes in the segment structure are presented in the Segment Reporting section.

5. Comparability with Previously Published Reports

In order to ensure data comparability, there have been changes made with respect to the manner of presentation of the data, published in the report for the first half of 2009 as at 30 June 2009 and the data published in the annual report for 2009 as at 31 December 2009.

Consolidated balance sheet as at 30 June 2009				
Item	**1st Half of 2010 Report**	**1st Half of 2009 Report**	**Difference**	**Change description**
Due to customers	8 169 307	8 169 303	4	current liabilities due to customers
Other liabilities	270 311	270 315	-4	current liabilities due to customers
Total changes			**-**	

Consolidated balance sheet as at 31 December 2009				
Item	**1st Half of 2010 Report**	**2009 Annual Report**	**Difference**	**Change description**
Investments - Available for Sale	2 785 842	2 785 854	-12	Separation of the other investments
Other investments	12	-	12	Separation of the other investments
Other liabilities	286 148	265 910	20 238	Change in the presentation of restructuring provision
Provisions	56 773	77 011	-20 238	Change in the presentation of restructuring provision
Due to customers	9 226 324	9 226 316	8	current liabilities due to customers
Other liabilities	286 140	286 148	-8	current liabilities due to customers
Total changes			**-**	

Consolidated Cash Flow Statement period from 1 January to 30 June 2009				
Item	**1st Half of 2010 Report**	**1st Half of 2009 Report**	**Difference**	**Change description**
Operating cash flows				
Due to customers	1 800 843	1 800 839	4	current liabilities due to customers
Other assets and liabilities	-50 798	-50 794	-4	current liabilities due to customers

6. Segment Reporting

On 31 July 2009, Fortis Bank Polska SA and Dominet Bank S.A. were merged. Pursuant to the accepted accounting principles, since the merger with Dominet Bank S.A., Fortis Bank Polska SA does not present financial statements retrospectively, that is with relevant items of Dominet Bank S.A. included in comparative data. Consequently, the Bank's results for the first half of 2009 do not include the results of Dominet Bank S.A.

Information on Segments

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

Primary segmentation

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

- Retail Banking
- Enterprise and Transaction Banking
- Other Banking Activity

Till the end of 2009, there was a Merchant Banking segment that included the Enterprise and Transaction Banking and Global Markets lines. In the first half of 2010 due to organisational changes and reduction the Global Markets line responsibility scope, the Enterprise and Transaction Banking line is presented as a separate segment. Business performance of the former Global Markets line is presented in the results of the Other Banking Activity along with ALM results (ALM has taken over some of the activity of the former Global Markets line) and other business line support units.

Furthermore, in the reporting period no other changes in the Group operating activity segmentation occurred as compared to the changes presented in the consolidated financial statements of the Group for the year ending on 31 December 2009.

Accounting principles for specific segments are the same as the ones described in the accounting principles. In the income statement costs are at first presented as direct costs in all business lines 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. Rebilling is a separate process in reporting that is presented in a separate report position (costs allocation – rebilling). As a result of the process, all costs generated by support units (horizontal functions) are absorbed by business lines. The financial result of support units (horizontal functions) at the process end is zero.

Transfer prices between segments are determined primarily to transfer interest rate risk to the Other Banking Activity units, so that fixed margins can be allocated to the remaining business lines.

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

Activity segments:

- **Retail Banking**

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

- **Enterprise and Transaction Banking**

Enterprise and Transaction Banking Line specialises in the service of medium and big enterprises, focusing on clients that operate internationally, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

- **Other Banking Activity**

Units operating under the Other banking activity play an important role in the management of balance-sheet and off-balance sheet items and are responsible for risk and capital management, transfer price setting, relations with other banks and liquidity management of the Group. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in the segment.

Geographical segment

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

Consolidated Income Statement by Business Segments

1.01.2010-30.06.2010 (in PLN thousand)	Retail Banking	Enterprise and Transaction Banking	Other Banking Activity	Total
Interest income (external)	270 676	118 976	64 275	453 927
Transfer prices expense (internal)	-146 320	-72 696	-182 032	-401 048
Interest expense (external)	-91 094	-39 053	-32 901	-163 048
Transfer prices income (internal)	115 062	53 150	232 836	401 048
Net interest income	**148 324**	**60 377**	**82 178**	**290 879**
Fee and commission income (external)	79 273	25 929	1 398	106 600
Fee and commission expense (external)	-26 341	-126	-838	-27 305
Net fee and commission income	**52 932**	**25 803**	**560**	**79 295**
Dividend and other investment income	68	-	-	**68**
Net trading income (external)	18 646	38 916	-8 433	**49 129**
Net gain/loss on available-for-sale financial assets (external)	-	-	1 310	**1 310**
Other income (external)	5 385	2 413	115	**7 913**
Total income, net	**225 355**	**127 509**	**75 730**	**428 594**
Personnel expense (external)	-56 503	-3 144	-58 723	**-118 370**
Depreciation of fixed assets and intangible fixed assets (external)	-108	-	-40 096	**-40 204**
Other expenses (external)	-35 327	-3 031	-99 442	**-137 800**
Impairment losses (external)	-83 101	-28 013	826	**-110 288**
Costs allocation - rebilling (internal)	-172 623	-22 985	195 608	**-**
Gross profit/loss	**-122 307**	**70 336**	**73 903**	**21 932**
Income tax expense	38 907	-22 456	-23 596	**-7 145**
Net profit/loss	**-83 400**	**47 880**	**50 307**	**14 787**

1.01.2009-30.06.2009 (in PLN thousand)	Retail Banking	Enterprise and Transaction Banking	Other Banking Activity	Total
Interest income (external)	195 240	165 991	54 012	415 243
Transfer prices expense (internal)	-149 087	-117 927	-131 581	-398 595
Interest expense (external)	-92 891	-58 063	-85 156	-236 110
Transfer prices income (internal)	121 222	88 385	188 988	398 595
Net interest income	**74 484**	**78 386**	**26 263**	**179 133**
Fee and commission income (external)	36 824	27 061	2 513	66 398
Fee and commission expense (external)	-4 610	-242	-1 137	-5 989
Net fee and commission income	**32 214**	**26 819**	**1 376**	**60 409**
Net trading income (external)	-3 416	-12 458	-72 976	**-88 850**
Net gain/loss on available-for-sale financial assets (external)	-	-	6 300	**6 300**
Other income (external)	5 363	2 213	482	**8 058**
Total income, net	**108 645**	**94 960**	**-38 555**	**165 050**
Personnel expense (external)	-35 968	-6 910	-43 682	**-86 560**
Depreciation of fixed assets and intangible fixed assets (external)	-125	-	-21 307	**-21 432**
Other expenses (external)	-16 942	-3 386	-56 863	**-77 191**
Impairment losses (external)	-44 635	-196 563	-14 497	**-255 695**
Costs allocation - rebilling (internal)	-86 621	-22 696	109 317	**-**
Gross profit/loss	**-75 646**	**-134 595**	**-65 587**	**-275 828**
Income tax expense	12 002	21 467	10 421	**43 890**
Net profit/loss	**-63 644**	**-113 128**	**-55 166**	**-231 938**

Consolidated total assets (in PLN thousand)	As at:	Retail Banking	Enterprise and Transaction Banking	Other Banking Activity	Total
Assets	**30.06.2010**	8 508 602	4 950 438	5 201 042	**18 660 082**
	31.12.2009	9 711 861	4 587 493	5 995 129	**20 294 483**
	30.06.2009	8 714 622	5 502 440	5 845 450	**20 062 512**

Liabilities	**30.06.2010**	4 849 602	3 216 125	10 594 355	**18 660 082**
	31.12.2009	6 533 384	3 346 938	10 414 161	**20 294 483**
	30.06.2009	4 744 630	4 056 325	11 261 557	**20 062 512**

Description of Segment Activity

Retail Banking

Customers

As at the end of the first half of 2010, the number of active customers of this line was 361,355. Private Individuals (93%), including Mass Market Customers, prevail among the Retail Banking customers. Enterprises account for the remaining 7% of the RB customers.

Distribution channels

Retail Banking customers have at their disposal both a network of branches as well as alternative channels: Pl@net, Multicash systems and Call Centre. The RB BL develops all the above distribution channels. The Group's statistics show that Customers are much interested in alternative distribution channels. When comparing data for the first half of 2010 and the first half of 2009 (YTD), the Group recorded:

- increase in the number of Customers who use the Pl@net banking system by 263% (growth attributable to e.g. Pl@net system users migrated from the former Dominet Bank S.A.);
- increase in the number of transfers made via electronic channels by 20%.

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 first half of 2010, the outstanding balance of such loans was PLN 5.0 billion;
- credit cards: the number of credit cards for Individuals and Mass Market Customers was 57.1 thousand as at the end the first half of 2010;
- investment products: deposit balance as at the end of the first half of 2010 was PLN 3.3 billion.

The following products are largely popular among Enterprises:

- investment loans: as at the end of the first half of 2010, the outstanding balance of such loans was PLN 2.1 billion;
- foreign exchange transactions: the number of negotiated and table-based transactions in the first half of 2010 was about 28.7 thousand and the average monthly volume of such transactions oscillates around PLN 0.3 billion.

Results

The net income of Retail Banking increased up to PLN 225.4 million at the end of the first half of 2010. The growth was mainly attributable to higher net trading income (PLN 18.6 million in the first half of 2010 as compared to the loss of PLN 3.4 million in the first half of 2009). Net interest income grew up to PLN 148.3 million in the first half of 2010 and accounts for 65% of net revenues of the Retail Banking business line. Net commission and fee income amounted to PLN 52.9 million in the first half of 2010, which accounts for 23% of net revenues of the Retail Banking business line.

At the end of the first half of 2010, net impairment losses significantly increased up to PLN 83.1 million. As compared to the first half of 2009, net impairment losses increased by PLN 38.5 million (86%). Increase in net impairment losses related to receivables results from deterioration of the credit portfolio quality. The said loss increase was additionally affected by deteriorating repayments of consumer loans, likewise by the assessment of the credit portfolio of the former Dominet Bank S.A. pursuant to the IFRS.

In the first half of 2010, personnel expenses stood at PLN 56.5 million and accounted for 47% of total personnel expenses of the Fortis Bank Polska SA Group. The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The said costs stood at PLN 172.6 million in the first half of 2010.

The growth of personnel costs and costs allocated to Retail Banking as well as high net impairment losses affected the decrease in gross income down to PLN 122.3 million loss in the first half of 2010.

Enterprise and Transaction Banking

Customers

As at the end of the first half of 2010, the number of active customers of this line equalled 2,343, as compared to 2,343 at the end of 2009 (increase by 1%).

Distribution channels

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

Products

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

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

- deposits: as at the end of the first half of 2010, the total balance of deposits reached PLN 3.1 billion;
- investment loans (including loans to purchase/ construct commercial real estate): as at the end of the first half of 2010, the balance of such loans reached PLN 2.9 billion, which means a decrease by 5% as compared to the end of 2009;
- working capital loans: as at the end of the first half of 2010, the balance of such loans reached PLN 0.9 billion and was by 10% lower as compared to the end of 2009;
- overdraft facilities: as at the end of the first half of 2010, the balance of such facilities reached PLN 0.9 billion, which means a decrease by 4% as compared to the end of 2009;
- foreign exchange transactions: the number of table-based and negotiated transactions in the first half of 2010 was about 19.3 thousand and the average monthly volume of such transactions oscillates around PLN 0.7 billion.

The Bank applied a more conservative credit policy which translated into a decrease in credit balances of instituitional customers.

Results

The net income of Enterprise and Transaction Banking grew from PLN 95.0 million earned in the first half of 2009 up to PLN 127.5 million in the first half of 2010, or by 34%.

The key growth contributors are the following:

- higher net trading income: PLN 38.9 million in the first half of 2010 as compared to the net trading loss of PLN 12.5 million in the first half of 2009 (the net trading loss in the first half of 2009 was primarily generated from the fair value adjustment on account of credit risk of option transactions entered into with customers of the Group and a negative valuation to fair value of options purchased with a view to mitigating the FX rate increase risk);
- lower net interest income by 23% (from PLN 78.4 million in the first half of 2009 down to PLN 60.4 million in the first half of 2010).

In the first half of 2009 Enterprise and Transaction Banking recorded a decrease of net write downs for credit receivables (from PLN 196.6 million as at the end of the first half of 2009 down to PLN 28.0 million as at the end of the first half 2010). The decrease in net impairment losses is a result of restructuring actions taken by the Bank and the credit portfolio quality improvement.

Personnel expense dropped by 55% (from PLN 6.9 million in the first half of 2009 down to PLN 3.1 million in the first half of 2010). The "costs allocation (rebilling)" item represents the net value of business line costs allocated and transferred from Enterprise Transaction Banking to other units. The costs are maintained at a level similar to the one in the corresponding period of 2009 (1% increase).

The above events were translated into an increase of gross result from the loss of PLN 134.6 million for the first half of 2009 up to PLN 70.3 million profit for the first half of 2010.

Other Banking Activity

Results

The Other Banking Activity segment presents net income on account of interest rate, liquidity and FX risks (tne net income improved from the loss of PLN 38.6 million in the first half of 2009 up to net income of PLN 75.7 million in he first half of 2010; the growth results primarily from lower financing costs in 2010). The expenses include costs generated by support units.

7. Additional Notes to Consolidated Income Statement

On 31 July 2009, Fortis Bank Polska SA and Dominet Bank S.A. were merged. Pursuant to the accepted accounting principles, since the merger with Dominet Bank S.A., Fortis Bank Polska SA does not present financial statements retrospectively, that is with relevant items of Dominet Bank S.A. included in comparative data. Consequently, the Bank's results for the first half of 2009 do not include the results of Dominet Bank S.A.

Below there is detailed information on consolidated revenues and expenses of the Group for the first half of 2010 and comparative data for the first half of 2009.

Note 7.1

Interest income (in PLN thousand)	**1.01.2010 – 30.06.2010**	**1.01.2009 – 30.06.2009**
Cash and cash equivalents	6 616	12 336
Due from banks	2 374	2 319
Investments available for sale	51 184	34 682
Loans to customers	388 046	359 093
Securities held for trading	5 707	6 813
Total interest income	**453 927**	**415 243**

Note 7.2

Interest expense (in PLN thousand)	**1.01.2010 – 30.06.2010**	**1.01.2009 – 30.06.2009**
Due to banks	-11 228	-16 929
Due to customers	-121 922	-141 726
Loans and credit facilities received	-17 879	-67 569
Debt securities issue	-775	-88
Subordinated loans	-10 458	-8 849
Others	-786	-949
Total interest expense	**-163 048**	**-236 110**

Note 7.3

Fee and commission income (in PLN thousand)	**1.01.2010 – 30.06.2010**	**1.01.2009 – 30.06.2009**
Custody services and securities trading	1 033	1 289
Cash settlements services	31 540	25 510
Guarantees and contingent liabilities	8 357	7 846
Commissions related to granting credit facilities (amortised using the straight-line method)	10 858	13 471
Loan origination fees and commissions (one-off items)	2 894	2 261
Fees and commissions related to derivative instrument buy/sell transactions	806	4 243
Income on account of agency in customer acquisition	864	780
Card related income	10 743	5 219
Insurance product sales revenues	22 596	-
Income on asset management	2 511	1 978
Others	14 398	3 801
Total fee and commission income	**106 600**	**66 398**

Note 7.4

Fee and commission expense (in PLN thousand)	1.01.2010 – 30.06.2010	1.01.2009 – 30.06.2009
Custody services and securities trading	-97	-197
Card related expenses	-7 933	-2 731
Cash transactions expenses	-28	-939
Settlements	-724	-754
Expenses related to franchisee commissions and fees	-8 854	-
Others	-9 669	-1 368
Total fee and commission expenses	**-27 305**	**-5 989**

Note 7.5

Net trading income (in PLN thousand)	1.01.2010 – 30.06.2010	1.01.2009 – 30.06.2009
Securities	1 631	1 606
Derivative instruments, including:	-1 560	-149 792
- fair value adjustment for credit risk of derivative instruments	20 079	-98 081
Foreign exchange transactions	49 058	59 336
Total net trading income	**49 129**	**-88 850**

Note 7.6

Other costs * (in PLN thousand)	1.01.2010 – 30.06.2010	1.01.2009 – 30.06.2009
- rents	-31 814	-18 418
- information technologies and systems	-20 011	-10 720
-marketing and advertising	-13 675	-6 628
- expenditure related to RE use	-6 987	-3 829
- postal and telecommunication services	-13 458	-5 090
- advisory services and consulting	-291	-1 668
- business travels	-4 144	-2 355
- training,	-3 041	-1 942
- municipal services,	-7 109	-5 450
- investment expenditures	-1 005	-
- security	-2 376	-2 272
- stationery	-2 714	-965
- Banking Guarantee Fund costs	-3 199	-3 620
- compensation, penalties and fines	-721	-1 024
- other	-27 255	-13 210
Total other costs	**-137 800**	**-77 191**

*The above note presents general expenses and operating costs.

Note 7.7

Net provisions for impairment (in PLN thousand)	**1.01.2010 – 30.06.2010**	**1.01.2009 – 30.06.2009**
Net cash and cash equivalents, including:	827	-938
- provisions for Incurred But Not Reported losses (IBNR)	827	-938
Due from banks, net, including:	12	-51
- provisions for Incurred But Not Reported losses (IBNR)	12	-51
Loans to customers, net, including:	-109 162	-258 031
- provisions for impaired credit receivables	-124 726	-249 337
- provisions for Incurred But Not Reported losses (IBNR)	15 456	-9 312
- income on account of receivables written-down to provisions	108	618
Off-balance sheet liabilities, net, including:	-5 076	3 153
- provisions for off-balance sheet commitments	-3 525	3 298
- provisions for Incurred But Not Reported losses (IBNR)	-1 551	-145
Property, Plant and Equipment	1 650	-
Intangible assets	2 202	-
Other assets, net	-2 015	155
Other provisions, net	1 274	17
Total provisions for impairment, net	**-110 288**	**-255 695**

Note 7.8

Consolidated Earnings Per Share	**1.01.2010 – 30.06.2010**	**1.01.2009 – 30.06.2009**
Number of shares as at 30 June	24 123 506	16 771 180
Weighted average number of ordinary shares	24 123 506	16 771 180
Net profit/loss of the period in PLN thousand	14 787	-231 938
Earnings/loss per ordinary share in PLN	0,61	-13,83
Weighted average diluted number of potential ordinary shares	24 123 506	16 771 180
Diluted consolidated earnings/loss per share (PLN per share)	**0,61**	**-13,83**

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. Cash and cash equivalents

Note 8

Cash and cash equivalents (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Cash at hand	222 138	153 697	131 676
Due from the Central Bank	148 982	458 619	220 516
Short-term due from banks, including:	83 152	221 486	1 680 942
- nostro accounts	13 653	3 973	12 855
- short-term deposits from banks	69 499	217 513	1 668 087
Cash and cash equivalents, gross	**454 272**	**833 802**	**2 033 134**
Write-downs for impairment	**-251**	**-1 078**	**-1 398**
- for Incurred But Not Reported losses (IBNR)	-251	-1 078	-1 398
Total cash and cash equivalents, net	**454 021**	**832 724**	**2 031 736**

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

The average balance of the mandatory reserve declared at the end of the first half of 2010 stood at PLN 262,257 thousand, at the end of 2009, it made up PLN 318,829 thousand, while at the end of the first half of 2009 it stood at PLN 284,401 thousand.

9. Financial Assets and Liabilities Held for Trading

Note 9.1

Financial assets held for trading (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
Held-for-trading securities, including:	**281 846**	**487 149**	**486 220**
- treasury bonds	160 626	418 088	349 886
- treasury bills	121 220	69 061	136 334
Derivative financial instruments, including:	**212 960**	**177 156**	**685 001**
- foreign currency contracts, including:	149 312	116 402	619 728
- fair value adjustment for credit risk	-6 287	-26 026	-67 003
- interest rate contracts	63 648	60 754	65 273
Total financial assets held for trading	**494 806**	**664 305**	**1 171 221**

As at 30 June 2010, 31 December 2009 and 30 June 2009, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

Note 9.2

Financial liabilities held for trading (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
Derivative financial instruments, including:	**135 178**	**171 474**	**637 426**
- foreign currency contracts	76 759	116 823	580 302
- interest rate contracts	58 419	54 651	57 124
Total financial liabilities held for trading	**135 178**	**171 474**	**637 426**

10. Performing receivables

Note 10.1

Due from banks (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
Loans	75 059	75 000	75 002
Receivables on account of cash collateral	30 745	33 530	1 700
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	492 400	1 457 730	245 765
Other receivables	4 878	7 099	16 953
Total due from banks, gross	**603 082**	**1 573 359**	**339 420**
Write-downs for impairment	**-105**	**-117**	**-126**
- for Incurred But Not Reported losses (IBNR)	-105	-117	-126
Total net due from banks	**602 977**	**1 573 242**	**339 294**

Note 10.2

Loans to customers (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
Loans to budgetary entities	1 169	429	400
Mortgage loans	4 982 329	4 532 934	4 668 938
Consumer loans and credit facilities	2 286 435	2 394 363	533 998
Commercial loans	7 656 904	7 886 776	9 117 887
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	2 767	2 054	41 825
Other receivables	10 751	10 426	2 469
Total loans to customers, gross	**14 940 355**	**14 826 982**	**14 365 517**
Write-downs for impairment	**-1 125 895**	**-1 015 426**	**-519 090**
- for incurred, reported losses	-1 036 677	-910 752	-462 076
- for Incurred But Not Reported losses (IBNR)	-89 218	-104 674	-57 014
Total net loans to customers	**13 814 460**	**13 811 556**	**13 846 427**

Note 10.3

Changes to write-downs for impairment (in PLN thousand)	Due from banks	Loans to Customers	
	Write-downs for Incurred But Not Reported losses (IBNR)	impairment write-down	Write-downs for Incurred But Not Reported losses (IBNR)
As at 1/01/2009	**-74**	**-211 972**	**-47 701**
Increases	-53	-303 016	-23 832
Decreases	1	53 679	14 519
Write-downs to provisions	-	7 932	-
FX rate differences	-	-8 699	-
Balance as at 30 Jun 2009	**-126**	**-462 076**	**-57 014**
As at 1/01/2009	**-74**	**-211 972**	**-47 701**
Merger with Dominet Bank S.A.	**-**	**-194 057**	**-66 531**
Increases	-3 272	-652 938	-29 474
Decreases	3 229	107 252	39 032
Write-downs to provisions	-	22 355	-
FX rate differences	-	18 608	-

Balance as at 31 Dec 2009	**-117**	**-910 752**	**-104 674**
As at 1/01/2010	**-117**	**-910 752**	**-104 674**
Increases	-4	-292 560	-7 729
Decreases	16	167 834	23 185
Write-downs to provisions	-	8 998	-
FX rate differences	-	-10 197	-
Balance as at 30 Jun 2010	**-105**	**-1 036 677**	**-89 218**

11. Investments

Note 11.1

Investments Available for Sale, at fair value (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
Treasury bonds	1 149 639	809 139	718 310
Bonds issued by banks	81 184	-	-
Treasury bills	281 361	957 408	494 484
NBP cash bills	1 149 888	999 320	999 806
Shares and stocks	24 985	19 975	865
Total investments available for sale	**2 687 057**	**2 785 842**	**2 213 465**

Note 11.2

Other investments (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
Investments in subsidiaries	-	-	-
Investments in affiliated units	12	12	-
Total other investments	**12**	**12**	**-**

12. Liabilities

Due to banks

Note 12.1

Due to banks (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Banks' deposits	**1 104 588**	**556 579**	**742 786**
- Current	90 199	33 223	32 519
- Term	590 800	79 670	176 590
- Cash collateral	423 589	443 686	533 677
Others	**492 994**	**1 454 575**	**251 904**
Total due to banks	**1 597 582**	**2 011 154**	**994 690**

The item "Others" includes liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date.

Due to customers

Note 12.2

Due to customers (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Current deposits	2 061 985	1 917 646	1 204 236
Term deposits	5 248 661	7 120 423	6 706 265
Cash collateral	155 081	186 615	222 893
Others	2 234	1 640	35 913
Total due to customers	**7 467 961**	**9 226 324**	**8 169 307**

Loans and credit facilities received

Note 12.3

Loans and credit facilities received (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Loans and credit facilities received from banks	6 254 954	5 686 288	5 613 079
Loans and credit facilities received from other institutions	829 160	821 640	2 681 760
Securitisation liabilities - bonds	-	46 348	-
Securitisation liabilities – credit facility	-	6 617	-
Total loans and credit facilities received	**7 084 114**	**6 560 893**	**8 294 839**

On 11 February 2010 an agreement was signed under which the Bank repurchased from the SPV credit receivables that resulted from securitisation of consumer credit portfolio of Dominet Bank S.A.

Liabilities related to issue of debt securities

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

13. Subordinated liabilities

At the end of the first half of 2010, the Bank's exposure on account of subordinated liabilities was as follows:

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

Note 13

Change in subordinated liabilities (in PLN thousand)	**1.01.2010 – 30.06.2010**	**1.01.2009 – 31.12.2009**	**1.01.2009 – 30.06.2009**
Opening balance	**582 984**	**417 240**	**417 240**
Merger with Dominet Bank S.A.	-	**90 000**	**-**
Increases	-	205 410	223 480
- on account of loans	-	82 164	89 392
- on account of bond issue	-	123 246	134 088
Decreases	-	-123 246	-
- on account of loans	-	-	-
- on account of bond redemption	-	-123 246	-
FX rate differences	4 512	-6 420	29 720
Ending balance	**587 496**	**582 984**	**670 440**

14. Information on Related Party Transactions

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

Note 14.1

30.06.2010 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	75 348	5 420	80 768
Financial assets held for trading	28 039	61 915	89 954
Due from banks and Loans to customers	256 049	36 863	292 912
Other assets	2 299	2 605	4 904
Total	**361 735**	**106 803**	**468 538**
Financial liabilities held for trading	100 346	1 448	101 794
Due to banks and customers	412 295	1 045 274	1 475 569
Loans and credit facilities received	390 000	6 694 114	7 084 114
Subordinated liabilities	60 000	497 496	557 496
Other liabilities	3 818	3 767	7 585
Total	**966 459**	**8 242 099**	**9 208 558**

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

30.06.2009 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	1 623 773	4 334	1 628 107
Financial assets held for trading	187 207	7 138	194 345
Due from banks and Loans to customers	36 972	78 805	115 777
Other assets	4 871	449	5 320
Total	**1 852 823**	**90 726**	**1 943 549**
Financial liabilities held for trading	441 905	-	441 905
Due to banks and customers	146 525	335 965	482 490
Loans and credit facilities received	-	8 294 839	8 294 839
Subordinated liabilities	-	670 440	670 440
Other liabilities	2 171	6 397	8 568
Total	**590 601**	**9 307 641**	**9 898 242**

Note 14.2

1.01.2010 – 30.06.2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Profit & Loss Account			
Interest income	1 471	209	1 680
Interest expense	-12 111	-23 396	-35 507
Fee and commission income	2 163	535	2 698
Fee and commission expense	-594	-16	-610
Net trading income	24 827	111 956	136 783
Other revenues	1 275	6	1 281
Other expenses	-	-	-

1.01.2009 – 30.06.2009 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Profit & Loss Account			
Interest income	4 634	1 266	5 900
Interest expense	-3 351	-78 739	-82 090
Fee and commission income	6 024	793	6 817
Fee and commission expense	-717	-	-717
Net trading income	-315 764	563	-315 201
Net profit (loss) on hedging transactions	-	-	-
Other revenues	3 202	38	3 240

Note 14.3

30.06.2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	24 604	170 752	195 356
- items related to financing	-	160 335	160 335
- guarantees	24 604	10 417	35 021
Contingent liabilities received:	33 604	103	33 707
- items related to financing	-	-	-
- guarantees	33 604	103	33 707
Transactions in derivative instruments*	7 687 824	2 663 906	10 351 730

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

30.06.2009 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	20 161	118 420	138 581
- items related to financing	-	90 518	90 518
- guarantees	20 161	27 902	48 063
Contingent liabilities received:	21 497	688 146	709 643
- items related to financing	-	674 535	674 535
- guarantees	21 497	13 611	35 108
Transactions in derivative instruments*	21 157 468	56 423	21 213 891

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

Material agreements with affiliated entities

Annex to the agreement signed by and between Fortis Bank Polska SA and BGL BNP Paribas SA.

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

On 2 June 2010 a credit agreement under the same terms and condition was signed between the Bank and BNP Paribas SA based in Paris which has superseded the above agreement and the annex. The debt balance with BGL BNP Paribas has been repaid and the Bank obtained from BNP Paribas SA a new credit line of EUR 300 million available till 7 June 2012. The terms and conditions of the financing granted correspond to market conditions.

Annex to the credit line agreement Fortis Lease Polska sp. z o.o.

On 2 March 2010 the Bank signed an annex to the multioption credit line agreement with Fortis Lease Polska Sp. z o.o. dated 17 November 2000. The line can be utilised as an overdraft facility, L/C line or guarantee credit line. The credit limit has not changed and equals PLN 175 million. The agreement amendments related to the extension of the financing term by subsequent 6 months, i.e. till the end of July 2010.

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

On 30 March 2010, an agreement was signed between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland. The purpose of the agreement was the acquisition by the Bank of the organised part of the bank enterprise of the Branch upon fulfilment of the terms and conditions specified in the agreement.

The organised part of the enterprise referred to in the agreement will include selected assets and specific liabilities of the Branch towards the group of its customers, including loan receivables, deposits and selected components of the fixed assets as well as selected operational agreements related to services rendered for the acquired customer portfolio.

Transactions with the Board of Executives, Supervisory Board and Managing Directors

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

Note 14.4

in PLN thousand	1.01.2010 - 30.06.2010	1.01.2009 - 30.06.2009
Board of Executives, including:	4 861	2 178
- remuneration	2 247	1 459
- benefits*	555	281
- other**	2 059	438
Supervisory Board	288	283
Managing Directors***	7 026	5 176

* The "Benefits" item includes expenses related to medical care, company car (lump sum), accommodation.
** The "Other" item includes equivalent for holiday leave and remuneration for the Board of Executives' meetings.
***Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Directors directly reporting to the Board of Executives.

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

The Bank's exposure as at 30 June 2010:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 5 (five) credit card limits totalling PLN 56 thousand, of which PLN 19 thousand was utilised as at the end of the reporting period;
- 5 (five) foreign currency loans in the total amount corresponding to PLN 1,281 thousand with the original maturity from 5 to more than 30 years;
- 2 (two) debit limits in the savings and checking account in the total amount of PLN 100 thousand.

to Managing Directors:

- 17 (seventeen) loans totalling PLN 4,146 thousand, including 7 FC loans, of the total corresponding amount of PLN 2,703 thousand with original maturity from 5 to over 30 years;
- 6 (six) debit limits in the savings and checking accounts (ROR) totalling PLN 284 thousand, of which PLN 67 thousand was utilised as at the end of the reporting period;
- 23 (twenty-three) credit card limits totalling PLN 139 thousand, of which PLN 31 thousand were utilised as at the end of the reporting period;

to persons related to managing and supervising persons:

- 2 (two) loans, of which one in a foreign currency, in the total amount corresponding to PLN 109 thousand with the original maturity from 10 to 20 years inclusive;
- 3 (three) debit limits in the savings and checking accounts (ROR) totalling PLN 28 thousand, of which PLN 14 thousand was utilised as at the end of the reporting period;
- 2 (two) credit card limits totalling PLN 22 thousand, of which PLN 4 thousand were utilised as at the end of the reporting period.

The Bank's exposure as at 31 December 2009:

to the Supervisory Board's Members:

- 1 (one) credit card limit of PLN 29 thousand, of which PLN 19 thousand was used as at the end of the reporting period;
- 1 (one) guarantee of USD 5 thousand, the period from 5 to 10 years;
- 1 (one) debit limit in the savings and checking account (ROR) of PLN 30 thousand;

to the Board of Executives' Members:

- 5 (five) credit card limits totalling PLN 61 thousand, of which PLN 20 thousand was utilised as at the end of the reporting period;
- 1 (one) foreign currency loan in the amount corresponding to PLN 77 thousand with the original maturity from 5 to 10 years, inclusive;
- 3 (three) debit limits in the savings and checking account in the total amount of PLN 105 thousand.

to Managing Directors:

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

to persons related to managing and supervising persons:

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

The Bank's exposure as at 30 June 2009:

to the Supervisory Board's Members:

- 1 (one) credit card limit of PLN 29 thousand, of which PLN 13 thousand was used as at the end of the reporting period;
- 1 (one) guarantee of USD 5 thousand for the period from 5 to 10 years;
- 2 (two) debit limits in the savings and checking accounts (ROR) totalling PLN 40 thousand, of which PLN 21 thousand was utilised as at the end of the reporting period;

to the Board of Executives' Members:

- 5 (five) credit card limits totalling PLN 65 thousand, of which PLN 12 thousand was utilised as at the end of the reporting period;
- 1 (one) foreign currency loan in the amount corresponding to PLN 98 thousand with the original maturity from 5 to 10 years, inclusive;
- 2 (two) debit limits in the savings and checking account in the total amount of PLN 100 thousand.

to Managing Directors:

- 18 (eighteen) loans totalling PLN 4,518 thousand, including 9 FC loans, of the total corresponding amount of PLN 3,308 thousand with original maturity from 3 to over 30 years;
- 6 (six) debit limits in the savings and checking accounts (ROR) totalling PLN 97 thousand, of which PLN 15 thousand was utilised as at the end of the reporting period;
- 14 (fourteen) credit card limits totalling PLN 112 thousand, of which PLN 23 thousand were utilised as at the end of the reporting period.

to persons related to managing and supervising persons:

- 2 (two) loans, of which one in a foreign currency, in the total amount corresponding to PLN 166 thousand with the original maturity from 10 to 30 years inclusive;
- 4 (four) debit limits in the savings and checking accounts (ROR) totalling PLN 43 thousand, of which PLN 24 thousand was utilised as at the end of the reporting period;
- 4 (four) credit card limits totalling PLN 35 thousand, of which PLN 2 thousand were utilised as at the end of the reporting period.

15. Risk Management

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

- credit risk
- liquidity risk
- FX risk,
- interest rate risk
- counterparty risk
- operational risk
- compliance risk
- business risk (break-even risk)
- strategic Risk
- reputation risk

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

The Bank risk management process and rules have not changed as compared to the ones presented in the consolidated financial statement of the Group for the year ending 31 December 2009.

Credit risk

Note 15.1.1

Information on exposure quality (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Cash and cash equivalents	**231 883**	**679 027**	**1 900 060**
- receivables without impairment	232 134	680 105	1 901 458
- Write-downs for impairment of IBNR losses	-251	-1 078	-1 398
Financial assets held for trading	**494 806**	**664 305**	**1 171 221**
- securities	281 846	487 149	486 220
- derivative financial instruments	212 960	177 156	685 001
measurement to fair value	219 247	203 182	752 004
fair value adjustment for credit risk	-6 287	-26 026	-67 003
Due from banks	**602 977**	**1 573 242**	**339 294**
- receivables without impairment	603 082	1 573 359	339 420
- Write-downs for impairment of IBNR losses	-105	-117	-126
Loans to customers	**13 814 460**	**13 811 556**	**13 846 427**
- receivables without impairment	12 606 584	12 754 929	13 264 101
- receivables impaired, including where the impairment is:	2 333 771	2 072 053	1 101 416
determined on a case-by-case basis	1 402 492	1 353 585	1 049 052
determined using a collective method	931 279	718 468	52 364
- write-downs for impairment for incurred and reported losses	-1 036 677	-910 752	-462 076
determined on a case-by-case basis	-592 293	-540 210	-431 797
determined using a collective method	-444 384	-370 542	-30 279
- Write-downs for impairment of IBNR losses	-89 218	-104 674	-57 014
Investments - Available for Sale	**2 687 057**	**2 785 842**	**2 213 465**
Other investments	**12**	**12**	**-**
Off-balance sheet commitments granted	**3 275 887**	**3 385 400**	**3 710 593**
- off-balance sheet commitments without impairment	3 160 080	3 233 822	3 662 745
- off-balance sheet commitments impaired, including where the impairment is:	170 011	199 973	57 627

determined on a case-by-case basis	84 393	121 420	56 831
determined using a collective method	85 618	78 553	796
- provisions for off-balance sheet commitments	-46 517	-42 258	-4 979
determined on a case-by-case basis	-44 500	-39 225	-4 453
determined using a collective method	-2 017	-3 033	-526
- Write-downs for impairment of IBNR losses – off-balance sheet commitments	-7 687	-6 137	-4 800

Note 15.1.2

Analysis of gross loans to customer portfolio (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Performing receivables without impairment	11 716 668	12 018 150	12 949 135
Non-performing receivables without impairment	889 916	736 779	314 966
Impaired receivables with impairment determined on a case-by-case basis with a write-down	1 330 027	1 209 605	826 288
Impaired receivables with impairment determined on a case-by-case basis with no write-down	72 465	143 980	222 764
Impaired receivables with impairment determined on a collective basis with a write-down	907 404	707 714	51 091
Impaired receivables with impairment determined on a collective basis with no write-down	23 875	10 754	1 273
Total loans to customers, gross	**14 940 355**	**14 826 982**	**14 365 517**

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 30 June 2010 along with comparative data as at 31 December 2009 and 30 June 2009, is presented in the table below:

Note 15.1.3

Performing receivables without impairment (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
1-7	625 227	732 805	1 231 913
8-10	2 037 311	2 581 074	2 757 498
11-12	1 842 933	1 814 830	2 259 786
13-17	1 001 430	784 664	1 110 377
Unrated	6 209 767	6 104 777	5 589 561
- of which mortgage loans	4 678 663	4 381 592	4 531 312
Total	**11 716 668**	**12 018 150**	**12 949 135**

The following table presents loans to customers which have been impaired, broken down by rating classes as at 30 June 2010 along with comparative data as at 31 December 2009 and 30 June 2009.

Note 15.1.4

Impaired receivables (in PLN thousand), including where the impairment is:	**30.06.2010**	**31.12.2009**	**30.06.2009**
- determined on a case-by-case basis	1 402 492	1 353 585	1 049 052
18	53 148	132 702	213 695
19	985 961	936 460	604 755
20	354 344	278 833	224 243
Unrated	9 039	5 590	6 359
- determined using a collective method	931 279	718 468	52 364
18	16 676	1 839	512
19	101 370	4 001	1 120
20	50 839	48 707	4 933
Unrated	762 394	663 921	45 799

Total	2 333 771	2 072 053	1 101 416

The "Unrated" category covers the Bank's customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. Under the rules of the Fortis Masterscale system, which is in force at the Bank, rating assignment procedure is applied only to commercial customers (business entities) of the Enterprise and Transaction Banking line and customers of Retail Banking BL with respect to which the Bank's total credit exposure exceeds EUR 1000 per customer.

An exception to the above rule is applied to business entities of the Retail Banking BL that use only the „Car Loan" product which are not rated, regardless of the exposure amount.

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

Note 15.1.5

Past-due period of non-performing receivables, without impairment (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
from 1 to 30 days	700 276	407 850	248 187
from 31 to 60 days	94 000	263 139	24 153
from 61 to 90 days	95 640	51 030	12 626
from 91 days up	-	14 760	30 000
Total non-performing receivables without impairment	**889 916**	**736 779**	**314 966**

Credit risk concentration

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

Liquidity Risk

The key sources of financing for the Bank are deposits of non-bank customers and loans extended by the BNP Paribas Group. The Bank is provided with a permanent source of financing through long-term loans.

As at 30 June 2010, the structure of loans disbursed was as follows:

- CHF 297 million – maturity in October 2010;
- EUR 200 million – maturity in February 2011;
- CHF 440 million – maturity in July 2011;
- CHF 734 million – maturity in June 2012;
- EUR 302.5 million – maturity in June 2012;
- PLN 150 million – maturity in March 2014;
- EUR 100 million – maturity in September 2017;
- EUR 20 million – maturity in April 2019;
- PLN 60 million – maturity in April 2019;
- PLN 240 million – maturity in March 2029;

Additionally, as at 30 June 2010 the Bank held bonds issued in the total value of PLN 60 million, maturing in July 2014.

The table below presents the liquidity gap as at 30 June 2010, 31 December 2009, likewise as at 30 June 2009.

Note 15.2.1

Liquidity gap (in PLN million)		**Amount**	**Unused limit**	**Limit**	**% of the limit used**	**Limit has been exceeded**
30.06.2010	10D	1 019	5 004	6 023	17%	NO
	3M	954	4 091	5 045	19%	NO
	1Y	2 838	1 687	4 525	63%	NO

31.12.2009	10D	734	3 870	4 604	16%	NO
	3M	-171	3 925	3 754	0%	NO
	1Y	-335	2 963	2 628	0%	NO
30.06.2009	10D	332	3 151	3 483	10%	NO
	3M	969	1 714	2 683	36%	NO
	1Y	-339	2 659	2 320	0%	NO

As at 30 June 2010, no established liquidity limits were exceeded.

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 30 June 2010 and comparative data as at 31 December 200 and 30 June 2009.

Note 15.2.2

30.06.2010 (in PLN thousand)	Without any maturity determined	Up to 1 month	1-3 months	3-12 months	1-3 years	3 – 5 years	>5 years	Total
Cash and cash equivalents	-	-	-	-	-	-	-	**454 021**
Financial assets held for trading	-	20 454	16 858	385 735	23 913	12 432	35 414	**494 806**
Due from banks	-105	567 459	1 824	3 054	-	30 745	-	**602 977**
Loans to customers	1 195 549	1 659 313	335 852	1 370 609	2 529 283	1 514 400	5 209 454	**13 814 460**
Investments available for sale	25 098	1 222 095	148 665	102 998	655 927	-	532 274	**2 687 057**
Other investments	12	-	-	-	-	-	-	**12**
Other assets	-	-	-	-	-	-	-	**606 749**
Long position	**1 220 554**	**3 469 321**	**503 199**	**1 862 396**	**3 209 123**	**1 557 577**	**5 777 142**	**18 660 082**
Financial liabilities held for trading	-	11 329	11 789	44 385	23 318	10 503	33 854	**135 178**
Due to banks	-	1 139 972	8 779	75 066	171 840	137 543	64 382	**1 597 582**
Due to customers	575 389	4 721 272	1 018 796	973 468	173 539	2 671	2 826	**7 467 961**
Loans and credit facilities received	-	-	-	1 760 107	4 934 007	150 000	240 000	**7 084 114**
Liabilities related to issue of debt securities	-	-	-	-	-	30 000	-	**30 000**
Subordinated liabilities	-	-	-	-	-	30 000	557 496	**587 496**
Other liabilities	-	-	-	-	-	-	-	**1 757 751**
Short position	**575 389**	**5 872 573**	**1 039 364**	**2 853 026**	**5 302 704**	**360 717**	**898 558**	**18 660 082**
Gap – balance sheet	**645 165**	**-2 403 252**	**-536 135**	**-990 630**	**-2 093 581**	**1 196 860**	**4878 558**	**-**
Derivative instruments								
Amounts bought	-	1 064 361	1 037 860	2 776 743	769 384	743 254	1 002 136	**7 393 738**
Amounts sold	-	1 055 972	1 032 571	2 841 925	770 283	743 254	1 002 136	**7 446 141**
Gap – off-balance sheet	**-**	**8 389**	**5 289**	**-65 182**	**-899**	**-**	**-**	**-52 403**

31.12.2009 (in PLN thousand)	Without any maturity determined	Up to 1 month	1 -3 months	3-12 months	1-3 years	3 – 5 years	>5 years	Total
Cash and cash equivalents	-	-	-	-	-	-	-	**832 724**
Financial assets held for trading	-	1 922	53 798	337 349	229 712	7 966	33 558	**664 305**
Due from banks	-117	1 533 170	1 765	7 441	-	30 983	-	**1 573 242**
Loans to customers	1 058 838	1 815 859	290 609	1 566 636	2 514 615	1 551 359	5 013 640	**13 811 556**
Investments available for sale	19 975	1 010 342	168 602	831 093	418 696	-	337 134	**2 785 842**

Other investments	12	-	-	-	-	-	-	**12**
Other assets	-	-	-	-	-	-	-	**626 802**
Long position	**1 078 708**	**4 361 293**	**514 774**	**2 742 519**	**3 163 023**	**1 590 308**	**5 384 332**	**20 294 483**
Financial liabilities held for trading	-	22 634	26 547	53 082	33 253	6 568	29 390	**171 474**
Due to banks	-	1 531 498	8 700	52 198	183 866	139 195	95 697	**2 011 154**
Due to customers	543 365	5 475 648	1 535 925	1 539 385	128 505	525	2 963	**9 226 316**
Loans and credit facilities received	-	821 640	1 217 084	874 497	3 257 672	150 000	240 000	**6 560 893**
Liabilities related to issue of debt securities	-	-	-	-	-	30 000	-	**30 000**
Subordinated liabilities	-	-	-	-	-	30 000	552 984	**582 984**
Other liabilities	-	-	-	-	-	-	-	**1 711 662**
Short position	**543 365**	**7 851 420**	**2 788 256**	**2 519 162**	**3 603 296**	**356 288**	**921 034**	**20 294 483**
Gap – balance sheet	**535 343**	**-3 490 127**	**-2 273 482**	**223 357**	**-440 273**	**1 234 020**	**4 463 298**	**-**
Derivative instruments								
Amounts bought	-	1 501 665	1 362 546	2 083 165	1 325 843	537 191	1 355 648	**8 166 058**
Amounts sold	-	1 513 340	1 360 052	2 067 256	1 325 383	537 191	1 355 648	**8 158 870**
Gap – off-balance sheet	**-**	**-11 675**	**2 494**	**15 909**	**460**	**-**	**-**	**7 188**

30.06.2009 (in PLN thousand)	Without any maturity determined	Up to 1 month	1 -3 months	3-12 months	1-3 years	3 – 5 years	>5 years	Total
Cash and cash equivalents	-	-	-	-	-	-	-	**2 031 736**
Financial assets held for trading	-67 003	129 781	164 239	480 265	409 929	18 427	35 583	**1 171 221**
Due from banks	-125	327 320	2 264	9 835	-	-	-	**339 294**
Loans to customers	577 712	2 469 690	361 502	1 425 616	2 066 640	1 573 085	5 372 182	**13 846 427**
Investments available for sale	668	999 806	29 737	476 129	376 092	-	331 033	**2 213 465**
Other investments	-	-	-	-	-	-	-	**-**
Other assets	-	-	-	-	-	-	-	**460 369**
Long position	**511 252**	**3 926 597**	**557 742**	**2 391 845**	**2 852 661**	**1 591 512**	**5 738 798**	**20 062 512**
Financial liabilities held for trading	-	125 200	142 600	242 677	79 450	15 721	31 778	**637 426**
Due to banks	-	416 888	9 465	69 890	205 031	151 441	141 975	**994 690**
Due to customers	-	5 251 124	1 671 390	1 208 460	35 199	-	3 134	**8 169 307**
Loans and credit facilities received	-	-	-	3 971 576	4 323 263	-	-	**8 294 839**
Subordinated liabilities	-	-	-	-	-	-	670 440	**670 440**
Other liabilities	-	-	-	-	-	-	-	**1 295 810**
Short position	**-**	**5 793 208**	**1 823 455**	**5 492 603**	**4 642 943**	**167 162**	**847 327**	**20 062 512**
Gap – balance sheet	**511 252**	**-1 866 611**	**-1 265 713**	**-3 100 758**	**-1 790 282**	**1 424 350**	**4 891 471**	**-**
Derivative instruments								
Amounts bought	-	1 462 199	5 508 210	6 801 210	1 083 541	1 003 199	1 469 429	**17 327 788**
Amounts sold	-	1 458 634	5 617 793	6 911 795	1 078 392	1 003 199	1 469 429	**17 539 242**
Gap – off-balance sheet								

FX Risk

Information on the FX position and VAR limit utilisation is presented in the table below:

Note 15.3.1

Information on FX risk (in PLN thousand)	30.06.2010[1]		31.12.2009		30.06.2009	
Position limit utilisation	57%	14 334	15%	21 873	7%	10 965
VaR limit utilisation	125%	250	9%	112	5%	61

The VaR FX limit as at 30/06/2010 was exceeded as a result of a provision created for a foreign currency loan.

The utilisation of limits for FX risk portfolio was as follows

Note 15.3.2

1.01.2010 – 30.06.2010	Limit utilisation		
	minimum	medium	maximum
VaR	1%	12%	125%
Global FX position	4%	16%	62%

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

1.01.2009 – 30.06.2009	Limit utilisation		
	minimum	medium	maximum
VaR	2%	10%	35%
Global FX position	4%	9%	17%

[1] In the first half of 2010 the position limit was reduced from PLN 150 million as at 31/12/2009 and 30/06/2009 down to PLN 25 million as at 30/06/2010, and the VaR limit from PLN 1.2 million as at 31/12/2009 and 30/06/2009 down to PLN 0.20 million as at 30/06/2010.

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 30 June 2010 along with comparative data as at 31 December 2009 and 30 June 2009.

Note 15.3.3

FX position components (in PLN thousand)	30.06.2010		31.12.2009		30.06.2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
AUD	245	447	457	136	311	456
CAD	1 151	1 325	851	472	683	386
CHF	4 501 948	4 658 554	5 075 978	5 299 449	5 382 226	5 616 827
CZK	756	1 238	15 069	15 066	2 595	2 652
DKK	1 440	1 943	849	892	1 772	990
EUR	2 431 272	3 868 338	2 638 404	4 033 495	3 551 178	5 046 450
GBP	10 943	11 729	9 510	9 997	10 478	12 189
HUF	72	68	75	198	236	286
JPY	249	1 109	2 866	94	46	770
NOK	2 510	3 452	1 056	2 668	6 000	4 705
PLN	11 330 260	9 696 085	12 347 264	10 720 335	10 755 753	9 026 392
SEK	1 575	1 069	1 212	751	4 072	2 400
USD	373 634	410 166	198 663	207 554	346 126	345 784
Other convertible currencies	4 027	4 559	2 229	3 376	1 036	2 225
Total	**18 660 082**	**18 660 082**	**20 294 483**	**20 294 483**	**20 062 512**	**20 062 512**

Interest Rate Risk

Information on interest rate risk

As at the end of the first half of 2010, as at the end of 2009 and as at the end of the first half of 2009, the Bank's interest rate change risk was the following:

Note 15.4.1

2-month VaR in the banking book, (in PLN thousand)	30.06.2010	31.12.2009	30.06.2009
	19 028	1 347	8 105

Note 15.4.2

30.06.2010 Bp sensitivity (+1bp) (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	5,2	-1,4	1,1	-0,1	-	4,8
M1	8,7	5,6	-3,4	0,9	0,1	11,9
M3	-27,0	7,8	-21,4	0,3	-	-40,3
M6	-24,5	-2,1	1,2	0,3	-	-25,1
M9	-	-	1,5	0,1	-	1,6
M12	-	0,1	-9,1	0,7	-	-8,3
Y2	-	-	-36,9	1,3	-	-35,6
Y3	-	-	-3,4	-	-	-3,4
Y5	-	0,5	-77,1	-	-	-76,6
Y10	-	0,1	-100,9	-	-	-100,8
Total	-37,6	10,6	-248,4	3,5	0,1	

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

M12	-	0,2	7,3	0,4	-	7,9
Y2	-	-0,4	-3,4	0,1	-	-3,7
Y3	-	-0,5	-0,9	-	-	-1,4
Y5	-	0,5	0,2	-	-	0,7
Y10	-	0,1	-	-	-	0,1
Total	-37,6	-14,4	6,4	2,3	0,1	

30.06.2009 Bp sensitivity (+1bp) (in PLN thousand)	**CHF**	**EUR**	**PLN**	**USD**	**Others**	**Total**
D7	2,73	2,96	-2,15	-0,11	-0,004	3,43
M1	-3,03	-1,59	4,57	0,56	0,1	0,61
M3	-41,9	-6,71	23,7	0,45	0,003	-24,46
M6	-32,23	-2,56	5,37	0,44	-	-28,98
M9	42,29	-0,4	-4,33	0,3	-	37,86
M12	27,36	-0,14	-6,95	0,28	-	20,55
Y2	-	-0,72	-19,29	0,04	-	-19,97
Y3	-	-1,01	-16,18	-0,21	-	-17,40
Y5	-	0,63	-52,33	-	-	-51,7
Y10	-	0,08	0,45	-	-	0,53
Total	-4,78	-9,46	-67,14	1,75	0,1	

Interest rate limits utilisation for the portfolio since the beginning of 2009 was as follows:

Note 15.4.3

1.01.2010 – 30.06.2010	**Limit utilisation**		
	minimum	**medium**	**maximum**
VaR	7%	22%	46%
Global interest rate position	6%	39%	90%

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

1.01.2009 – 30.06.2009	**Limit utilisation**		
	minimum	**medium**	**maximum**
VaR	35%	95%	172%
Global interest rate position	30%	61%	105%

As at 30 June 2010, no established interest rate limits were exceeded.

Counterparty risk

As at 30 June 2010, balance-sheet equivalent equalled PLN 251,208 thousand, and in the comparative periods as at 31 December 2009, it was PLN 318,636 thousand and as at 30 June 2009 PLN 837,942 thousand.

Operational risk

Fortis Bank Polska SA

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

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

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

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

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

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Operational Permanent Control Department of the Compliance and Control Line. As for definition and implementation of the Bank's strategy in terms of Bank insurance as a risk mitigation method, it falls within the competence of the Risk Transfer Group in the Facility Management and Procurement Line.

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

Recording of operational losses enables effective analysis and monitoring of operational risk. The policy applied by the Bank as regards the manner of recording operational losses is to enable efficient and error-free registration of all operational losses. The loss recording process is supervised by the Operational Permanent Control Department which also keeps content-related documentation of the data recorded and is responsible for data quality and completeness.

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

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

Risk areas that are vital for products offered by the Bank are subject to ongoing monitoring of exposure to operational risk. To this end, the Bank checks operational risk level using predefined Key Risk Indicators, i.e. measurable values that enable ongoing monitoring of changes in operational risk profile, analysis of trend of changes in exposure to risk and early detection of increased operational risk for specified areas of the Bank's activity.

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

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

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

Fortis Private Investments Polska S.A.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and technology systems, or from external events.

Under the Finance Minister's Ordinance dated 18 November 2009 regarding the scope and detailed rules of setting out capital requirements for brokerage companies and maximum amount of loans and credit facilities and issued debt securities in relation to equity, the operational risk is considered a material risk and the Company mandatorily calculates operational risk exposure. As the Bank's subsidiary, FPIP shall provide financial data with a view to computing the operational risk exposure for further reporting by the Bank. In order to calculate the capital requirement for operational risk, FPIP provides financial data consistent with regulatory recommendations to the capital requirement calculation for operational risk according to the Basic Indicator Approach.

Under the New Capital Accord, the Bank shall evidence operational losses of its subordinated entity, i.e. Fortis Private Investments Polska (FPIP). Operational losses suffered by FPIP are evidenced in a database kept by the Bank on the basis of information provided by FPIP.

Compliance risk

Fortis Bank Polska SA

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

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

The Bank developed an internal Customer Acceptance Policy, thus implementing necessary IT software used to verify whether customers serviced were recorded on sanctioned entities lists, and adjusting the Bank to the requirements of the *Act on Countering Introduction into Financial Circulation of Property Values Derived from Illegal or Undisclosed Sources, and on Counteracting the Financing of Terrorism* being amended, which is part of compliance risk management

Fortis Private Investments Polska S.A.

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

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

Security policy

Fortis Bank Polska SA

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

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

The system solution that allows for improvement, monitoring and control over the information security at each level of the Bank's management is the Information Security Management System (SZBI in Polish). The implemented system is based on a process approach in the aspect of implementation of security measures applied.

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

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

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

In order to plan and implement corrective and preventive actions, a system of gathering incident data has been put in place by the Bank. The system enables the Bank to develop a database of threats and susceptibilities that affect confidentiality, availability and reliability of information and data processed in the Bank.

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

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

The Information Security Management System is assessed on an annual basis by an external auditor for the compliance of the system with with the requirements set by the ISO /IEC 27001 standard. The audit results confirm the efficiency of the implemented, maintained and developed security measures.

Organisational changes resulting from the takeover of Fortis Bank Polska by BNP Paribas have shifted the business continuity management area to the Information Security and Business Continuity Department. In this regard the Bank carries out activities with a view to creating an integrated business continuity management system that would enable to identify potential threats to the organisation and estimate foreseeable impact that, if they occurred, such threats might have on processes existing at the Bank.

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

There is a dedicated Business Continuity Committee at the Bank which has been appointed as an approving body to support the Bank's Board of Executives in an efficient business continuity management.

The Bank makes business continuity analyses that point to necessary security to be ensured in a given area and then it develops business continuity plans that precisely describe actions that should be taken to restore business functions before, during and after a crisis incident.

The Business Continuity Group within the Information Security and Business Continuity Department is responsible for the actions carried out in the area of Bank business continuity management.

In view of growing external and internal threats that bear signs of fraud or abuse posed to assets of the Bank or its customers, likewise continuously improved *modus operandi* of such incidents, the Bank extended and regularly enhances the process of counteraction, detection and examination of such cases. The above scope of duties is covered by the Fraud Prevention Department which carries out its tasks through close cooperation with administration of justice and financial market institutions.

Fortis Private Investments Polska S.A.

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

Business risk

Fortis Bank Polska SA

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

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

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

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

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

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

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

Fortis Private Investments Polska S.A.

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

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

Capital management

Capital adequacy

The present policy of the Group regarding maintaining adequate level of equity funds refers to the capital adequacy category, solvency ratio and the structure of equity funds described in the Banking Law and its relevant administrative law provisions.

The Bank capital management rules have not changed as compared to the ones presented in the consolidated financial statement of the Bank for the year ending 31 December 2009.

Note 15.5

Capital adequacy (in PLN thousand)	**30.06.2010**	**31.12.2009**	**30.06.2009**
Total equity capital plus short-term capital	1 950 974	1 905 192	1 407 100
Total capital requirement	1 134 134	1 137 639	1 184 726
Capital adequacy ratio	**13,76%**	**13,40%**	**9,50%**

In the first half of 2010, the capital position was maintained on a secure level.

The Bank's own funds level was stable, slight value changes resulted mainly from foreign exchange changes (2.4% growth of the own funds as compared to December 2009). Capital adequacy ratio at the end of June 2010 was 13.76%. Risk-weighted exposure stood at PLN 14,177 million and decreased by 0.3% as compared to the previous year.

Simultaneously, risk-weighted off-balance sheet assets and liabilities grew by 3.7% up to PLN 12,824 million.

The Bank own funds were maintained on a level much higher than the internal capital requirement necessary to cover all identified material risk types in the Bank's activity.

The Bank's liquidity situation in the first half of 2010 was secure. All regulatory liquidity measures were maintained. The volume of credit lines contracted with the Group and subordinated loans did not change. Credit lines with the maturity falling in the first half of 2010 were extended.

Both the liquidity and capital situation of the Bank shall be assessed as stable. Sources of financing used by the Bank enable secure continuation of the activity and realisation of plans of the Bank.

16. Other Material Information

16.1. Description of factors and events, especially atypical ones, having a material effect on the financial results generated.

The Bank have not identified factors with material impact on the financial results generated..

16.2. Effects of changes in the group structure

Within the realisation of the Industrial Plan published in December 2009 by BNP Paribas SA, the group strategy includes integration of selected business and operating segments of the activity pursued in Poland, including the concept of 'one organisation' and development of Personal Finance business line in the Bank.

Implementation of the 'one organisation' concept will enable to strengthen the cooperation and use synergies existing among the many entities representing the group in Poland. In particular, Fortis Bank Polska SA and BNPP Branch in Poland, while keeping separate legal status, offer enterprises a full range of services with a close cooperation.

Within the integration of the BNP Paribas SA group in Poland in the area of corporate banking, a new division of activities between the BNPP Branch and the Bank is going to take place in order to ensure activity transparency and lack of competition between group entities.

16.3. Information on changes in contingent commitments

The tables below present changes to contingent commitments granted and received.

Note 16.3

Contingent commitments received (in PLN thousand)	**30.06.2010**	**31.12.2009**	**Change (%)**
Financial commitments received	2 381 011	4 242 177	-44%
Guarantee commitments received	136 178	259 672	-48%
Total contingent commitments received	**2 517 189**	**4 501 849**	

Contingent commitments granted (in PLN thousand)	**30.06.2010**	**31.12.2009**	**Change (%)**
Financial commitments granted	2 446 905	2 628 305	-7%
Guarantee commitments granted	926 822	805 490	15%
Total contingent commitments granted	**3 373 727**	**3 433 795**	

Since the end of 2009, commitments under credit lines received and guarantees received have materially changed.

In the first half of 2010, no changes occurred as regards contingent commitments granted.

16.4. Information regarding changes in the restructuring expense reserve

In connection with the operating activity optimisation project, the Bank made a restructuring reserve of PLN 20,238 thousand in 2009. In the first half of 2010 the reserve amount was reduced by PLN 19,241 thousand and as at 30 June 2010 the restructuring reserve balance was PLN 997 thousand.

16.5. Information regarding shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the issuer's Annual General Meeting as of the date of submitting the interim consolidated financial statements, with the indication of the number of shares held by such entities, their percentage of the share capital, number of votes resulting thereof and their percentage share in the total number of votes at the Annual General Meeting and the indication of any changes to the structure of ownership of the issuer's substantial share packages in the period elapsed from the submission of the consolidated annual report for 2009.

As at the day of submitting this abbreviated interim consolidated financial statement for the first half of 2010, i.e. as at 30 August 2010, the shareholders' structure was as follows:

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

* BNP Paribas SA is the parent company (74.93% of shares) in relation to Fortis Bank SA/NV based in Brussels, Belgium.

** Fortis Bank SA/NV is the parent company (100% of shares) in relation to Dominet SA.

The shareholders' structure has not changed since the date of submitting the annual consolidated report for 2009, i.e. 12 March 2010.

In the first half of 2010 and as at the day of submitting this report, i.e. as at 31 August 2010 the Bank has not yet taken any actions with a view to listing series L and M shares on the stock exchange market. All other series A to K shares are admitted to trading and listed on the stock exchange.

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

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

16.7. Information about granting by the issuer or its subsidiary any suretyships for loans or credit facilities or issuance of guarantees – in total to one entity or its subsidiary, if the total value of the existing suretyships or guarantees constitutes the equivalent of at least 10% of the group's equity.

In the first half of 2010, no suretyships for loans or credit facilities or issuance of guarantees were granted with the total value of existing suretyships and guarantees accounting for at least 10% of the Group's equity.

16.8. Factors that in the issuer's opinion will affect generated results within at least the subsequent quarter

In the third quarter of 2010, the Bank plans to implement a change consisting in identification of impairment evidence with respect to cash and car loans granted to individuals, which identification will be based solely on evidence related to a given exposure rather than all exposures of the customer as it was so far. This change will allow the bank to adjust to the BNP Paribas Group standards applied to exposures of the Personal Finance segment (which is part of the RB business line). When it will be implemented this change will result in a release of impairment write-downs of about PLN 7.5 million, i.e. less than 0.7% of total balance of write-downs for impairment of exposures as at the end of June 2010.

16.9. Other information essential for the assessment of the issuer's situation with respect to human resources, property, finances, net profit/loss and changes thereto, likewise the information which is vital for the evaluation of the issuer's ability to fulfil the group's obligations.

Approval of the rehabilitation programme for Fortis Bank Polska SA by the Polish Financial Supervision Authority

On 9 March 2010, the Bank received information that the Polish Financial Supervision Authority accepted the rehabilitation programme for Fortis Bank Polska SA submitted along with complementary information on 16 December 2009.

The programme is implemented with a view to reducing various risk areas in the Bank's further activity and improving the efficiency of operation, which is expected to result in a net profit to be generated and improvement of the main economic indicators for the Bank. The program implementation is scheduled to be completed by 31 December 2012.

The Polish Financial Supervision Authority positively assessed the Bank's actions taken hitherto, which actions have contributed to a significant improvement of the Bank's capital and liquidity situation. The Supervision Authority obligated the Bank's Board of Executives to the full realisation of the programme and present quarterly reports on the programme realisation.

Changes in the composition of the Supervisory Board

As at 31 December 2009, the Bank Supervisory Board's composition was as follows:

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

Mr Reginald De Gols resigned from his function in the Bank's Supervisory Board from 1 April 2010. The reason of Mr De Gols' resignation was his intention to leave the BNP Paribas Fortis group in connection with his retirement. Mr Reginald De Gols assumed the position in the Bank's Supervisory Board from 26 June 2009.

On 29 April 2010, the General Meeting of Shareholders appointed the Supervisory Board for a five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2014 fiscal year. Three new members of the Supervisory Board have been appointed: Mr Mark Selles, Mr Lars Machenil and Mr Jean-Marie Bellafiore representing the BNP Paribas group. At the same time, on the date of the Annual General Meeting the tenure of Mr. Antoni Potocki, Vice President of the Bank's Supervisory Board and Mr. Zbigniew Dresler, Member of the Bank's Supervisory Board (both engaged in the works of the Bank's Supervisory Board for many years), expired.

As at 30 June 2010, the FBP Supervisory Board's composition is as follows:

1. Camille Fohl - Chairman
2. JosClijsters - Deputy Chairman
3. Mark Selles
4. Lars Machenil
5. Jean-Marie Bellafiore

Changes in the composition of the Board of Executives of Fortis Bank Polska SA

As at 31 December 2009, the Bank Executive Board's composition was as follows:

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

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

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

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

As at 30 June 2010, the Bank Executive Board's composition was as follows:

1. Alexander Paklons - President of the Board of Executives
2. Jan Bujak - Senior Vice President
3. Frederic Amoudru - Vice President,
4. Jean-Luc Deguel - Vice President
5. Jacek Obłękowski Vice President
6. Jaromir Pelczarski - Vice President
7. Michel Thebault - Vice President
8. Philippe Van Hellemont - Vice President
9. Marta Oracz - Member of the Executive Board

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

16.10. Resolution of the Annual General Meeting of Shareholders

On 29 April 2010 the Annual General Meeting of Fortis Bank Polska SA was held. The procedure of the General Meeting announcement and conduct has been adjusted to the amended provisions of the Code of Commercial Companies and Partnerships that became effective on 3 August 2009. The notice of convening the Annual General Meeting of Shareholders of Fortis Bank Polska SA as well as draft resolutions and materials presented at the meeting were made available on the Bank's web site on 1 April 2010.

The General Meeting of Shareholders approved the Consolidated Financial Statements of Fortis Bank Polska SA for the financial year 2009, the Separate Financial Statements for the financial year 2009, the Board of Executives' Report regarding Fortis Bank Polska SA capital group's activity in 2009 and the Board of Executives' Report regarding Fortis Bank Polska SA activity in 2009 and the Supervisory Board's Report for the financial year 2009.

The Bank's shareholders confirmed the discharge of duties of all members of Fortis Bank Polska SA Board of Executives and Supervisory Board in 2009.

In connection with the ending tenure of the Supervisory Board, the General Meeting of Shareholders appointed the new Supervisory Board with the following composition: Camille Fohl, Jos Clijsters and three new members of the Supervisory Board: Mark Selles, Lars Machenil and Jean-Marie Bellafiore for a five-year tenure ending with the Annual General Meeting approving the Bank's financial statement for 2014 fiscal year.

Fir the financial year 2009, the Bank generated net loss of PLN 428.7 million, which was covered from the additional capital of the Bank under the decision of the Annual General Meeting.

In connection with the legal merger of Fortis Bank Polska SA i Dominet Bank S.A. on 31 July 2009, the Annual General Meeting resolved to approve the Financial Statements of Dominet Bank S.A. for the period from 1 January 2009 to 31 July 2009 and the Management Board's Report from the activity of Dominet Bank S.A. in the period from 1 January 2009 to 31 July 2009 and the Dominet Bank S.A. Supervisory Board's Report.

The Shareholders gathered at the General Meeting adopted the resolution regarding the coverage of the loss of PLN 24 million resulting from the merger of the banks from the Bank's additional capital.

In connection with the amendments to the Code of Commercial Companies and Partnerships, the Annual General Meeting of Shareholders adopted the resolution to amend the Bank's statute and accept new regulations of Annual General Meetings.

16.11. Other Important Events

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

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

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

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

16.12. Statements of the Bank's Board of Executives

Correctness and reliability of reports presented

To the best knowledge of the Board of Executives of the Bank, the interim financial data and comparative data presented in the abbreviated interim consolidated financial statement of Fortis Bank Polska SA capital group for the period ending on 30 June 2010 were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Group and its profit.

Selection of an entity authorised to audit the financial statements

Mazars Audyt Sp. z o.o., an entity authorised to audit financial statements, reviewing the abbreviated interim consolidated financial statements of Fortis Bank Polska SA for the period ending on 30 June 2010, has been chosen pursuant to the provisions of law. The above entity and statutory auditors employed to perform the audit meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of the Polish law.

17. Events after the Balance Sheet Date

17.1. Transaction of acquisition of an organised part of the bank enterprise run by BNP Paribas SA Branch in Poland

On 30 March 2010, an agreement was signed between Fortis Bank Polska SA (Bank) and BNP Paribas SA Branch in Poland (Branch). The purpose of the agreement was the acquisition by the Bank of the organised part of the bank enterprise of the Branch upon fulfilment of the terms and conditions specified in the agreement.

On 26 May 2010 the Polish Financial Supervision Authority issued a permit to conclude the above transaction.

The subject matter of the transaction includes, in particular, relations with specific customers and their key products related to credit, deposit, foreign exchange, cash management and trade finance, including guarantees and collateral. As a performance of the agreement the Bank takes over the service of 150 capital groups, or 350 customers, upon their consent to being transferred.

Implementing rules to the Agreement were signed on 1 July 2010.

The value of the initial price paid by the Bank for the assets acquired and the commitments taken over was established based on the net asset value of the organised part of the enterprise referred to in the transaction as at 31 December 2009. The final price shall be established based on relevant values as at 30 June 2010, after the Branch's financial statements are audited by a statutory auditor.

Under IFRS 3, transfer transaction is considered a business combination. The transaction parties are under common control of BNP Paribas based in Paris, France. Mergers regarding business combinations and entities under common control are not under the obligation to apply IFRS 3. There is also no separate standard applying to transactions regarding entities and business combinations under common control; therefore, pursuant to IAS 8 as the accounting policy for the transfer transaction the Bank adopted the book value method as a method reflecting the shift of the transferred assets and commitments from one part of the group (i.e. the Branch) to another (i.e. the Bank).

The difference of PLN -78.0 million between the net book value of the assets purchased and the commitments taken over and the value of the paid price of PLN 334.9 million is recognised in the Bank's own funds (tier 1 capital). The difference computation does not include the change in the net assets under the transfer transaction which refers to settlements recognised during the transition period. The values provided are estimate values and they may change after the final settlement of the transaction.

The transition period is the period from 1 July 2010 when a portion of the assets acquired and the commitments taken over are operationally processed by the Branch.

In the transition period the Branch and the Bank will recognise mutual settlements equal to the values of the balances still to be migrated from the Branch to the Bank.

Cash settlements between the Bank and the Branch resulting from recognised settlements will take place at the moment of handing over by the Branch of the operating service of the other assets and commitments still to be migrated and their migration to the Bank.

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

17.2. Transformation of Fortis Private Investments Polska S.A. into Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments S.A. (investment fund company)

On 15 July 2010, Fortis Private Investments Polska (FPIP), the Bank's subsidiary, was transformed into Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments S.A. (Investment Fund Company Fortis Private Investments S.A. under a decision dated 16 June 2010 taken by the Polish Financial Supervision Authority authorising the company to pursue the activity of opening and management of investment funds and management of financial instruments portfolios.

At the request of FPIP, the Financial Supervision Authority revoked the permit for brokerage activity.

As an investment fund company, FPIP will be able to open new investment funds and in the second half of 2010, it will take over the umbrella fund Fortis FIO from TFI Skarbiec SA.

On 5 July 2010 the Company's new name: TFI Fortis Private Investments S.A. was registered in the National Court Register.

17.3. Change in the composition of the Supervisory Board and Board of Executives of Fortis Bank Polska SA

Changes in the composition of the Supervisory Board

On 29 June 2010 the Extraordinary General Meeting of Shareholders appointed to the Supervisory Board, effective 1 July 2010, the following persons:

1. Monika Bednarek
2. Jarosław Bauc
3. Andrzej Wojtyna
4. Jean Deullin

till the end of the current five-year tenure ending with the Annual General Meeting approving of the financial statement for the fiscal year 2014.

Extraordinary General Meting of the Bank's Shareholders discharged Mr Jean-Marie Bellafiore from his function of the Supervisory Board member effective 30 June 2010 and appointed Mr Jean Deullin to the Supervisory Board.

Effective 1 July 2010, the Board of Executives composition is as follows:

1. Camille Fohl - Chairman
2. Jos Clijsters - Deputy Chairman
3. Jarosław Bauc
4. Monika Bednarek
5. Jean Deullin
6. Lars Machenil
7. Mark Selles
8. Andrzej Wojtyna

Changes in the composition of the Board of Executives of Fortis Bank Polska SA

Mr Alexander Paklons submitted his resignation from the function of President of the Board of Executives and from his membership in the Bank Board of Executives, effective 1 July 2010. Mr Alexander Paklons assumed his duties in Fortis Bank Polska SA since February 2005.

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

Furthermore, the Supervisory Board appointed Mr. Jean-Philippe Stéphane Rodes to the position of the member of the Board of Executives of Fortis Bank Polska effective 1 July 2010 until the end of the current five-years' tenure of the Board of Executives ending on the date of the Bank Annual General Shareholders' Meeting approving financial statements for fiscal year 2014.

As at 1 July 2010, the Bank Executive Board's composition is as follows:

1. Frédéric Amoudru – acting President of the Board of Executives

2. Jan Bujak - Senior Vice-President
3. Jacek Obłękowski - Vice-President
4. Jaromir Pelczarski - Vice-President
5. Michel Thebault - Vice-President
6. Philippe Van Hellemont - Vice-President
7. Marta Oracz - Member
8. Stephane Rodes - Member

17.4. Transactions with affiliated entities

Loan agreement with BNP Paribas SA

On 27 July 2010 an agreement was signed between BNP Paribas SA based in Paris and the Bank on granting a credit line up to EUR 100 million to the Bank. Till the agreement signing date a tranche of EUR 50 million was made available. Funds under the credit line will be allocated to the Bank's current operating activity and general corporate purposes. The financing term is up to 15 years**.** Terms of the financing correspond to market conditions.

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

On 23 July 2010 the Bank approved to extend till 29 September 2010 the financing term of the credit line granted to Fortis Lease Polska sp. z o.o. under agreement dated 17 November 2000. The credit limit has not changed and equals PLN 175 million.

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

26 August 2010	Frédéric Amoudru acting President of the Board of Executives	.... signature
26 August 2010	Jan Bujak Senior Vice-President of the Board of Executives Chief Financial Officer	.... signature
26 August 2010	Jacek Obłękowski Vice President of the Board of Executives	.... signature
26 August 2010	Jaromir Pelczarski Vice President of the Board of Executives	.... signature
26 August 2010	Stephane Rodes Member of the Board of Executives	.... signature
26 August 2010	Michel Thebault Vice President of the Board of Executives	.... signature
26 August 2010	Philippe Van Hellemont Vice President of the Board of Executives	.... signature
26 August 2010	Marta Oracz Member of the Board of Executives	.... signature