

Fortis Bank Polska SA

# Annual Separate Financial Statements Fortis Bank Polska Joint Stock Company for year 2008

prepared pursuant to the International Financial Reporting Standards

# FORTIS BANK

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## 1. Financial Highlights

Financial Highlights	in PLN thousand		in EUR thousand	
	31 Dec 2008 (YTD)	31 Dec 2007 (YTD)	31 Dec 2008 (YTD)	31 Dec 2007 (YTD)
Interest income	1 005 027	606 041	284 541	160 464
Fee and commission income	186 239	150 023	52 728	39 722
Total income, net	527 047	580 289	149 216	153 646
Profit before income tax	102 585	214 607	29 044	56 822
Net profit	78 191	177 594	22 137	47 022
Net cash provided by operating activities	-2 018 538	-3 087 933	-571 484	-817 606
Net cash provided by investing activities	-670 045	-56 377	-189 702	-14 927
Net cash provided by (used in) financing activities	3 472 822	1 612 932	983 217	427 063
Total net cash flow	784 239	-1 531 378	222 031	-405 470
Total assets	19 886 304	14 211 014	4 766 155	3 967 341
Due to banks	7 554 483	5 895 545	1 810 585	1 645 881
Due to customers	9 308 212	6 307 428	2 230 901	1 760 868
Equity	1 216 912	1 153 956	291 658	322 154
Number of shares	16 771 180	16 771 180	16 771 180	16 771 180
Book value per share (in PLN / EUR)	72,56	68,81	17,39	19,21
Diluted book value per share (in PLN / EUR)	72,56	68,81	17,39	19,21
Capital adequacy ratio	9,78%	11,72%	-	-

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2008 and the corresponding financial figures for 2007 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 2008 have been converted into EUR at the mid-rate binding as at 31 December 2008 published by the National Bank of Poland on 31 December 2008, i.e. EUR 1 = PLN 4.1724; comparative financial data as at the end of 2007 have been converted into EUR at the mid-rate binding as at 31 December 2007, published by the National Bank of Poland on 31 December 2007, i.e. EUR 1 = PLN 3.5820;
- particular items in the profit and loss account and cash flows, and earnings per share as at the end of 2008 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through December 2008, i.e. EUR 1 = PLN 3.5321, whereas comparative data as at the end of 2007 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through December 2007, i.e. EUR 1 = PLN 3.7768.

## 2. Financial statements of Fortis Bank Polska SA

<b>Profit &amp; Loss Account (in PLN thousand)</b>	<b>Notes</b>	<b>1.01.2008 - 31.12.2008</b>	<b>1.01.2007 - 31.12.2007</b>
Interest income	7.1	1 005 027	606 041
Interest expense	7.2	-610 215	-317 008
Net interest income		394 812	289 033
Fee and commission income	7.3	186 239	150 023
Fee and commission expense	7.4	-11 393	-10 474
Net fee and commission income		174 846	139 549
Dividend and other investment income	7.5	-	3 400
Net trading income	7.6	-54 541	140 169
Net gain/loss on available-for-sale financial assets	7.7	-3 233	-2 723
Net profit (loss) on hedging transactions	7.8	257	-126
Other revenues	7.9	14 906	10 987
Total income, net		527 047	580 289
Personnel expenses	7.10	-179 178	-160 198
Depreciation of fixed assets and intangible fixed assets	7.11	-38 222	-25 257
Other expenses	7.12	-144 286	-138 918
Net impairment losses	7.13	-62 776	-41 309
Profit before income tax		102 585	214 607
Income tax expense	7.14	-24 394	-37 013
Net profit		78 191	177 594
<hr/>			
Net profit (in PLN thousand)		78 191	177 594
Weighted average number of ordinary shares		16 771 180	16 771 180
<hr/>			
Weighted average diluted number of ordinary shares		16 771 180	16 771 180

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

<b>Balance Sheet (in PLN thousand)</b>	<b>Note s</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>ASSETS</b>			
Cash and cash equivalents	8	1 494 888	710 793
Financial assets held for trading	9	1 372 145	253 301
Due from banks	10	606 373	1 084 283
Loans to customers	10	14 823 117	11 195 867
Investments - Available for Sale	11	1 218 990	603 235
Property, Plant and Equipment	12	112 926	113 816
Intangible Assets	13	25 896	22 287
Deferred tax assets	14	96 586	33 873
Other assets	15	135 383	193 559
<b>Total assets</b>		<b>19 886 304</b>	<b>14 211 014</b>
<b>LIABILITIES</b>			
Financial liabilities held for trading	9	961 601	201 381
Due to banks	16	7 554 483	5 895 545
Due to customers	16	9 308 212	6 307 428
Subordinated liabilities	17	417 240	358 200
Current tax liabilities		56 890	26 601
Other obligations	18	354 092	251 929
Provisions	19	16 874	15 974
<b>Total liabilities</b>		<b>18 669 392</b>	<b>13 057 058</b>
<b>EQUITY CAPITAL</b>			
Share capital		503 135	503 135
Share premium		308 656	308 656
Other capital		344 983	183 200
Revaluation reserve		-18 053	-2 818
Retained earnings		-	-15 811
Net profit (loss) for the year		78 191	177 594
<b>Total equity</b>	<b>20</b>	<b>1 216 912</b>	<b>1 153 956</b>
<b>Total liabilities and equity</b>		<b>19 886 304</b>	<b>14 211 014</b>

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

**Statement of Changes in Shareholders' Equity in 2007 (in PLN thousand)**

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 01.01.07</b>	<b>503 135</b>	<b>308 814</b>	<b>92 455</b>	-	<b>74 934</b>	<b>2 167</b>	<b>981 505</b>
Net profit (loss) for the year	-	-	-	177 594	-	-	177 594
Net profits/losses not recognised in the income statement (investments available for sale)	-	-	-	-	-	-6 857	-6 857
Net profits/losses recognised in the income statement (investments available for sale)	-	-	-	-	-	703	703
Deferred tax – net profits/losses (investments available for sale)	-	-	-	-	-	1 169	1 169
<b>Total income in 2007</b>	-	-	-	<b>177 594</b>	-	<b>-4 985</b>	<b>172 609</b>
Distribution of retained earnings	-	-	-108 266	-	108 266	-	-
Issue costs	-	-158	-	-	-	-	-158
<b>Balance as at 31.12.07</b>	<b>503 135</b>	<b>308 656</b>	<b>-15 811</b>	<b>177 594</b>	<b>183 200</b>	<b>-2 818</b>	<b>1 153 956</b>

**Statement of Changes in Shareholders' Equity in 2008 (in PLN thousand)**

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 01.01.08</b>	<b>503 135</b>	<b>308 656</b>	<b>161 783</b>	-	<b>183 200</b>	<b>-2 818</b>	<b>1 153 956</b>
Net profit (loss) for the year	-	-	-	78 191	-	-	78 191
Net profits/losses not recognised in the income statement (investments available for sale)	-	-	-	-	-	-22 655	-22 655
Net profits/losses recognised in the income statement (investments available for sale)	-	-	-	-	-	3 846	3 846
Deferred tax – net profits/losses (investments available for sale)	-	-	-	-	-	3 574	3 574
<b>Total income in 2008</b>	-	-	-	<b>78 191</b>	-	<b>-15 235</b>	<b>62 956</b>
Distribution of retained earnings	-	-	-161 783	-	161 783	-	-
<b>Balance as at 31.12.08</b>	<b>503 135</b>	<b>308 656</b>	-	<b>78 191</b>	<b>344 983</b>	<b>-18 053</b>	<b>1 216 912</b>

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

<b>Cash flow statement (in PLN thousand)</b>	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
<b>Cash and cash equivalents, gross, opening balance</b>	<b>711 109</b>	<b>2 242 487</b>
<b>Profit before income tax</b>	<b>102 585</b>	<b>214 607</b>
<b>Adjustments for:</b>	<b>-2 121 123</b>	<b>-3 302 540</b>
Depreciation	38 222	25 257
Impairment losses	66 495	26 205
Profits/losses on account of FX rate differences	-	-3
Profits/losses on investing activities	3 499	13 773
Changes in operational assets and liabilities:	-2 172 521	-3 342 808
- financial assets and liabilities held for trading	-358 624	33 822
- due from banks	477 913	-318 232
- loans to customers	-3 692 514	-4 225 871
- change in the balance of available for sale investments	-5 385	11 677
- due to banks	889 506	-315 164
- due to customers	356 434	1 680 071
- other assets and liabilities (Note 21)	160 149	-209 111
Income tax (current and deferred)	-56 818	-24 964
<b>Net operating cash flows</b>	<b>-2 018 538</b>	<b>-3 087 933</b>
Purchase of available-for-sale investments	-1 185 781	-667 467
Purchase of property, plant and equipment and intangible fixed assets	-45 199	- 87 723
Proceeds from sales of available-for-sale investments	560 176	702 283
Proceeds from sales of property, plant and equipment	2 628	3 703
Other investment expenses	-1 869	-7 173
<b>Net cash provided by investing activities</b>	<b>-670 045</b>	<b>-56 377</b>
Issuance of subordinated liabilities	59 040	358 200
Loans and credit facilities taken	5 405 496	2 149 206
Repayment of loans and credit facilities	-1 991 714	-894 474
<b>Net cash provided by (used in) financing activities</b>	<b>3 472 822</b>	<b>1 612 932</b>
<b>Cash and cash equivalents, gross, ending balance (Note 8)</b>	<b>1 495 348</b>	<b>711 109</b>
<b>Change in cash and cash equivalents, net</b>	<b>784 239</b>	<b>- 1 531 378</b>

Cash Flow Statement is prepared using an indirect method.

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

## Additional Notes to Financial Statements

### 3. Information on Fortis Bank Polska S.A.

#### Basic data on the Issuer

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

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

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

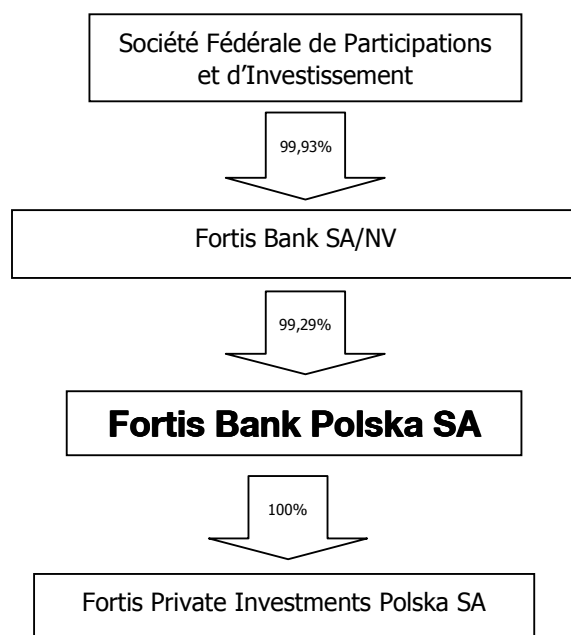
#### The Group's structure

As at 31 December 2008, the Bank was part of an international banking group where the ultimate parent entity was the Belgian State government through the agency of the Société Fédérale de Participations et d'Investissement. Fortis Bank SA/NV based in Brussels remains the Bank's direct parent entity.

In October 2008, Fortis holding, BNP Paribas and Société Fédérale de Participations et d'Investissement signed an agreement regarding the sale of 75% of Fortis Bank S.A./NV shares to French BNP Paribas. The said agreement was questioned by Fortis minority shareholders. As a result, it was subject to voting at the General Meeting which rejected the proposed transaction. On 6 March 2009, a new agreement was signed regarding amended terms of the transaction. The new agreement will be submitted to shareholders for approval at the next general meetings of shareholders of Fortis SA/NV in Brussels and of Fortis N.V. in Utrecht, to be held in April 2009. Following the change of the parent entity of Fortis Bank S.A./NV, the majority shareholder of Fortis Bank Polska SA cannot exercise voting rights attached to shares held until it receives a consent from the Polish Financial Supervision Authority, pursuant to Article 25 para. 1 of the Banking Law Act of 29 August 1997. On 30 March 2009, the Belgian Federal Participation and Investment Company filed an application to the Polish Financial Supervision Authority for a consent to exercise voting rights attached to shares of Fortis Bank Polska SA.

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

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





**Scope of business of the Bank:**

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

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

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out 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 in financial matters,
  - 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.

## 4. Accounting Policies

### Basis of presentation

#### **Statement on consistency with the IFRS**

These financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) published in the Commission Regulation (EC) no. 1725/2003 of 29 September 2003 as amended, and in the scope not regulated by the above standards, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76, item 694, as amended) and administrative acts based thereon, likewise in accordance with requirements set out in the Ministry of Finance Ordinance dated 19 February 2009, regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State (Journal of Laws of 2009 No. 33, item 260).

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

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force as at 31 December 2008:

- Amendments to IFRS 2 *Share-based Payment*; they apply to annual periods starting after 1 January 2009;
- IFRS 8 *Operating Segments*; it applies to annual periods starting after 1 January 2009;
- Amendments to IAS 23 *Borrowing Costs* to become effective on 1 January 2009;
- Amendments to IAS 1 *Presentation of Financial Statements* to become effective on 1 January 2009;
- Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*, to become effective on 1 July 2009;
- Amendments to IFRS 1 *First-Time Adoption of IFRS*, effective since 1 January 2009;
- Zmiany do MSR 39 Instrumenty finansowe: ujemowanie i wycena, obowiązujące od 01 lipca 2009 roku;
- Interpretation IFRIC 13 *Customer Loyalty Programmes*, effective since 1 January 2009;
- Interpretation IFRIC 17 *Distributions of Non-cash Assets to Owners*, to become effective on 1 July 2009.

Other standards and interpretations that have not become effective yet and have not been mentioned in these financial statements, are not material from the Bank's standpoint.

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

#### **Basis for the financial statements**

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

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

The financial statements of the Bank for the year ended on 31 December 2008 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, likewise financial instruments that are measured at amortised cost using the effective interest method.

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

#### **Comparative data**

The financial statements present financial data for the period from 1 January 2008 through 31 December 2008 and comparative data for the period from 1 January 2007 through 31 December 2007.

## **Accounting Estimates**

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

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

### Fair value

The fair value of financial instruments that are not traded on an active market is measured using valuation models using the market yield curve. Some variables used in such models require the adoption of expert estimations. Change of the models adopted or a different estimation of variables could affect the estimation of fair values determined using such models. In the estimation of fair values, the Bank 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 Bank to measure financial instruments is a counterparty risk component. In connection with a considerable counterparty risk growth, the Bank made an additional estimation of the level of that risk in derivative instrument transactions, including FX options, entered into with customers. The estimation was 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 Bank regularly monitors the level of risk related to concluded transactions in derivative instruments. The main factors affecting changes of estimated counterparty risk include:

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

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

### Write-downs for impairment of financial assets

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

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

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

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

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

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

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

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

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

#### Write-downs for non-financial assets' impairment

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

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

#### Useful lives and residual values

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

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

#### Other Accounting Estimates

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

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

In addition to the above estimates, the Bank 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 Bank affect the presentation in the financial statements.

#### **Foreign currencies**

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

#### **Financial assets and liabilities**

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

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

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

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

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

The Bank 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 Bank transfers the contractual rights to receive cash flows from the financial asset in a transaction where the Bank basically transfers the entire risk and all benefits related to the financial asset.

#### Classification and measurement

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

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

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

The Bank 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 Bank intends to sell immediately or in the near term, and those that upon initial recognition were designated as measured at fair value through profit or loss;
- b) financial assets that upon initial recognition were designated by the Bank as available for sale.

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

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

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

#### Investments held to maturity.

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

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

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

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

#### Financial assets measured to fair value through profit or loss.

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

- a) classified at initial recognition as held for trading if they were acquired chiefly to be sold in the near term;
- b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments), or
- d) classified at the initial recognition as measured to fair value through profit or loss.

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

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

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

Financial assets available for sale.

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

- a) loans and receivables,
- b) investments held to maturity,
- c) financial assets measured to fair value through profit or loss.

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised at acquisition cost including write-downs for impairment.

Financial liabilities measured to fair value through profit or loss.

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

- a) classified at initial recognition as held for trading if they were assumed chiefly to be repurchased in the near term;
- b) that are part of a portfolio of identified financial instruments, which are managed together and for short-term profit taking, or
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

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

- a) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),
- b) liabilities on account of short sale of securities.

Other financial liabilities.

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

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

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

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

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

Fair Value of Financial Instruments

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

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

Valuation techniques include:

- market prices of comparable investments,
- discounted cash flows,

- option pricing models,
- market multiples valuation methods.

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

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

In the measurement of financial instruments, the Bank 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 option and forward transactions concluded, the Bank applies an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, likewise on the assessment of cash flows generated by customers which cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.

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

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

Receivables arising out of terminated derivative instruments that were not paid by customers, are recognised in the balance sheet in the "Loans to customers" item adjusted to fair value by the loss on account of credit risk. Adjustments to fair value of such receivables are recognised in the income statement in "Net trading income."

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

### **Offsetting financial instruments**

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

The Bank made no setoff referred to above.

### **Sale and Repurchase Agreements and Lending/Borrowing Securities**

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

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

### **Derivative instruments**

Derivative instruments are financial instruments whose value changes in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates or other variable, which require no initial net investment and are settled at a future date, or instruments that require an initial net investment in the amount lower than the investment in other contract types while permitting creation of an

analogous risk exposure. In the measurement of derivative instruments, a fair value adjustment for credit risk, referred to in Item "Fair value of financial instruments," is taken into account.

Derivative instruments in the Bank include the following transactions:

a) IRS Contracts

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

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

b) FX Forward Contracts

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

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

c) FX Swap Contracts

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

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

d) Interest Rate Options

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

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

e) FX Options

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

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

f) FRA Contracts

FRA contracts consists in an agreement between the parties to the transaction (on the transaction date) upon a fixed interest rate for a specific value of deposit. On the day of the transaction settlement, the buyer of a FRA contract shall pay the settlement amount to the seller if the reference rate on the date of effecting the transaction is lower than the agreed transaction rate. The seller of the instrument shall pay the buyer, on the



transaction settlement date, the settlement amount when the reference rate is higher than the agreed transaction rate. FRAs are measured at the fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

#### g) CIRS Contracts

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

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

#### h) OIS Contracts

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

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

#### i) Futures contracts

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

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

#### Derivative instruments that are hedging instruments

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

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

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

In the years 2008 and 2007, the Bank applied hedge accounting with respect to interest rate risk hedging.

#### **Embedded derivatives**

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

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

**Asset Impairment**Financial assets

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

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

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

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

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

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

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

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

Non-financial Assets

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

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

The recoverable value is the higher of the following:

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

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

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

**Cash and cash equivalents**

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

**Due from Banks and Loans to Customers**

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

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

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

Rules governing impairment estimation are presented above.

### **Property, Plant and Equipment**

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

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

Any impairment loss identified is recognised in the income statement.

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

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

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

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

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

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:

<b>No.</b>	<b>Specification</b>	<b>Useful life</b>
1.	Leasehold improvements	10 years
2.	Structural cabling	10 years
3.	IT equipment	3-10 years
4.	Telephone equipment	6 years
5.	Vehicles	3-4 years
6.	Furniture	10 years
7.	Cash and vault equipment	5 years
8.	Cash registers, armoured safes and safes	10 years
9.	Other equipment	5 years
10.	Operating software	5 years

### **Non-Current Assets Held for Sale and Discontinued Operations**

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

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

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

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

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

### **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 Bank 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 Bank does not have any intangible assets of indefinite useful life.

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

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

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

### **Due to customers**

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

### **Employee Benefits**

#### Long-Term Obligations to Employees

The Bank measures reserves established for retirement severance pay, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, likewise for liabilities on account of customary jubilee awards. The reserve amounts are estimated on the basis of actuarial calculations.

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

#### Short-term Obligations to Employees

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

### **Provisions**

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

The Bank recognises provisions in the balance sheet, when:

- a) there is a present legal or customarily expected obligation as a result of past events;
- b) cash outflow is likely to take place in order to perform the obligation;
- c) a reliable estimate can be made at the balance sheet date.

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

### **Contingent Liabilities - Off-balance Sheet Commitments**

Contingent liabilities are:

- a) a possible obligation arising as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
- b) a present obligation, which arises as a result of past events, however it is not recognised in the balance sheet because it is unlikely that an outflow of economic benefits will be necessary to perform the obligation or the liability amount cannot be reliably estimated.

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

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

### **Shareholders' equity**

The equity capital comprises capital and funds established pursuant to the binding regulations, i.e. the statute and the applicable Acts. The equity comprises also retained earnings. The equity is recognised in the nominal value.

### **Share Issue Costs**

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

### **Dividends on Ordinary Shares**

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

### **Other Equity Capital Components**

Other components that are recognised in equity refer to:

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

### **Earnings per Share**

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

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

### **Interest Income and Expense**

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

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

### **Fees and Transaction Costs**

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

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

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

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

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

### **Net profit/loss on transactions in financial instruments**

Net profit/loss on transactions in financial instruments includes:

- a) 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;
- b) net profit/loss on transactions in financial instruments carried at fair value through profit or loss, i.e. the difference between the carrying value at the end of the current reporting period and the previous reporting period.

### **Current and deferred income tax**

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

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

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

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

### **Segment Reporting**

#### **Business segments**

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

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

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

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

Geographical segments

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

The Bank operates in Poland as the sole geographical segment.

## 5. Comparability with Previously Published Reports

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

<b>Balance sheet as at 31 December 2007</b>				
<b>Item</b>	<b>Report for year 2007</b>	<b>Report for year 2008</b>	<b>Difference</b>	<b>Change description</b>
			-855 758	Receivables on account of unsettled FX spot and FX swap transactions - banks
<b>Cash and cash equivalents</b>	1 590 463	710 793	-23 841	Receivables on account of unsettled FX spot and FX swap transactions - customers
			-71	Other due from banks
<b>Due from banks</b>	228 525	1 084 283	855 758	Receivables on account of unsettled FX spot and FX swap transactions - banks
<b>Loans to customers</b>	11 172 026	11 195 867	23 841	Receivables on account of unsettled FX spot and FX swap transactions - customers
<b>Other assets</b>	193 488	193 559	71	Other due from banks
<b>Total changes</b>			-	

<b>Income statement for the period from 1 January through 31 December 2007</b>				
<b>Item</b>	<b>Report for year 2007</b>	<b>Report for year 2008</b>	<b>Difference</b>	<b>Change description</b>
<b>Fee and commission income</b>	134 231	150 023	15 792	Fees and commissions related to derivative instrument buy/sell transactions
<b>Net trading income</b>	155 961	140 169	-15 792	Fees and commissions related to derivative instrument buy/sell transactions
<b>Total changes</b>			-	

<b>Cash flow statement for the period from 1 January through 31 December 2007</b>				
<b>Item</b>	<b>Report for year 2007</b>	<b>Report for year 2008</b>	<b>Difference</b>	<b>Change description</b>
			-566 941	Receivables on account of unsettled FX spot and FX swap transactions - banks
<b>Cash and cash equivalents, gross, opening balance</b>	2 827 141	2 242 487	-17 627	Receivables on account of unsettled FX spot and FX swap transactions - customers
			-86	Other due from banks
<b>Due from banks</b>	-29 415	-318 232	-288 817	Changes to Receivables on account of unsettled FX spot and FX swap transactions - banks
<b>Loans to customers</b>	-4 219 657	-4 225 871	-6 214	Changes to Receivables on account of unsettled FX spot and FX swap transactions - customers
<b>Other assets and liabilities</b>	-209 126	-209 111	15	Changes to Other due from banks



## 6. Segment Reporting

### Information on Segments

A segment is a distinguishable component of the Group that is engaged either in providing products or services, which are subject to risks and rewards that are different from those of other segments. The Group's reportable segments are defined using the "management approach" which are those reviewed by Management to strategically manage the Group and make business decisions and are based on the risks and rewards of the product lines and services provided. The primary segmentation covers a breakdown by products and services.

### Primary segmentation

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

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

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

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

Transfer prices are calculated for standard periods of product duration, based on official WIBOR, LIBOR and EURIBOR indexes.

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.

- **Private Banking**

**Private Banking** provides integrated services and solutions in terms of asset management for the affluent Private Individuals. It provides solutions offered in all Fortis Private Banking centers worldwide, including Switzerland, Luxembourg, Monaco, Dubai or Singapore. It is an intermediary in contacts with experts of Fortis Private Investments Polska S.A. (FPIP) or Fortis Intertrust Polska.

- **Merchant Banking**

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

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

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

The ALM segment plays a major role in the management of the Bank's balance sheet and off-balance sheet

items; it manages risk, liquidity and capital and sets out internal and external transfer prices. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in the segment.

### Geographical segment

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

### Income Statement of Fortis Bank Polska SA by Business Segments

1 Jan 2008 – 31 Dec 2008 (in PLN thousand)	Retail Banking	Private Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	433 430	14 850	484 068	72 679	1 005 027
Transfer prices expense (internal)	-327 689	-12 540	-669 236	-64 381	-1 073 846
Interest expense (external)	-141 780	-14 878	-452 977	-580	-610 215
Transfer prices income (internal)	201 001	15 563	716 187	141 095	1 073 846
<b>Net interest income</b>	<b>164 962</b>	<b>2 995</b>	<b>78 042</b>	<b>148 813</b>	<b>394 812</b>
<b>Other transfer prices (internal)</b>	<b>2 276</b>	<b>4</b>	<b>103 244</b>	<b>-105 524</b>	<b>-</b>
Fee and commission income (external)	99 220	644	83 303	3 072	186 239
Fee and commission expense (external)	-8 568	-24	-910	-1 891	-11 393
<b>Net fee and commission income</b>	<b>90 652</b>	<b>620</b>	<b>82 393</b>	<b>1 181</b>	<b>174 846</b>
Net trading income (external)	42 522	518	-97 581	-	-54 541
Net result on available-for-sale financial assets	-	-	-	-3 233	-3 233
Net profit (loss) on hedging transactions (external)	-	-	-	257	257
Other income (external)	10 632	145	3 538	591	14 906
<b>Total income, net</b>	<b>311 044</b>	<b>4 282</b>	<b>169 636</b>	<b>42 085</b>	<b>527 047</b>
Personnel expense (external)	-73 452	-2 933	-35 709	-67 084	-179 178
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-	-38 222	-38 222
Other expenses (external)	-29 418	-457	-6 800	-107 611	-144 286
Impairment losses	-18 295	-23	-44 508	50	-62 776
Costs allocation - rebilling (internal)	-170 824	-5 642	-35 694	212 160	-
<b>Profit before income tax</b>	<b>19 055</b>	<b>-4 773</b>	<b>46 925</b>	<b>41 378</b>	<b>102 585</b>
Income tax expense	-4 531	1 135	-11 158	-9 840	-24 394
<b>Net profit</b>	<b>14 524</b>	<b>-3 638</b>	<b>35 767</b>	<b>31 538</b>	<b>78 191</b>

<b>1 Jan. 2007 – 31 Dec. 2007</b> <b>(in PLN thousand)</b>	<b>Retail Banking</b>	<b>Private Banking</b>	<b>Merchant Banking</b>	<b>ALM and support units (horizontal functions)</b>	<b>Total</b>
Interest income (external)	271 146	4 191	300 970	29 734	606 041
Transfer prices expense (internal)	-185 051	-3 293	-401 969	-38 158	-628 471
Interest expense (external)	-83 976	-7 739	-222 337	-2 956	-317 008
Transfer prices income (internal)	133 419	8 212	407 430	79 410	628 471
<b>Net interest income</b>	<b>135 538</b>	<b>1 371</b>	<b>84 094</b>	<b>68 030</b>	<b>289 033</b>
<b>Other transfer prices (internal)</b>	<b>-152</b>	<b>13</b>	<b>21 927</b>	<b>-21 788</b>	<b>-</b>
Fee and commission income (external)	90 528	852	55 163	3 480	150 023
Fee and commission expense (external)	-7 089	-75	-1 027	-2 283	-10 474
<b>Net fee and commission income</b>	<b>83 439</b>	<b>777</b>	<b>54 136</b>	<b>1 197</b>	<b>139 549</b>
Dividend and other investment income (external)	-	-	-	3 400	<b>3 400</b>
Net trading income (external)	61 819	365	77 985	-	<b>140 169</b>
Net gain/loss on available-for-sale financial assets (external)	-	-	-111	-2 612	<b>-2 723</b>
Net profit (loss) on hedging transactions (external)	-	-	-	-126	<b>-126</b>
Other income (external)	8 313	9	2 659	6	<b>10 987</b>
<b>Total income, net</b>	<b>288 957</b>	<b>2 535</b>	<b>240 690</b>	<b>48 107</b>	<b>580 289</b>
Personnel expense (external)	-63 934	-2 437	-42 065	-51 762	<b>-160 198</b>
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-	-25 257	<b>-25 257</b>
Other expenses (external)	-26 369	-483	-7 008	-105 058	<b>-138 918</b>
Net impairment losses (external)	-27 168	-291	-13 857	7	<b>-41 309</b>
Costs allocation - rebilling (internal)	-155 786	-4 774	-21 006	181 566	-
<b>Profit before income tax</b>	<b>15 700</b>	<b>-5 450</b>	<b>156 754</b>	<b>47 603</b>	<b>214 607</b>
Income tax expense	-4 239	841	-25 648	-7 967	<b>-37 013</b>
<b>Net profit</b>	<b>11 461</b>	<b>-4 609</b>	<b>131 106</b>	<b>39 636</b>	<b>177 594</b>

<b>Total assets</b> <b>(in PLN thousand)</b>	<b>As at:</b>	<b>Retail Banking</b>	<b>Private Banking</b>	<b>Merchant Banking</b>	<b>ALM and support units (horizontal functions)</b>	<b>Total</b>
<b>Assets</b>	<b>31.12.2008</b>	8 855 798	215 130	9 651 699	1 163 677	<b>19 886 304</b>
	<b>31.12.2007</b>	6 327 794	212 636	6 641 950	1 028 634	<b>14 211 014</b>
<b>Liabilities</b>	<b>31.12.2008</b>	3 559 815	291 583	14 650 143	1 384 763	<b>19 886 304</b>
	<b>31.12.2007</b>	3 451 684	311 558	9 124 157	1 323 615	<b>14 211 014</b>

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31/12/2007 and 31 December 2008. The following have been classified into the non-monetary expenses: unrealised loss on financial instruments, write-downs for impairment, provisions.

<b>in PLN thousand</b>	<b>As at:</b>	<b>Retail Banking</b>	<b>Private Banking</b>	<b>Merchant Banking</b>	<b>ALM and support units (horizontal functions)</b>	<b>Total</b>
<b>Non-monetary costs</b>	<b>31.12.2008</b>	-211 531	2 798	-938 764	-63 954	<b>-1 211 451</b>
	<b>31.12.2007</b>	-73 775	-1 212	-208 865	-37 226	<b>-321 078</b>

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31 December 2007 and 31 December 2008.

<b>in PLN thousand</b>	<b>As at:</b>	<b>Retail Banking</b>	<b>Private Banking</b>	<b>Merchant Banking</b>	<b>ALM and support units (horizontal functions)</b>	<b>Total</b>
<b>Asset acquisition costs</b>	<b>31.12.2008</b>	-	-	-	45 194	<b>45 194</b>
	<b>31.12.2007</b>	-	-	-	88 337	<b>88 337</b>

## Description of Segment Activity

### Retail Banking

#### Customers

As at the end of 2008, the number of Retail Banking active customers reached 53,768, which means an increase by 4% as compared to the end of 2007. Private Individuals (70%) and enterprises (21%) prevail among the Retail Banking customers, while the remaining 9% are mass market customers. Portfolios of that line's customers (credit cards, cash loans) continue to be maintained, however in 2008 the Bank did not focus on this area.

#### Distribution channels

Retail Banking customers have at their disposal both a network of branches (35) as well as alternative channels: Pl@net Internet banking system Multicash (Home Banking system) and Call Center. The RB BL develops all the above distribution channels. The Bank's statistics show that Customers are much interested in alternative distribution channels. Comparing data for 2008 and 2007, the Bank noted the following:

- increase in the number of Customers using the Pl@net banking system by 33%,
- increase in the number of transfers made via the Pl@net by 54%,

#### 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 2008, the balance of such loans reached PLN 4.5 billion, which means an increase by 69% as compared to the end of 2007;
- credit cards: as at the end of 2008, the number of credit cards for Private Individuals and mass market Customers stood at 9,907 while the balance of card credits increased by 25% (the average of twelve months of 2008 as compared to the average of twelve months of 2007),
- investment products: Its outstanding balance reached PLN 0.9 billion as at the end of 2008.

The following products are largely popular among Enterprises:

- investment loans: as at the end of 2008, the balance of such loans reached PLN 2.6 billion, which means an increase by 37% as compared to the end of 2007,
- day-to-day foreign exchange transactions: the number of table-based and negotiated transactions within twelve months of 2008 increased by 9% as compared to twelve months of 2007, and the average monthly volume of such transactions oscillates around PLN 1.3 billion.

#### Results

The growing interest of Retail Banking Customers in the Bank's products is reflected in the Bank's income statement as this line's net revenues increased by 8% in 2008 as compared to the end of 2007. This increase was generated thanks to the following, but not limited to:

- net interest profit higher by 22%;
- net fee and commission profit higher by 9%.

The net trading income decreased by 31% as a result of a negative adjustment of fair value of unsettled derivatives in the amount of PLN 34.56 million.

The Retail Banking intensive development also resulted in costs increase. Personnel expenses grew by 15%. The increase was due to, inter alia, the growth in FTEs (by 13% on average in the periods analysed). The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The costs increased by 10% as a result of higher customer activity and higher sales of products and services. The support units (horizontal functions) involved in the service of such products and services, transferred to business lines costs proportional to the increasing production.

## Private Banking

### Customers

As at the end of 2008, the number of Private Banking active customers of this line reached 283. On average, the number of the line's customers increased by 100% (twelve months of 2008 compared to twelve months of 2007).

### Distribution channels

Private Banking BL customers have at their disposal both a network of selected Business Centres (6), which are part of the international Fortis Bank network, as well as alternative channels: Multicash, Pl@net systems and Call Centre. As statistics show, these channels are more and more willingly used by the customers.

Comparing data for 2008 and 2007, the Bank noted the following:

- increase in the number of Customers using the Pl@net banking system by 272%,
- increase in the number of transfers made via the Pl@net by 383%,

### Products

Private Banking BL customers use credit, deposit, investment and card products.

The following products are largely popular among customers of the business line:

- investment products – as the end of 2008, Private Banking customers saved approx. PLN 422 million (in savings and investment products such as e.g. investment funds like L-FIX and L-Funds managed by Fortis Investments or Fortis FIO investment portfolios managed by Fortis Private Investments Polska SA).
- overdraft facility limit: as at the end of 2008, the outstanding balance of such credit facilities was PLN 145 million.

### Results

The constantly developing base of Private Banking customers and growing interest in the Bank's products is reflected in the Bank's income statement as this line's net income increased by 69% in 2008 as compared to 2007. This increase was generated thanks to the following, but not limited to:

- net interest profit higher by 118%;

The Private Banking intensive development also resulted in costs increase. Personnel expense increased by 20%. It primarily results from a higher headcount in the private Banking BL (on average, the employment level increased by 22%). The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Private Banking to other units. The costs increased by 18%. The factor affecting the growth of transferred costs was the higher Customer activity, and growth in the number of products and services sold. The support units (horizontal functions) involved in the service of such products and services, transferred to business lines costs proportional to the increasing production.

## Merchant Banking

### Customers

As at the end of 2008, the number of active customers of this line reached 2,510. On average, the number of the line's customers increased by 19% (twelve months of 2008 compared to twelve months of 2007).

### Distribution channels

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

### Products

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

Products offered by the Bank to institutional customers include:

- investment loans (including loans to purchase / construction of commercial real properties): as at the end of 2008, the outstanding balance of such loans exceeded PLN 3.3 billion,

- working capital loans: as at the end of 2008, the outstanding balance of such loans was PLN 1.6 billion,
- overdraft facilities: as at the end of 2008, the outstanding balance of such credit facilities was PLN 1.6 billion,
- deposits: the total balance of deposits reached PLN 3.0 billion as at the end of 2008,
- day-to-day foreign exchange transactions: the number of negotiated and table-based transactions during twelve months of 2008 reached about 55 thousand and the average monthly volume of such transactions oscillates around PLN 1.8 billion.

## **Results**

The net income of Merchant Banking BL decreased in 2008 by 30% in comparison to 2007.

The net trading income decreased by 225% as a result of a negative adjustment of fair value of unsettled derivative instruments in the amount of PLN 174.1 million.

In addition to the above, in 2008 this business line recorded an increase of net write downs for credit receivables (from PLN 13.9 million as at the end of 2007 up to PLN 42.0 million as at the end of 2008).

The above events translated into a decline of gross profit by 68% in comparison to the end of 2007.

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

### **Results**

On one hand, the segment of ALM and support units presents the results of interest rate and liquidity risk management – the net profit on the activity decreased by 13% due to dynamic growth of remaining (internal) transfer prices. On the other hand, it reports costs of support units reflecting the Bank's development.

## 7. Additional Notes to the Separate Income Statement

Below there is detailed information on revenues and expenses of the Bank for 2008 and comparative data for 2007.

### Note 7.1

<b>Interest income (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Cash and cash equivalents	62 327	32 730
Due from banks	14 747	12 500
Investments available for sale	65 746	22 972
Loans to customers	854 400	530 974
Securities held for trading	7 807	6 865
<b>Total interest income</b>	<b>1 005 027</b>	<b>606 041</b>

Interest income includes interest accrued on non-performing loans of PLN 16,593 thousand in 2008, and of PLN 13,331 in 2007.

### Note 7.2

<b>Interest expense (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Due to banks	-259 831	-157 942
Due to customers	-329 017	-149 777
Subordinated loans	-19 181	-5 437
Derivative hedging instruments	-537	-2 932
Others	-1 649	-920
<b>Total interest expense</b>	<b>-610 215</b>	<b>-317 008</b>

### Note 7.3

<b>Fee and commission income (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Custody services and securities trading	2 416	3 043
Cash settlements services	55 499	53 324
Guarantees and contingent liabilities	14 721	14 852
Commissions related to granting credit facilities (amortised using the straight-line method)	24 320	20 122
Loan origination fees and commissions (incurred one time)	10 578	6 225
Fees and commissions related to derivative instrument buy/sell transactions	48 395	15 792
Income on account of agency in customer acquisition	6 380	10 741
Card related income	11 687	11 732
Income on asset management	1 062	2 348
Others	11 181	11 844
<b>Total fee and commission income</b>	<b>186 239</b>	<b>150 023</b>

### Note 7.4

<b>Fee and commission expense (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Custody services and securities trading	-861	-680
Card related expenses	-4 975	-4 087
Cash transactions expenses	-3 193	-3 062
Settlements	-1 135	-1 431
Others	-1 229	-1 214
<b>Total fee and commission expenses</b>	<b>-11 393</b>	<b>-10 474</b>



**Net commission and fee profit (loss) includes:**

- fee and commission income of PLN 37,040 thousand in 2008, and PLN 29,326 thousand in 2007;
- fee and commission expense of PLN (1,721) thousand in 2008, and PLN (1,310) thousand in 2007;

(other than the ones covered by the effective interest rate calculation), which refer to assets and liabilities not measured at fair value through profit or loss.

## Note 7.5

<b>Dividend and other investment income (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Dividend income from the subsidiary	-	3 400
<b>Total dividends and other investment income</b>	<b>-</b>	<b>3 400</b>

## Note 7.6

<b>Net trading income (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Securities	-1 806	-2 142
Derivative instruments	-164 067	12 499
- measurement to fair value	44 560	12 499
- fair value adjustment on account for credit risk	-104 319	-
- fair value adjustment on account for credit risk of matured derivative instruments	-104 308	-
Foreign exchange transactions	111 332	129 812
<b>Total net trading income</b>	<b>-54 541</b>	<b>140 169</b>

Securities held for trading are acquired mainly for the purpose of generating profits on short-term price or trader's margin fluctuations; they are initially recognised at acquisition price. In this item, realised and unrealised changes of fair value of held-for-trading financial instruments are recognised.

Derivative instruments held for trading are all the derivative instruments that do not qualify for hedge accounting. In this item, all the changes to fair value regarding such instruments are recognised.

As at 31 December 2008, the valuation of not matured derivative transactions concluded with the Bank's customers and receivables arising out of derivative instrument transactions that were completed and unpaid by customers, was adjusted by write-downs for counterparty credit risk. The adjustment was determined by an analysis of the financial situation of specific customers and the assessment of their needs as regards the use of derivative instruments. The total adjustment amount related to including the counterparty credit risk stood at PLN 208,627 thousand. It is reported in the net trading income.

There is an uncertainty as to the amount of future settlements on account of the aforesaid derivative transactions, and the level of actual losses depends on further FX rate changes and counterparty financial standing.

## Note 7.7

<b>Net gain/loss on available-for-sale financial assets (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Securities	-3 233	-2 723
<b>Total net profit (loss) on transactions in available-for-sale financial assets</b>	<b>-3 233</b>	<b>-2 723</b>

## Note 7.8

<b>Net profit (loss) on hedging transactions (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Change to fair value of hedged instruments	-327	-4 306
Change to fair value of hedging instruments	584	4 180
<b>Total net profit (loss) on hedging transactions</b>	<b>257</b>	<b>-126</b>

## Note 7.9

<b>Other revenues (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
- consulting as regards software	6 229	4 455
- rental and lease income	3 638	2 648

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- income on account of providing financial services	2 162	1 640
- compensation, penalties and fines	838	527
- other	2 039	1717
<b>Total other income</b>	<b>14 906</b>	<b>10 987</b>

## Note 7.10

<b>Personnel expenses (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
- remuneration	-137 236	-115 066
- surcharges on remuneration	-20 784	-18 801
- provisions on severance pay related to retirement, unused vacation leaves and other employee benefits	-21 158	-26 331
<b>Total personnel costs</b>	<b>-179 178</b>	<b>-160 198</b>

## Note 7.11

<b>Depreciation of fixed assets and intangible fixed assets (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Fixed assets, including:	-29 817	-20 128
- leasehold improvements	-9 164	-6 599
- computer hardware	-15 328	-8 980
- other fixed assets	-5 325	-4 549
Intangible Assets	-8 405	-5 129
<b>Total depreciation of fixed assets and intangible fixed assets</b>	<b>-38 222</b>	<b>-25 257</b>

## Note 7.12

<b>Other costs * (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
- rents	-28 591	-23 551
- information technologies and systems	-18 489	-18 918
-marketing and advertising	-21 413	-17 528
- expenditure related to RE use	-8 220	-13 926
- postal and telecommunication services	-10 981	-10 194
- advisory services and consulting	-11 065	-7 969
- business travels	-7 225	-7 931
- training,	-5 848	-6 996
- municipal services:	-6 648	-6 178
- security	-4 413	-4 388
- stationery	-2 817	-3 063
- Banking Guarantee Fund costs	-2 574	-1 953
- compensation, penalties and fines	-437	-462
- other	-15 565	-15 861
<b>Total other costs</b>	<b>-144 286</b>	<b>-138 918</b>

\*The above note presents general expenses and operating costs.

Expenses related to the auditor's remuneration incurred in 2008 amounted to PLN 699 thousand, while in 2007 - PLN 1,081 thousand.

## Note 7.13

<b>Net write-offs for impairment (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Net cash and cash equivalents, including:	-144	-150
- write-offs for Incurred But Not Reported losses (IBNR)	-144	-150
Due from banks, net, including:	3	-20
- write-offs for Incurred But Not Reported losses (IBNR)	3	-20
Loans to customers, net, including:	-61 693	-37 953
- write-offs for credit receivables	-66 013	-23 482
- write-offs for Incurred But Not Reported losses (IBNR)	1 356	-16 111
- income on account of receivables written-off,	2 964	1 640
Off-balance sheet liabilities, net, including:	-277	-3 833
- provisions for off-balance sheet commitments	-3 350	-4 186
- write-offs for Incurred But Not Reported losses (IBNR)	3 073	353
Other assets, net	-51	538
Other provisions, net	-614	109
<b>Total impairment losses, net</b>	<b>-62 776</b>	<b>-41 309</b>

The major components of the income tax expense:

## Note 7.14.1

<b>Income tax expense (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Current tax	-81 451	-47 989
Current tax for the previous year	-2 082	1 557
Deferred tax	59 139	9 419
<b>Total income tax</b>	<b>-24 394</b>	<b>-37 013</b>

Current tax for the previous year recognised in the current year's profit or loss results from items that under the Corporate Income Tax are income tax expenses of 2007 and were reported in the income tax return for 2007. In the current year, such items are considered non-tax-deductible expenses.

Actual income tax expenses as at 31 December 2008 and for comparative data as at 31 December 2007 differ from the estimate computed using the binding tax rate due to the following factors:

## Note 7.14.2

<b>Tax load (in PLN thousand)</b>	<b>1.01.2008 – 31.12.2008</b>	<b>1.01.2007 – 31.12.2007</b>
Profit before income tax	102 585	214 607
Binding tax rate in %	19%	19%
Tax computed at the rate	-19 491	-40 775
Tax increases / decreases on account of:	-	-
Tax effects of tax-free accounting revenues:	315	2 588
- tax-exempt interest	115	1 850
- non-taxable dividends from subsidiaries	-	646
- other	200	92
Tax effects of not tax-deductible accounting costs	-1 695	-1 468
Tax effect of recognition of previous year costs	-347	568
Others	-3 176	2 074
Total tax increases / decreases	-4 903	3 762
<b>Total tax load</b>	<b>-24 394</b>	<b>-37 013</b>

## 8. Cash and Cash equivalents

Note 8.1

<b>Cash and cash equivalents (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Cash at hand	355 984	543 343
Due from the central bank	14 671	17 153
Short-term due from banks, including:	1 124 693	150 613
- nostro accounts	325 574	97
- short-term deposits from banks	799 119	150 516
<b>Cash and cash equivalents, gross</b>	<b>1 495 348</b>	<b>711 109</b>
<b>Write-offs for impairment</b>	<b>-460</b>	<b>-316</b>
- for Incurred But Not Reported losses (IBNR)	-460	-316
<b>Total cash and cash equivalents, net</b>	<b>1 494 888</b>	<b>710 793</b>

Note 8.2

<b>Write-offs for impairment (in PLN thousand)</b>	<b>31.12.2008</b>		<b>31.12.2007</b>	
	<b>Write-off for impairment</b>	<b>(IBNR)</b>	<b>Write-off for impairment</b>	<b>(IBNR)</b>
<b>Opening balance</b>	-	<b>-316</b>	-	<b>-166</b>
Increases	-	-4 841	-	-446
Decreases	-	4 697	-	296
<b>Ending balance</b>	-	<b>-460</b>	-	<b>-316</b>

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 2008 stood at PLN 267,465 thousand, while at the end of 2007, it made up PLN 257,516 thousand.

## 9. Financial Assets and Liabilities Held for Trading

### Note 9.1

<b>Financial assets held for trading (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Held-for-trading securities, including:</b>	<b>255 154</b>	<b>48 241</b>
- treasury bonds	129 506	33 309
- treasury bills	125 648	14 932
<b>Derivative financial instruments, including:</b>	<b>1 116 991</b>	<b>205 060</b>
- foreign currency contracts	1 036 267	160 130
Measurement to fair value	1 140 586	160 130
- fair value adjustment on account for credit risk	-104 319	-
- interest rate contracts	80 724	44 930
<b>Total financial assets held for trading</b>	<b>1 372 145</b>	<b>253 301</b>

There were no buy-sell-back repo securities held for trading in the Bank's balance sheet, either as at 31 December 2008 or as at 31 December 2007.

### Note 9.2

<b>Financial liabilities held for trading (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Derivative financial instruments, including:</b>	<b>961 601</b>	<b>201 381</b>
- foreign currency contracts	889 452	157 620
- interest rate contracts	72 149	43 761
<b>Total financial liabilities held for trading</b>	<b>961 601</b>	<b>201 381</b>

The table below presents fair values of derivative financial instruments.

### Note 9.3

<b>Derivative financial instruments held for trading (in PLN thousand)</b>	<b>31.12.2008</b>		<b>31.12.2007</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Foreign currency contracts:	1 036 267	889 452	160 130	157 620
- Forward (including the forward leg of a swap)	348 812	138 764	91 183	88 675
- Options	649 574	747 329	68 947	68 945
- CIRS	37 881	3 359	-	-
Interest Rate contracts:	80 724	72 149	44 930	43 761
- FRA	1 078	987	947	982
- IRS	71 288	62 804	40 097	38 893
- Options	8 358	8 358	3 886	3 886
<b>Total derivative financial instruments held for trading</b>	<b>1 116 991</b>	<b>961 601</b>	<b>205 060</b>	<b>201 381</b>

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

**Note 9.4**

<b>Held-for-trading derivative instruments by nominal value (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>a) FX transactions</b>	<b>30 037 017</b>	<b>18 801 332</b>
- Forward (including the forward leg of a swap contract) – amounts	3 952 351	4 972 872
- Forward (including the forward leg of a swap contract) – amounts sold	3 744 037	4 970 143
- Options - amounts purchased	10 752 699	4 413 435
- Options - amounts sold	10 763 622	4 444 882
- CIRS - amounts purchased	428 524	-
- CIRS – amounts sold	395 784	-
<b>b) interest rate transactions</b>	<b>8 479 898</b>	<b>13 138 451</b>
- FRA	400 000	1 426 947
- IRS - amounts purchased	3 408 592	5 493 356
- IRS - amounts sold	3 408 592	5 493 356
- Options - amounts purchased	631 357	362 396
- Options - amounts sold	631 357	362 396
<b>Total financial instruments</b>	<b>38 516 915</b>	<b>31 939 783</b>

The table below presents a hierarchy of valuation methods of held-for-trading financial instruments measured to fair value, as at 31 December 2008 and comparative data as at 31 December 2007.

**Note 9.5**

<b>31.12.2008 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Securities</b>	<b>129 506</b>	-	<b>125 648</b>	<b>255 154</b>
- treasury bonds	129 506	-	-	<b>129 506</b>
- treasury bills	-	-	125 648	<b>125 648</b>
<b>Derivative financial instruments</b>				
- positive valuation	-	397 079	719 912	<b>1 116 991</b>
foreign currency contracts	-	372 532	663 735	<b>1 036 267</b>
interest rate contracts	-	24 547	56 177	<b>80 724</b>
- negative valuation	-	735 727	225 874	<b>961 601</b>
foreign currency contracts	-	665 167	224 285	<b>889 452</b>
interest rate contracts	-	70 560	1 589	<b>72 149</b>
<b>31.12.2007 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Securities</b>	-	-	<b>48 241</b>	<b>48 241</b>
- treasury bonds	-	-	33 309	<b>33 309</b>
- treasury bills	-	-	14 932	<b>14 932</b>
<b>Derivative financial instruments</b>				
- positive valuation	-	115 457	89 603	<b>205 060</b>
foreign currency contracts	-	77 483	82 647	<b>160 130</b>
interest rate contracts	-	37 974	6 956	<b>44 930</b>
- negative valuation	-	124 285	77 096	<b>201 381</b>
foreign currency contracts	-	91 214	66 406	<b>157 620</b>
interest rate contracts	-	33 071	10 690	<b>43 761</b>

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

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

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



## 10. Receivables

## Note 10.1

<b>Due from banks (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Loans	75 000	75 000
Debt securities not traded on an active market	-	150 639
Receivables on account of construction projects:	3 100	-
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	511 922	855 758
Other receivables	16 425	2 963
<b>Total due from banks, gross</b>	<b>606 447</b>	<b>1 084 360</b>
<b>Write-downs for impairment</b>	<b>-74</b>	<b>-77</b>
- for Incurred But Not Reported losses (IBNR)	-74	-77
<b>Total net due from banks</b>	<b>606 373</b>	<b>1 084 283</b>

## Note 10.2

<b>Loans to customers (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Loans to budgetary entities	420	454
Mortgage loans	4 501 796	2 660 307
Consumer loans and credit facilities	562 868	489 765
Commercial loans	9 969 916	8 215 694
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	44 534	23 841
Other receivables	3 256	215
<b>Total loans to customers, gross</b>	<b>15 082 790</b>	<b>11 390 276</b>
<b>Write-downs for impairment</b>	<b>-259 673</b>	<b>-194 409</b>
- for incurred, reported losses	-211 972	-145 351
- for Incurred But Not Reported losses (IBNR)	-47 701	-49 058
<b>Total net loans to customers</b>	<b>14 823 117</b>	<b>11 195 867</b>

## Note 10.3

<b>Write-offs for impairment (in PLN thousand)</b>	<b>Due from banks</b>	<b>Loans to Customers</b>	
	<b>Write-offs for Incurred But Not Reported losses (IBNR)</b>	<b>Write-off for impairment</b>	<b>Write-offs for Incurred But Not Reported losses (IBNR)</b>
<b>Balance as at 1 January 2008</b>	<b>-77</b>	<b>-145 351</b>	<b>-49 058</b>
Increases	-130	-129 181	-30 631
Decreases	133	63 167	31 988

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Write-downs to provisions	-	4 917	-
FX rate differences	-	-5 524	-
<b>Balance as at 31 December 2008</b>	<b>-74</b>	<b>-211 972</b>	<b>-47 701</b>
<b>Balance as at 1 January 2007</b>	<b>-57</b>	<b>-138 609</b>	<b>-32 947</b>
Increases	-62	-64 838	-16 598
Decreases	42	41 357	487
Write-downs to provisions	-	12 992	-
FX rate differences	-	3 747	-
<b>Balance as at 31 December 2007</b>	<b>-77</b>	<b>-145 351</b>	<b>-49 058</b>

## 11. Investments - Available for Sale

### Note 11.1

<b>Investments available for sale at fair value (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Treasury bonds	826 886	464 186
Treasury bills	348 883	95 835
NBP Bonds	24 979	24 979
Shares and stock	18 242	18 235
<b>Total investments available for sale</b>	<b>1 218 990</b>	<b>603 235</b>

The Bank holds 100% of the share capital and 100% of total votes at the General Meeting of the Bank's subsidiary Fortis Private Investments Polska S.A. (FPIP). FPIP, the subsidiary, runs brokerage activity in Poland and has been controlled by the Bank since 23 December 1999. FPIP is measured at the acquisition cost including write-downs for impairment. The value of shares at the acquisition price is PLN 18,196 thousand.

### Note 11.2

<b>Change in the balance of available for sale investments (in PLN thousand)</b>	<b>Debt securities</b>	<b>Shares and stock</b>	<b>Total</b>
<b>Balance as at 1 January 2008</b>	<b>585 000</b>	<b>18 235</b>	<b>603 235</b>
Increases	1 189 014	-	1 189 014
Decreases (sale and maturity)	-560 176	-	-560 176
Measurement to fair value	-15 105	-	-15 105
Others	2 015	7	2 022
<b>Balance as at 31 December 2008</b>	<b>1 200 748</b>	<b>18 242</b>	<b>1 218 990</b>

<b>Change in the balance of available for sale investments (in PLN thousand)</b>	<b>Debt securities</b>	<b>Shares and stock</b>	<b>Total</b>
<b>Balance as at 1 January 2007</b>	<b>636 472</b>	<b>18 238</b>	<b>654 710</b>
Increases	670 964	-	670 964
Decreases (sale and maturity)	-703 053	-	-703 053
Measurement to fair value	-6 857	-	-6 857
Others	-12 526	-3	-12 529
<b>Balance as at 31 December 2007</b>	<b>585 000</b>	<b>18 235</b>	<b>603 235</b>

The table below presents profits and losses on available-for-sale investments which in the given period were recognised directly in the equity and then were derecognised from the equity and recognised in the net profit/loss of the given period from 1 January 2008 to 31 December 2008 and for the period from 1 January 2007 to 31 December 2007.

### Note 11.3

<b>Investments available for sale (in PLN thousand)</b>	<b>1.01.2008 - 31.12.2008</b>	<b>1.01.2007 - 31.12.2007</b>
Profits recognised directly in the equity and then derecognised from the equity and recognised in the net profit/loss	-	1 828
Losses recognised directly in the equity and then derecognised from the equity and recognised in the net profit/loss	-3 846	-2 531
<b>Total</b>	<b>-3 846</b>	<b>-703</b>

The table below presents a hierarchy of valuation methods of available-for-sale investments measured to fair value, as at 31 December 2008 and comparative data as at 31 December 2007.

## Note 11.4

<b>31.12.2008</b> <b>(in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bonds	826 886	-	-	<b>826 886</b>
Treasury bills	-	-	348 883	<b>348 883</b>
NBP Bonds	-	-	24 979	<b>24 979</b>

<b>31.12.2007</b> <b>(in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bonds	244 925	-	219 261	<b>464 186</b>
Treasury bills	-	-	95 835	<b>95 835</b>
NBP Bonds	24 979	-	-	<b>24 979</b>

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

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

## 12. Property, Plant and Equipment

### Note 12.1

<b>Property, Plant and Equipment by groups (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
investments in non-company fixed assets:	41 130	42 511
Machines and equipment and means of transport:	26 234	23 147
Computer hardware	45 562	48 158
<b>Total Property, Plant and Equipment</b>	<b>112 926</b>	<b>113 816</b>

The table below presents changes in tangible fixed assets in 2008, and comparative data for 2007.

### Note 12.2

<b>in PLN thousand</b>	<b>investments in non- company fixed assets:</b>	<b>Machines and equipment and means of transport:</b>	<b>Computer hardware</b>	<b>Total</b>
<b>Gross value as at 01.01.08</b>	<b>83 408</b>	<b>39 525</b>	<b>121 861</b>	<b>244 794</b>
- increase (incl. purchase)	8 366	11 483	13 017	32 866
- balance decrease (sale, liquidation)	-6 823	-6 582	-11 558	-24 963
- other	-317	-585	-286	-1 188
<b>Gross value as at 31.12.08</b>	<b>84 634</b>	<b>43 841</b>	<b>123 034</b>	<b>251 509</b>
<b>Depreciation as at 01.01.08</b>	<b>-40 897</b>	<b>-16 378</b>	<b>-73 703</b>	<b>-130 978</b>
- depreciation	-9 164	-5 325	-15 328	-29 817
- balance decrease (sale, liquidation)	6 557	4 029	11 386	21 972
- other	-	67	173	240
<b>Depreciation as at 31.12.08</b>	<b>-43 504</b>	<b>-17 607</b>	<b>-77 472</b>	<b>-138 583</b>
<b>Fixed assets net as at 31.12.08</b>	<b>41 130</b>	<b>26 234</b>	<b>45 562</b>	<b>112 926</b>
<b>in PLN thousand</b>	<b>investments in non- company fixed assets:</b>	<b>Machines and equipment and means of transport:</b>	<b>Computer hardware</b>	<b>Total</b>
<b>Gross value as at 01.01.07</b>	<b>64 085</b>	<b>31 306</b>	<b>112 625</b>	<b>208 016</b>
- increase (incl. purchase)	23 386	15 272	32 626	71 284
- balance decrease (sale, liquidation)	-3 712	-2 050	-21 984	-27 746
- other	-351	-5 003	-1 406	-6 760
<b>Gross value as at 31.12.07</b>	<b>83 408</b>	<b>39 525</b>	<b>121 861</b>	<b>244 794</b>
<b>Depreciation as at 01.01.07</b>	<b>-34 943</b>	<b>-13 412</b>	<b>-87 604</b>	<b>-135 959</b>
- depreciation	-6 599	-4 549	-8 980	-20 128
- balance decrease (sale, liquidation)	645	1 491	21 938	24 074
- other	-	92	943	1 035
<b>Depreciation as at 31.12.07</b>	<b>-40 897</b>	<b>-16 378</b>	<b>-73 703</b>	<b>-130 978</b>
<b>Fixed assets net as at 31.12.07</b>	<b>42 511</b>	<b>23 147</b>	<b>48 158</b>	<b>113 816</b>

The Bank does not own any land or buildings kept for its own use.

The Bank has not entered into any financial lease agreements.

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

### 13. Intangible Assets

Intangible assets include system software and licenses for such software.

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

#### Note 13

<b>Intangible Assets</b>	<b>1.01.2008 -</b>	<b>1.01.2007 -</b>
<b>(in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Gross value opening balance</b>	<b>32 653</b>	<b>17 171</b>
- balance increase (incl. purchase)	12 332	16 439
- liquidation	-	-52
- other	-318	-905
<b>Ending balance gross</b>	<b>44 667</b>	<b>32 653</b>
<b>Depreciation opening balance</b>	<b>-10 366</b>	<b>-5 289</b>
- depreciation	-8 405	-5 129
- balance decrease (sale and liquidation)	-	52
<b>Depreciation ending balance</b>	<b>-18 771</b>	<b>-10 366</b>
<b>Total intangible assets net Ending balance</b>	<b>25 896</b>	<b>22 287</b>

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

## 14. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2008 and comparative data as at 31 December 2007:

### Note 14.1

in PLN thousand	31.12.2008	31.12.2007
Deferred tax assets	244 038	57 369
Deferred tax reserve	147 452	23 496
<b>Net deferred tax</b>	<b>96 586</b>	<b>33 873</b>

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

### Note 14.2

Deferred tax assets (in PLN thousand)	Opening balance 01.01.08	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31.12.08
Interest accrued to be paid	8 219	4 126	-	12 345
Negative fair value – trading derivatives	113	-113	-	-
Negative fair value - hedged and hedging items	81	-81	-	-
Write-offs for impairment and provisions	22 541	12 189	-	34 730
Fair value adjustment on account for credit risk of matured derivative instruments	-	19 818	-	19 818
Other non-tax-deductible provisions	8 495	- 1 647	-	6 848
Measurement of financial instruments held for trading	13 609	149 293	-	162 902
Measurement of available-for-sale investments	661	-	3 574	4 235
Commissions and fees settled in time	3 479	-506	-	2 973
Others	171	16	-	187
<b>Total deferred tax assets</b>	<b>57 369</b>	<b>183 095</b>	<b>3 574</b>	<b>244 038</b>
<b>Deferred tax liabilities in PLN thousand</b>				
Interest accrued to be received	13 074	7 499	-	20 573
Positive fair value - trading derivatives	353	7 818	-	8 171
Difference between balance sheet depreciation and tax depreciation	3 025	241	-	3 266
Investment relief settlement	6	-5	-	1
Measurement of financial instruments held for trading	6 907	106 832	-	113 739
Measurement of available-for-sale investments	-	-	-	-
Others	131	-131	-	-
Commissions and fees settled in time	-	1 702	-	1 702
<b>Total deferred tax liabilities</b>	<b>23 496</b>	<b>123 956</b>	<b>-</b>	<b>147 452</b>
<b>Net deferred tax</b>	<b>33 873</b>	<b>59 139</b>	<b>3 574</b>	<b>96 586</b>

Deferred tax assets (in PLN thousand)	Opening balance 01.01.07	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31.12.07
Interest accrued to be paid	3 922	4 297	-	8 219
Negative fair value – trading derivatives	310	-197	-	113
Negative fair value - hedged and hedging items	25	56	-	81
Write-offs for impairment and provisions	15 935	6 606	-	22 541
Other non-tax-deductible provisions	5 700	2 795	-	8 495
Measurement of financial instruments held for trading	3 272	10 337	-	13 609
Measurement of available-for-sale investments	-	-	661	661
Commissions and fees settled in time	4 460	-981	-	3 479
Others	389	-218	-	171
<b>Total deferred tax assets</b>	<b>34 013</b>	<b>22 695</b>	<b>661</b>	<b>57 369</b>
<b>Deferred tax liabilities in PLN thousand</b>				
Interest accrued to be received	9 132	3 942	-	13 074
Positive fair value - trading derivatives	175	178	-	353
Difference between balance sheet depreciation and tax depreciation	286	2 739	-	3 025
Investment relief settlement	31	-25	-	6
Measurement of financial instruments held for trading	585	6 322	-	6 907
Measurement of available-for-sale investments	508	-	-508	-
Others	11	120	-	131
<b>Total deferred tax liabilities</b>	<b>10 728</b>	<b>13 276</b>	<b>-508</b>	<b>23 496</b>
<b>Net deferred tax</b>	<b>23 285</b>	<b>9 419</b>	<b>1 169</b>	<b>33 873</b>

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

As at 31 December 2008, the total current and deferred tax liabilities related to items decreasing or increasing the equity stood at PLN 3,574 thousand while as at 31 December 2007 it was PLN 1,169 thousand.



## 15. Other assets

## Note 15

<b>Other assets</b> <b>(in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Deferred acquisition cost	3 589	2 540
Interest to be received, including:	96 795	69 714
- on cash and cash equivalents	127	41
- on due from banks	443	1 623
- on loans to customers	73 667	51 964
- on debt securities held for trading	1 937	1 143
- on debt securities available for sale	20 621	14 943
Financial assets recognised at the trade date	5 093	97 400
Interbank settlements	461	1 559
Income to be received	11 835	5 200
Receivables due from counterparties	10 613	9 680
Others	8 672	8 952
<b>Total other assets</b>	<b>137 058</b>	<b>195 045</b>
Write-offs for impairment	-1 675	-1 486
<b>Total other assets, net</b>	<b>135 383</b>	<b>193 559</b>

## 16. Liabilities

## Note 16.1

<b>Due to banks (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Due to the central bank</b>	<b>325 000</b>	<b>-</b>
- Lombard loan	325 000	-
<b>Banks' deposits</b>	<b>1 438 513</b>	<b>1 373 528</b>
- Current	48 554	103 769
- Term	974 683	953 700
- Cash collateral	415 276	316 059
<b>Loans and credit facilities received</b>	<b>5 277 520</b>	<b>3 666 796</b>
<b>Others</b>	<b>513 450</b>	<b>855 221</b>
<b>Total due to banks</b>	<b>7 554 483</b>	<b>5 895 545</b>

## Note 16.2

<b>Due to customers (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Current deposits	1 192 980	1 425 475
Term deposits	4 915 383	4 597 824
Loans and credit facilities received	2 920 680	-
Cash collateral	236 308	260 334
Others	42 861	23 795
<b>Total due to customers</b>	<b>9 308 212</b>	<b>6 307 428</b>

## 17. Subordinated liabilities

On 28 September 2007, the Bank signed a credit agreement with Fortis Bank (Nederland) N.V. based in Rotterdam, on a subordinated loan with EUR 100 million limit granted to the Bank. The loan was taken for the period until 28 September 2017. The interest rate was determined at EURIBOR 3M plus margin.

On 23 October 2007, the Bank signed a credit agreement with Fortis Bank (Nederland) N.V. based in Rotterdam, on a subordinated loan with EUR 100 million limit granted to the Bank, which replaced the agreement dated 28 September 2007. The loan was taken for the period until 28 September 2017. Interest rate was determined as follows: EURIBOR 3M for the first interest period, EURIBOR 1M + margin starting from the second interest period, EURIBOR 1M + margin starting from 28 December 2012.

On 21 November 2007, the Board of Executives of Fortis Bank Polska S.A. obtained the consent of the Banking Supervision Commission to include the loan as subordinated debt into Tier 2 capital of the Bank in the calculation of capital adequacy pursuant to Article 127 of the Banking Law.

On 27 November 2008, Fortis Bank Polska SA along with the other parties to the agreement, signed the agreement on assignment of credit receivables which was concluded by and between Fortis Bank (Nederland) N.V., Fortis Bank Luxembourg S.A. and Fortis Bank Polska SA. Under the said assignment agreement, Fortis Bank Nederland N.V. transferred all its receivables due from Fortis Bank Polska SA under credit agreement dated 23 October 2007 for EUR 100 million, over to Fortis Bank Luxembourg S.A. The assignment agreement does not change the conditions of repayment of the obligation assumed by Fortis Bank Polska SA. As a result of the agreement, the credit receivables in question will be repaid in favour of Fortis Bank Luxembourg S.A.

As at the end of December 2008, the loan outstanding value was PLN 417,240 thousand, while as at the end of December 2007, it stood at PLN 358,200 thousand.

## 18. Other obligations

## Note 18

Other obligations (in PLN thousand)	31.12.2008	31.12.2007
<b>Accrued interest and expenses</b>	16 256	14 042
<b>Interest to be paid, including:</b>	64 829	41 434
- on due to banks	18 576	32 794
- on due to customers	46 123	8 423
- on subordinated debt	130	217
<b>Expenses to be paid</b>	9 016	11 911
<b>Taxes to be paid</b>	5 377	6 913
<b>Employee Benefits</b>	25 077	31 522
<b>Derivative instruments - hedging</b>	-	751
<b>Interbank settlements</b>	188 332	58 642
<b>Liabilities on account of recognition of financial assets at the trade date</b>	-	20 700
<b>Liabilities due to counterparties</b>	18 557	14 087
<b>Settlement on account of credit debt</b>	16 588	32 642
<b>Others</b>	10 060	19 285
<b>Total other liabilities</b>	<b>354 092</b>	<b>251 929</b>

## 19. Provisions

### Note 19.1

<b>Provisions by titles (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Provisions for off-balance sheet commitments	8 270	4 911
IBNR reserve – off-balance sheet commitments	4 655	7 728
Legal risk provisions	2 900	2 900
Provisions for office sub-lease	1 049	435
<b>Total provisions</b>	<b>16 874</b>	<b>15 974</b>

The Bank created a provision in case of an unfavourable outcome for the Bank of the decision issued by the President of Office of Competition and Consumer Protection on December 29, 2006 regarding a penalty to be imposed on the Bank and other banks for illegal practices of inflating fees for non-cash card transactions. Penalty of PLN 2.9 million was imposed on the Bank. The provision creation costs were included in the Bank's net profit of 2006.

The notes below present changes in the balance of provisions:

### Note 19.2.1

<b>Change in provisions for off-balance sheet commitments (in PLN thousand)</b>	<b>01.01.2008 – 31.12.2008</b>	<b>01.01.2007 – 31.12.2007</b>
<b>Opening balance</b>	<b>12 639</b>	<b>8 816</b>
Increases	9 000	6 222
- for off-balance sheet commitments	5 893	4 863
- for IBNR losses – off-balance sheet commitments	3 107	1 359
Decreases	-8 724	-2 389
- for off-balance sheet commitments	-2 544	-677
- for IBNR losses – off-balance sheet commitments	-6 180	-1 712
FX rate differences	10	-10
<b>Ending balance</b>	<b>12 925</b>	<b>12 639</b>

### Note 19.2.2

<b>Changes in other provisions (in PLN thousand)</b>	<b>01.01.2008 – 31.12.2008</b>	<b>01.01.2007 – 31.12.2007</b>
<b>Opening balance</b>	<b>3 335</b>	<b>3 444</b>
Increases	1 107	1 936
- for legal risk	-	1 401
- for office sub-lease	1 107	535
Decreases	-493	-2 045
- for legal risk	-	-1 417
- for office sub-lease	-493	-628
<b>Ending balance</b>	<b>3 949</b>	<b>3 335</b>

## 20. Equity

### Note 20.1

<b>Equity (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Share capital	503 135	503 135
Share premium	308 656	308 656
Other capital	344 983	183 200
Revaluation reserve	-18 053	-2 818
Retained earnings	-	-15 811
Net profit (loss) for the year	78 191	177 594
<b>Total equity</b>	<b>1 216 912</b>	<b>1 153 956</b>

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

The share capital of the Bank is PLN 503,135,400.00 and is divided into 16,771,180 shares with a nominal value of PLN 30 each.

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

### Note 20.2

<b>Series / issue</b>	<b>Registration date</b>	<b>Number of shares</b>	<b>Series / issue value at nominal value</b>
A	19.12.1990	634 060	19 021 800
B	30.04.1991	1 115 940	33 478 200
C	14.07.1994	2 000 000	60 000 000
D	11.07.1996	1 250 000	37 500 000
E	11.04.1997	1 250 000	37 500 000
F	04.06.1998	625 000	18 750 000
G	04.06.1998	740 000	22 200 000
H	08.10.1999	761 500	22 845 000
I	03.07.2000	1 675 300	50 259 000
J	28.06.2001	5 025 900	150 777 000
K	02.01.2007	1 693 480	50 804 400
<b>Total</b>		<b>16 771 180</b>	<b>503 135 400</b>

The shareholder structure as at 31 December 2008 and in a comparative period was as follows:

### Note 20.3

<b>Balance as at 31.12.08</b>	<b>number of shares owned</b>	<b>share (%) in the equity</b>	<b>number of votes at the AGM*</b>	<b>share (%) in the total number votes at the AGM*</b>
<b>Fortis Bank S.A./N.V.</b>	<b>16 651 449</b>	<b>99,29%</b>	<b>16 651 449</b>	<b>99,29%</b>
<b>Others</b>	<b>119 731</b>	<b>0,71%</b>	<b>119 731</b>	<b>0,71%</b>
<b>Total:</b>	<b>16 771 180</b>	<b>100%</b>	<b>16 771 180</b>	<b>100%</b>

\* In connection with a change of Fortis Bank SA/NV parent entity (currently Societe Federale de Participation et d'Investment), Fortis Bank SA/NV cannot exercise its voting rights attached to the shares held, until Societe Federale de Participation et d'Investment receives a relevant consent from KNF (the Polish Financial Supervision Authority).

<b>Balance as at 31.12.07</b>	<b>number of shares owned</b>	<b>share (%) in the equity</b>	<b>number of votes at the AGM</b>	<b>share (%) in the total number votes at the AGM</b>
<b>Fortis Bank S.A./N.V.</b>	<b>16 635 287</b>	<b>99,19%</b>	<b>16 635 287</b>	<b>99,19%</b>
<b>Others</b>	<b>135 893</b>	<b>0,81%</b>	<b>135 893</b>	<b>0,81%</b>
<b>Total:</b>	<b>16 771 180</b>	<b>100%</b>	<b>16 771 180</b>	<b>100%</b>

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

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

**Note 20.4**

<b>Other capital (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
General risk fund	194 639	117 045
Reserve capital	150 344	66 155
<b>Total other capital</b>	<b>344 983</b>	<b>183 200</b>

Revaluation reserve as at 31 December 2008 and in comparative periods stood at:

**Note 20.5**

<b>Revaluation reserve (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Measurement of available-for-sale financial assets, including:	-22 287	-3 479
- Treasury bills	1 522	-93
- Treasury bonds	-23 809	-3 386
Deferred tax	4 234	661
<b>Total revaluation reserve</b>	<b>-18 053</b>	<b>-2 818</b>

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

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

The revaluation reserve is not subject to distribution.

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

The Board of Executives intends to recommend that the Annual General Shareholders' Meeting should resolve to pay no dividend and allocate the entire 2008 net profit to increase the Bank's own funds.

## 21. Additional Notes to Cash Flow Statement

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

### Note 21

<b>Other assets and liabilities (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Change in costs to be paid	-2 895	7 191
Change in the balance of financial assets and liabilities recognised at the trade date	71 607	-180 530
Change in interest to be received	-27 081	-31 744
Change in interest to be paid	23 395	22 558
Change in interbank settlements	130 788	-69 770
Change in employee benefits	-6 445	7 771
Change in the balance of settlements on account of credit debt	-16 054	18 100
Change in the balance of settlements with counterparties	3 537	5 582
Others	-16 703	11 731
<b>Total other assets and liabilities</b>	<b>160 149</b>	<b>-209 111</b>



## 22. Assets that Secure Own Commitments

Pursuant to the rules of protection fund of guaranteed deposits under the Bank Guarantee Fund Act (dated 14 December 1994 as amended), as at 31 December 2008 the Bank's books contained Treasury bonds, which were separated from assets, to secure the BGF in the nominal value of PLN 25,000,000. Type of assets and their amount registered in the Bank's books earmarked for the coverage of the BGF is consistent with conditions defined in particular in Article 26 para. 1 and 2 and Article 13 of the said Act.

### Note 22.1

<b>Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund</b>		
<b>(in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
- Treasury bonds at nominal value	25 000	20 000
- Treasury bonds at balance sheet value	23 425	20 001
<b>Total available for sale securities at balance sheet value</b>	<b>23 425</b>	<b>20 001</b>

<b>Value of cash deposited at the Bank and guaranteed by the system</b>	<b>7 695 555</b>	<b>7 409 434</b>
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### Note 22.2

<b>Securities pledged in the KDPW against the lombard loan</b>		
<b>(in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
- Treasury bonds at nominal value	- 382 400	271 000
- Treasury bonds at balance sheet value	- 369 372	269 448
of which used against the loan taken:	-	-
<b>Total securities pledged in the KDPW against the lombard loan, balance sheet value</b>	<b>- 369 372</b>	<b>269 448</b>

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

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

## 23. Derivative Financial Instruments

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 31.12.08 and for comparative periods, broken by residual maturity.

### Note 23.1

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

Derivative instruments held for trading (in PLN thousand)	31.12.2007							Total
	Fair value		Nominal value by maturity					
	positive	negative	Up to 1 month	1-3 months	3 months- 1 year	1-5 years	> 5 years	
<b>Foreign currency contracts:</b>	<b>160 130</b>	<b>157 620</b>	<b>5 046 133</b>	<b>5 394 345</b>	<b>7 915 633</b>	<b>445 221</b>	-	<b>18 801 332</b>
- Forward (including the forward leg of a FX swap contract)			1 793 730	1 358 631	1 763 600	56 911	-	<b>4 972 872</b>
- amounts bought	91 183	88 675						
- Forward (including the forward leg of a FX swap contract)			1 785 511	1 359 654	1 770 323	54 655	-	<b>4 970 143</b>
- amounts sold								
- Options – amounts purchased	68 947	68 945	733 446	1 338 030	2 185 614	156 345	-	<b>4 413 435</b>
- Options – amounts sold			733 446	1 338 030	2 196 096	177 310	-	<b>4 444 882</b>
<b>Interest Rate contracts</b>	<b>44 930</b>	<b>43 761</b>	<b>6 489 270</b>	<b>598 561</b>	<b>1 288 456</b>	<b>2 966 594</b>	<b>1 795 570</b>	<b>13 138 451</b>
- FRA	947	982	508 070	118 877	800 000	-	-	<b>1 426 947</b>
-IRS – amounts purchased	40 097	38 893	2 990 600	239 842	200 000	1 377 570	685 344	<b>5 493 356</b>
- IRS – amounts sold			2 990 600	239 842	200 000	1 377 570	685 344	<b>5 493 356</b>
- Options – amounts purchased	3 886	3 886	-	-	44 228	105 727	212 441	<b>362 396</b>
- Options – amounts sold			-	-	44 228	105 727	212 441	<b>362 396</b>
<b>Total derivative instruments held for trading</b>	<b>205 060</b>	<b>201 381</b>	<b>11 535 403</b>	<b>5 992 906</b>	<b>9 204 089</b>	<b>3 411 815</b>	<b>1 795 570</b>	<b>31 939 783</b>
Not traded on regulated markets	205 060	201 381	11 535 403	5 992 906	9 204 089	3 411 815	1 795 570	<b>31 939 783</b>
<b>Total</b>	<b>205 060</b>	<b>201 381</b>	<b>11 535 403</b>	<b>5 992 906</b>	<b>9 204 089</b>	<b>3 411 815</b>	<b>1 795 570</b>	<b>31 939 783</b>

### Information about hedge accounting rules applied

In 2008, the Bank applied hedge accounting to a limited extent. Out of the existing three types of hedging relations, i.e. fair value hedging, cash flow hedging and net investment hedging, the Bank applied only the hedging for the risk of changing the fair value of bonds presented as receivables, which risk resulted exclusively from the variability of the risk-free interest rate.

To hedge interest rate risk of bonds of Credit Suisse First Boston, Singapore branch in the nominal value of PLN 150,000 thousand, an IRS contract was concluded in the nominal value of PLN 150,000 thousand. Changes to fair value were recognised in the income statement of the Bank.

On 1 October 2008, the hedged item, i.e. bonds of Credit Suisse First Boston, Singapore branch were sold, as a result of which the Bank discontinued the application of hedge accounting.

The table below presents the breakdown of hedging derivative instruments at nominal value as at 31.12.08 and in comparative periods, broken by residual maturity.

### Note 23.2

Hedging derivative instruments (in PLN thousand)	31.12.2007					Total
	Fair value			Denomination		
	positive	negative	up to 1 year	1-5 years	> 5 years	
<b>Interest Rate contracts</b>	-	<b>751</b>	<b>150 000</b>	-	-	<b>150 000</b>
- Swaps	-	751	150 000	-	-	150 000
<b>Total hedging derivative instruments</b>	-	<b>751</b>	<b>150 000</b>	-	-	<b>150 000</b>
Not traded on regulated markets	-	751	150 000	-	-	<b>150 000</b>
<b>Total</b>	-	<b>751</b>	<b>150 000</b>	-	-	<b>150 000</b>

Hedging for bonds of Credit Suisse First Boston Singapore Branch:

### Note 23.3

<b>Instrument hedged: Credit Suisse First Boston bonds</b> <b>(in PLN thousand)</b>	<b>31.12.2007</b>
nominal value	150 000
fair value change	-4 656

<b>Hedging instrument: IRS Contract</b> <b>(in PLN thousand)</b>	<b>31.12.2007</b>
nominal value	150 000
fair value change	4 378

## 24. Contingent Liabilities - Off-balance Sheet Commitments

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

The tables below present the Bank's contingent liabilities as at 31.12.08 and comparative data.

Note 24.1

<b>Contingencies and Commitments (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Contingent liabilities granted</b>		
- items related to financing	4 018 046	3 730 140
- guarantees	908 430	876 428
<b>Total contingent sheet commitments granted</b>	<b>4 926 476</b>	<b>4 606 568</b>
<b>Contingent liabilities received</b>		
- items related to financing	1 606 913	584 232
- guarantees	282 933	259 712
<b>Total contingent sheet commitments received</b>	<b>1 889 846</b>	<b>843 944</b>
<b>Total contingent liabilities</b>	<b>6 816 322</b>	<b>5 450 512</b>

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2008 made up PLN 3,868,073 thousand or 96% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 3,482,888 thousand (93%) as at 31 December 2007. Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

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

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

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

The major item of off-balance sheet commitments received by the Bank constitute unused credit lines granted by the NBP and entities affiliated by management which as at 31 December 2008 made up PLN 1,606,913 thousand, and, respectively, PLN 584,232 thousand as at 31 December 2007.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 282,933 thousand as at 31 December 2008 and PLN 259,712 thousand as at 31 December 2007.

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

97% of contingent liabilities granted, both the ones related to financing and to guarantees, are liabilities of up to one-month maturity.

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

## 25. Custody Activity and Other Functions in Favour of Investment Funds

### Comprehensive scope of services

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

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

### Custody of securities

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

### Settlement of transactions

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

### Reports for Customers

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

### Depository

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

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

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

	<b>31.12.2008</b>	<b>31.12.2007</b>
Number of accounts maintained in favour of customers	12	56
Funds deposited on such Customer accounts (in PLN thousand)	2 428 005	3 997 609

**Other functions performed in favour of investment funds**

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

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

## 26. Payments related to Lease Agreements

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

In 2008, the Bank incurred expenses related to rent for the above real property of PLN 28,591 thousand, as compared to PLN 23,551 thousand incurred in the comparable period (i.e. in 2007). The above fees were recognised in the income statement in Note "Other costs."

Future liabilities and receivables on account of lease, presented in the notes below, are exclusive of VAT.

### Note 26.1

<b>Future liabilities under lease agreements by maturity in PLN thousand</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
up to 1 year	28 912	25 254
from 1 up to 5 years	111 101	83 485
above 5 years	78 800	80 954
<b>TOTAL</b>	<b>218 813</b>	<b>189 693</b>

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

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

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

Pursuant to lease agreements, the Bank subleases office premises.

### Note 26.2

<b>Future receivables under sublease agreements by maturity in PLN thousand</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
up to 1 year	2 219	2 717
from 1 up to 5 years	5 756	5 701
above 5 years	3 881	4 533
<b>TOTAL</b>	<b>11 856</b>	<b>12 951</b>

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



## 27. Information on Related Party Transactions

As at the end of 2008, the Bank was part of a banking group where the ultimate parent entity was the Belgian State government through the agency of the Société Fédérale de Participations et d'Investissement. Fortis Bank SA/NV based in Brussels remains the Bank's parent entity.

The Bank holds 100% shares in its subsidiary, Fortis Private Investments Polska SA.

Information on transactions with employees, the Board of Executives, Supervisory Board, managers and persons related with them are presented in Note 28.

Information on transactions of the Bank with its parent company, its subsidiary and entities affiliated by management is presented below. These transactions refer to banking operations performed in a usual course of business; the terms and conditions of transactions presented correspond to market conditions.

### Note 27.1

<b>31.12.2008</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Entities affiliated by management</b>	<b>Total</b>
Cash and cash equivalents	1 106 389	-	1 106 389
Financial assets held for trading	205 148	-	205 148
Due from Banks and Loans to Customers	302 986	41 700	344 686
Other assets	10 451	197	10 648
<b>Total</b>	<b>1 624 974</b>	<b>41 897</b>	<b>1 666 871</b>
Financial liabilities held for trading	717 080	-	717 080
Due to banks and customers	1 235 055	8 360 715	9 595 770
Subordinated liabilities	-	417 240	417 240
Other obligations	22 010	16 142	38 152
<b>Total</b>	<b>1 974 145</b>	<b>8 794 097</b>	<b>10 768 242</b>

<b>31.12.2007</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	72 997	-	35 001	107 998
Financial assets held for trading	103 238	-	-	103 238
Due from Banks and Loans to Customers	454 224	1	124 879	579 104
Other assets	197	402	488	1 087
<b>Total</b>	<b>630 656</b>	<b>403</b>	<b>160 368</b>	<b>791 427</b>
<b>Liabilities</b>				
Financial liabilities held for trading	104 540	-	-	104 540
Due to banks and customers	834 133	10 171	4 007 199	4 851 503
Subordinated liabilities	-	-	358 200	358 200
Other obligations	829	15	38 372	39 216
<b>Total</b>	<b>939 502</b>	<b>10 186</b>	<b>4 403 771</b>	<b>5 353 459</b>

**Note 27.2**

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

<b>1.01.2007 – 31.12.2007</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Profit &amp; Loss Account</b>				
Interest income	20 285	-	3 413	23 698
Interest expense	-3 985	-299	-126 745	-131 029
Fee and commission income	15 856	8 537	2 227	26 620
Fee and commission expense	-1 867	-	-2	-1 869
Dividend and other investment income	-	3 400	-	3 400
Net trading income	27 810	-	-28	27 782
Net profit (loss) on hedging transactions	4 180	-	-	4 180
Other revenues	6 095	-	-	6 095

**Note 27.3**

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

<b>31.12.2007</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Contingent liabilities and transactions in derivative instruments</b>				
Contingent liabilities granted:	-	49	74 076	74 125
- items related to financing	-	49	46 663	46 712
- guarantees	-	-	27 413	27 413
Contingent liabilities received:	12 109	-	167 343	179 452
- items related to financing	-	-	107 432	107 432
- guarantees	12 109	-	59 911	72 020
Transactions in derivative instruments*	19 058 624	-	-	19 058 624

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

**Material agreements with related parties**

**Fortis Bank**

On 25 February 2008, Fortis Bank Polska S.A. signed a credit agreement with Fortis Banque Luxembourg based in Luxembourg. The agreement defines the terms of a credit line contracted by Fortis Bank Polska S.A. with Fortis Banque Luxembourg SA with the limit of EUR 300 million (or its equivalent in USD or CHF) in order to finance the Bank's operating activity. No collateral has been established for the transaction.

On 3 March 2008, Fortis Bank Polska S.A. signed an agreement with Fortis Bank S.A./NV Bruxelles Sucursala Bucuresti, regarding the provision of financial services by Fortis Bank Polska S.A. with respect to clearing outgoing domestic ('domestic' from the point of view of the branch serviced) and cross-border payments, including both traditional and electronic transfers; settlement of incoming domestic and cross-border payments; handling customer complaints; settlement of transactions entered into by local treasury departments; disbursement of loans granted by local credit departments; reporting to the branches of Fortis Bank SA/NV. Under the above agreement, the Bank is paid remuneration to cover operating costs of the Payment Shared Service Group, increased by a margin. No collateral has been established for the transaction.

On 30 April 2008, Fortis Bank Polska SA signed a cooperation agreement with Fortis Bank SA/NV on offering derivative instruments of Fortis Global Market by Fortis Bank Polska SA in Poland. The remuneration of Fortis Bank Polska SA on account of the agreement is the sales margin. The remuneration amount depends on the value of transactions effected. The agreement was concluded for an unlimited period of time. No collateral has been established for the transaction.

On 27 November 2008, Fortis Bank Polska SA along with the other parties to the agreement, signed the agreement on assignment of credit receivables which was concluded by and between Fortis Bank Nederland N.V., Fortis Bank Luxembourg S.A. and Fortis Bank Polska SA. Under the said assignment agreement, Fortis Bank Nederland N.V. transferred all its receivables due from Fortis Bank Polska SA under credit agreement dated 23 October 2007 for EUR 100 million, over to Fortis Bank Luxembourg S.A. The assignment agreement does not change the conditions of repayment of the obligation assumed by Fortis Bank Polska SA. As a result of the agreement, the credit receivables in question will be repaid in favour of Fortis Bank Luxembourg S.A. No collateral has been established for the transaction. The transaction that is the subject-matter of the assignment of receivables is described in Note 17 "Subordinated liabilities".

On 2 December 2008, a credit agreement was signed between Fortis Bank Polska S.A. and Fortis Finance Belgium SCRL based in Brussels on taking a EUR 500 million credit line by the Bank from Fortis Finance Belgium SCRL to finance the Bank's current operating activity. The financing term was determined at 18 months starting from the credit line utilisation date. The financing terms correspond to market conditions. The credit interest rate was determined based on the EURIBOR rate increased by a margin and a liquidity premium. The maximum interest accrual period was determined at 12 months. On 3 December 2008, the Bank drew down funds in the amount of EUR 500 million. No collateral has been established for the transaction.

On 3 December 2008, a credit agreement was signed between Fortis Bank Polska S.A. and Fortis Finance Belgium SCRL based in Brussels on taking a EUR 100 million credit line by the Bank from Fortis Finance Belgium SCRL to finance the Bank's operating activity. The financing term was determined at 24 months starting from the credit line utilisation date. The financing terms correspond to market conditions. The credit interest rate was determined based on the EURIBOR rate increased by a margin and a liquidity premium. The commitment fee will be 0.225% p.a. on the unused credit limit. The maximum interest accrual period was determined at 12 months. Pursuant to the agreement, the credit line granted to Fortis Bank SA remains open for utilisation until 1 December 2009 starting from the agreement signing date. No collateral has been established for the transaction.

On 5 December 2008, Fortis Bank Polska SA signed an agreement on assignment of credit receivables with Fortis Bank Nederland N.V., Fortis Bank S.A./NV and Fortis Bank Luxembourg SA. Under the said assignment agreement, Fortis Bank Nederland N.V. transferred all its receivables due from Fortis Bank Polska SA under credit agreement dated 16 January 2007 for EUR 1,300 million, over to Fortis Bank Luxembourg S.A. The assignment agreement does not change the conditions of repayment of the obligation assumed by Fortis

Bank Polska SA. As a result of the agreement, the credit receivables in question will be repaid in favour of Fortis Bank Luxembourg S.A. No collateral has been established for the transaction.

On 8 December 2008, Fortis Bank Polska SA signed an agreement on assignment of credit receivables under which Fortis Bank Nederland N.V. transferred all its receivables due from Fortis Bank Polska SA under credit agreement dated 30 January 2004 for EUR 200 million, concluded for the period until 31 October 2010, over to Fortis Bank Luxembourg S.A. The assignment agreement does not change the conditions of repayment of the obligation assumed by Fortis Bank Polska SA. As a result of the agreement, the credit receivables in question will be repaid in favour of Fortis Bank Luxembourg S.A. No collateral has been established for the transaction.

On 8 December 2008, Fortis Bank Polska SA signed an agreement on assignment of credit receivables under which Fortis Bank Nederland N.V. transferred all its receivables due from Fortis Bank Polska SA under credit agreement dated 30 January 2004 for EUR 200 million, concluded for the period until 30 June 2012, over to Fortis Bank Luxembourg S.A. The assignment agreement does not change the conditions of repayment of the obligation assumed by Fortis Bank Polska SA. As a result of the agreement, the credit receivables in question will be repaid in favour of Fortis Bank Luxembourg S.A. No collateral has been established for the transaction.

On 8 December 2008, Fortis Bank Polska SA signed an agreement on assignment of credit receivables under which Fortis Bank Nederland N.V. transferred all its receivables due from Fortis Bank Polska SA under credit agreement dated 3 July 2006 for EUR 300 million, signed and reported on 27 July 2006, over to Fortis Bank Luxembourg S.A. The assignment agreement does not change the conditions of repayment of the obligation assumed by Fortis Bank Polska SA. As a result of the agreement, the credit receivables in question will be repaid in favour of Fortis Bank Luxembourg S.A. No collateral has been established for the transaction.

### **Dominet Bank**

On 9 January 2008, Fortis Bank Polska S.A. signed a Cooperation Agreement with Dominet Bank S.A., under which both parties thereto have committed to undertake all necessary initiatives leading to the merger of Fortis Bank Polska SA and Dominet Bank SA. The merger is to be effected by transferring the assets of Dominet Bank SA (the acquiree) to Fortis Bank Polska SA (the acquirer) in exchange for newly-issued FBP shares which will be allocated to the existing Dominet Bank shareholders, pursuant to Art. 492 § 1 of the Code of Commercial Companies and Partnerships. No collateral has been established for the transaction.

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

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

### Note 28.1

in PLN thousand	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Board of Executives, including:	6 602	6 187
- remuneration	3 147	3 385
- benefits*	543	606
- other**	2 912	2 196
Supervisory Board	487	445
Managing Directors***	11 152	8 995

\* The "Benefits" item includes expenses related to medical care, company car (lump sum), accommodation and participation in the "Fortis Executives and Professionals Stock Option Plan" for shares of Fortis Bank NV.

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

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

The table below presents detailed information on remuneration paid to members of the Board of Executives in 2008, and comparative data for 2007.

### Note 28.2

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

1.01.2007 – 31.12.2007 (in PLN thousand)		Remuneration	Benefits	Others	Total
Alexander Paklons	BoE President since 8 Dec 2007	-	273	662	935
Jan Bujak	Senior Vice-President since 8 Dec 2007	690	6	605	1 301
Bartosz Chyła	Vice President	675	6	287	968
Jean – Luc Deguel	Vice President	618	130	238	986
Jaromir Pelczarski	Vice President	687	6	245	938
Thierry Lechien	Vice President since 1 Sept 2007	234	54	-	288
Koenraad Verhoeven	Vice President until 31 August 2007	481	131	159	771
<b>Total</b>		<b>3 385</b>	<b>606</b>	<b>2 196</b>	<b>6 187</b>

The table below presents detailed information on remuneration paid to members of the Supervisory Board in 2008, and comparative data for 2007.

**Note 28.3**

<b>1.01.2008 – 31.12.2008</b>		<b>Remuneration</b>
<b>(in PLN thousand)</b>		
Jos Clijsters	Chairman	108
Antoni Potocki	Deputy Chairman	84
Werner Claes	Deputy Chairman (until 25 September 2008)	54
Zbigniew Dresler	Supervisory Board Member	64
Peter Ullmann	Supervisory Board Member	64
Marc Luet	Member of the Board (from 21 February 2008 to 26 September 2008)	35,5
Lucas Willemyns	Deputy Chairman (from 21.02.08)	56,5
Christopher Norris	Deputy Chairman (from 26 September 2008)	21
<b>Total</b>		<b>487</b>

<b>1.01.2007 – 31.12.2007</b>		<b>Remuneration</b>
<b>(in PLN thousand)</b>		
Jos Clijsters	Chairman	72
Antoni Potocki	Deputy Chairman	66
Werner Claes	Deputy Chairman	66
Zbigniew Dresler	Supervisory Board Member	54
Didier Giblet	Supervisory Board Member (until 7 December 2007)	54
Bernard Levie	Supervisory Board Member (until 15.06.07)	25
Thierry Schuman	Supervisory Board Member (until 7 December 2007)	54
Peter Ullmann	Supervisory Board Member	54
<b>Total</b>		<b>445</b>

Three members of the Bank's Board of Executives who are at the same time members of Supervisory Board of Fortis Private Investments Polska S.A. did not receive remuneration for this, either in 2008 or in 2007.

**Stock options granted to employees**

Fortis Bank Polska SA participates in Fortis Executives and Professionals Stock Option Plan ("the Plan") organised by Fortis SA/NV and Fortis NV (Fortis). Under the Plan, Fortis grants options for Fortis shares to selected executives of Fortis companies.

Conditions for the rights acquisition

Stock options are awarded free of charge by Fortis. The options granted are strictly personal and not open to transfer of ownership, or any other way of transfer of ownership rights. Options are granted exclusively on a voluntary basis.

Maximum duration of options granted

The options have a term of 10 years of the Date of Offer made to employees. The options that are not exercised by the end of their term shall expire without any indemnification.

Options can be exercised in the period starting from the fifth anniversary of the Date of Offer, and ending on the day preceding the tenth anniversary of the Date of Offer.

Settlement method

Options can be exercised using one of the following methods:

- (i) delivery of Fortis shares to a securities account,
- (ii) immediate sale of shares on behalf of the employee (the Participant) on Euronext Brussels.

Number and average weighted exercise prices of stock options held by the managers of the Bank:

**Note 28.4**

	31.12.2008		31.12.2007	
	Number of options	Option average weighted price (in EUR)	Number of options	Option average weighted price (in EUR)
Increase related to changes of the option plan conditions since the beginning of 2008(*)	18 130	-	-	-
(i) opening balance	111 330	22,49	51 100	21,99
(ii) granted (and accepted) in a given period	39 700	16,46	42 100	34,19
(iii) redeemed in a given period in connection with employee resignation(**)	-24 827	-	-	-
(iv) exercised in a given period	-	-	-	-
(v) expired in a given period	-	-	-	-
(vi) ending balance	126 203	20,59	93 200	27,50
(vii) that can be exercised at the end of a given period	14 936	12,44	-	-
average weighted period left to the end of a contractual stock option period (in months)		92		97

(\*) in connection with the pre-emptive rights issue in September 2007, Fortis decided to changed conditions related to employee options effective the beginning of 2008.

As a result of the change:

- the existing option exercise price was multiplied by the coefficient of 0.83715;
- the existing number of options awarded to employees was divided by the coefficient of 0.83715.

(\*\*) Options as at 31 Dec 2007, pertaining to Fortis Bank Polska SA employees who left the Group during 2008.

**Provisions for employee benefits for key managers of the Bank**

The table below presents provisions for employee benefits for key managers as at 31 December 2008 and comparative data as at 31 December 2007:

**Note 28.5**

Provisions for employee benefits for key managers, by groups (in PLN thousand)	31.12.2008	31.12.2007
Short-term, including:	2 889	3 687
- Board of Executives	962	1 675
- Managing Directors	1 927	2 012
Long-term, including:	250	173
- Board of Executives	75	64
- Managing Directors	175	109
<b>Total provisions for employee benefits for key managers</b>	<b>3 139</b>	<b>3 860</b>

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

**As at 31.12.08, the Bank granted:**

to the Supervisory Board's Members:

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

to the Board of Executives' Members:

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

to Managing Directors:

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

to persons related to managing and supervising persons:

- eight (8) loans (of which, one in foreign currency) in the total amount of PLN 202 thousand with the original maturity from 3 months to 30 years, inclusive;
- three (3) debit limits in the savings and loan accounts totalling PLN 37 thousand, of which PLN 29 thousand were utilised as at the end of 2008;
- four (4) credit card limits totalling PLN 35 thousand, of which PLN 8 thousand was utilised as at the end of 2008.

**As at 31.12.07, the Bank granted:**

to the Supervisory Board's Members:

- Credit card limit of PLN 29 thousand, of which PLN 29 thousand was used,
- Guarantee of USD 5 thousand issued for the period from 5 up to 10 years;

to the Board of Executives' Members:

- four (4) credit card limits of PLN 37 thousand in total, of which PLN 6 thousand was used,
- two (2) loans (of which, two in foreign currencies) in the total amount of PLN 1,351 thousand with the original maturity from 5 to 30 years, inclusive;
- two (2) debit limits in the savings and checking account in the total amount of PLN 100 thousand.

to Managing Directors:

- 25 loans totalling PLN 5,500 thousand, including 15 foreign currency loans of the total of PLN 3,882 thousand with original maturity from 2 to over 30 years;
- 7 debit limits in the savings and checking accounts (ROR) totalling PLN 80 thousand, of which PLN 19 thousand were utilised as at the end of 2007;
- 16 credit card limits totalling PLN 116 thousand, of which PLN 44 thousand was utilised as at the end of 2007;

to persons related to managing and supervising persons:

- four (4) loans (of which, three in foreign currencies) in the total amount of PLN 736 thousand with the original maturity from 5 to 30 years, inclusive;
- one (1) debit limit in the savings and loan accounts totalling PLN 50 thousand, of which PLN 39 thousand was utilised as at the end of 2007;
- two (2) credit card limits totalling PLN 15 thousand, of which PLN 6 thousand was utilised as at the end of 2007.



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

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

**Note 28.6**

<b>Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
in PLN thousand	358	341

**Employee loans**

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

**Note 28.7**

<b>Employee loans granted</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
in PLN thousand	180 870	106 029
According to the number of employees	1 060	991

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

## 29. Employee Benefits

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

### Note 29.1

<b>Employment:</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
FTEs	1 768	1 701
of which, having education:		
- Higher	67%	64%
- BA	10%	12%
- Secondary	23%	24%

- Employee benefits consist of:
  - Short-term employee benefits, including:
    - reserve for bonuses
    - reserve for unused vacation leaves
    - CSBF (Company Social Benefit Fund)
    - others
  - Long-term employee benefits, including:
    - reserve for pension benefits
    - reserve for jubilee awards

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

### Note 29.2

<b>Short-term employee benefits by titles (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Reserve for employee bonuses	15 068	23 750
Reserve for unused vacation leaves	6 027	4 984
CSBF (Company Social Benefit Fund)	592	581
Others	705	44
<b>Total short-term employee benefits</b>	<b>22 392</b>	<b>29 359</b>

The Bank does not finance employee pension schemes.

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

Retirement severance pay, disability benefits and post-death benefits are governed by relevant Labour Code provisions and are obligatory. The Bank also voluntarily implements a jubilee award payment program. Although an obligation to pay such awards has not been provided for in the Bank's internal regulations, a long period of the solution application and the related employee expectations regarding the maintenance of the program in the future resulted in the valuation of such liabilities on the same level as the liabilities under the Labour Code. In regard to the jubilee award program the liabilities were measured on the basis of customary payment amounts.

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

**Note 29.3**

<b>Current value of liabilities (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Retirement severance pay, disability benefits and post-death benefits	1 451	975
Jubilee awards	1 234	1 188
<b>Total long-term employee benefits</b>	<b>2 685</b>	<b>2 163</b>
<b>Liabilities recognised in the balance sheet</b>	<b>2 685</b>	<b>2 163</b>

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

**Note 29.4**

<b>Retirement severance pay, disability benefits and post-death benefits (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Present value of liabilities – opening balance</b>	<b>975</b>	<b>796</b>
Current employment costs	475	199
Interest expense	53	36
Past employment costs	-	-
Actuarial Profits (+) / Losses (+)	-32	-36
Benefits paid out (-)	-20	-20
<b>Present value of liabilities – ending balance</b>	<b>1 451</b>	<b>975</b>

**Note 29.5**

<b>Jubilee awards (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Present value of liabilities – opening balance</b>	<b>1 188</b>	<b>1 132</b>
Current employment costs	337	232
Interest expense	57	48
Past employment costs	-	-
Actuarial Profits (+) / Losses (+)	16	20
Benefits paid out (-)	-364	-244
<b>Present value of liabilities – ending balance</b>	<b>1 234</b>	<b>1 188</b>

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

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

**Note 29.6**

<b>Actuarial assumptions for measurement</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Minimum discount rate	5,1%	5,3%
Maximum discount rate	6,5%	5,5%
Expected remuneration growth rate:		
- year 1	14,0%	5,0%
- year 2	10,0%	5,0%
- from Year 3	5,0%	5,0%

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

## 30. Risk Management

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

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

- risks for which the Bank determines capital requirements using methods defined by Resolution No. 1/2007 of the Polish Financial Supervision Authority dated 13 March 2007 regarding the scope and detailed rules of determination of capital requirements on account of specific risk types (...), including:

- credit risk
- liquidity risk
- FX risk,
- interest rate risk
- counterparty risk
- operational risk

- other risks that have been defined as material risks for the banking activity pursuant to Resolution No. 4/2007 of the Polish Financial Supervision Authority dated 13 March 2007 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process.

- business risk, including:
  - strategic risk
  - reputation risk

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

### **Credit risk**

#### **Credit risk management**

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

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

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

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

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

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

- implementation of the Bank's credit policy and strategy,
- creation and development of credit systems and tools (credit engineering),

- monitoring and management of the portfolio credit risk,
- credit reporting, credit control.

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

The operational dimension consists of the following activities:

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

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

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

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

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

- loan granting process in specific business lines,
- procedures regarding monitoring credit exposures on the individual and portfolio levels,
- rules and qualitative criteria regarding the use of legal collateral for loans,
- problem loan management process.

#### Credit loss measurement and absorption

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

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

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

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

### **Credit risk components**

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

- PD (Probability of Default) - the likelihood that a customer is assigned the default status which is a statistically estimated probability of an event of default and the customer's classification into the default category for one year,
- EAD (Exposure at Default) – a parameter that estimates the credit exposure value at the moment the customer is assigned the default status based on the current credit exposure and its possible changes in the future,
- LGD (Loss Given Default) – a statistically estimated amount that the Bank expects to lose as a result of the borrower's default status.

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

The default status is assigned to borrowers with respect to which the Bank identified indicators of default on their obligations under the credit agreement. The default definition applied by the Bank is consistent with the uniform definition binding in Fortis.

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

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

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

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

The calculation of the Incurred But Not Reported losses (IBNR) is based on the likelihood that a given credit exposure is reclassified from the performing portfolio into the portfolio of individually impaired assets in a given period of time, referred to as an incubation period, and subsequently the exposure is assigned the default status. For the Commercial Banking and Retail banking SE portfolios, the assigned incubation period results from an empirical analysis of effective frequency of customer financial situation reviews, and is five (5) and seven (7) months, accordingly. For the remaining part of the credit portfolio, the period of nine (9) months is applied.

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

### Rating system

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

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

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

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

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

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

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

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

### Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of write-downs for impairment and provisions for off-balance sheet commitments as at 31 December 2008 and comparative data as at 31 December 2007.

#### Note 30.1.1

Information on exposure quality (in PLN thousand)	31.12.2008	31.12.2007
<b>Cash and cash equivalents</b>	<b>1 138 904</b>	<b>167 450</b>
- receivables without impairment	1 139 364	167 766
- write-downs for impairment of IBNR losses	-460	-316
<b>Financial assets held for trading</b>	<b>1 372 145</b>	<b>253 301</b>
- securities	255 154	48 241
- derivative financial instruments	1 116 991	205 060
measurement to fair value	1 221 310	205 060
fair value adjustment on account for credit risk	-104 319	-
<b>Due from banks</b>	<b>606 373</b>	<b>1 084 283</b>
- receivables without impairment	606 447	1 084 360
- write-downs for impairment of IBNR losses	-74	-77

<b>Loans to customers</b>	<b>14 823 117</b>	<b>11 195 867</b>
- receivables without impairment	14 611 998	11 134 563
- receivables impaired, including where the determined on a case-by-case basis	470 792	255 713
determined using a collective method	426 870	223 162
- write-downs for impairment for incurred and reported losses	43 922	32 551
determined on a case-by-case basis	-211 972	-145 351
determined using a collective method	-185 292	-125 949
- write-downs for impairment of IBNR losses	-26 680	-19 402
	-47 701	-49 058
<b>Investments available for sale</b>	<b>1 218 990</b>	<b>603 235</b>
- securities	1 218 990	603 235
<b>Off-balance sheet commitments granted</b>	<b>4 913 551</b>	<b>4 593 929</b>
- off-balance sheet commitments without	4 886 301	4 539 268
- off-balance sheet commitments impaired, including where the impairment is:	40 175	67 300
determined on a case-by-case basis	39 226	66 679
determined using a collective method	949	621
- provisions for off-balance sheet commitments	-8 270	-4 911
determined on a case-by-case basis	-7 710	-4 596
determined using a collective method	-560	-315
- write-downs for impairment of IBNR losses – off- balance sheet commitments	-4 655	-7 728

**Note 30.1.2**

<b>Analysis of gross loans to customer portfolio (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Performing receivables without impairment	14 216 410	11 038 444
Non-performing receivables without impairment	395 588	96 119
Receivables with impairment determined on a case-by- case basis with a provision	366 944	214 043
Receivables with impairment determined on a case-by- case basis without a provision	59 926	9 119
Receivables with impairment determined collectively, with a provision	42 970	29 031
Receivables with impairment determined collectively, without a provision	952	3 520
<b>Total loans to customers, gross</b>	<b>15 082 790</b>	<b>11 390 276</b>

The table below presents an analysis by currencies of loans to customers which are neither past-due nor impaired, as at 31 December 2008 along with comparative data as at 31 December 2007:

**Note 30.1.3**

<b>Performing receivables without impairment by currencies (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
CAD	13	83
CHF	4 060 029	2 290 027
DKK	834	431
EUR	2 478 151	2 096 306
GBP	2 361	1 490
HUF	-	54
NOK	1 370	978



PLN	7 531 273	6 524 094
SEK	2 082	727
USD	140 297	124 254
<b>Total</b>	<b>14 216 410</b>	<b>11 038 444</b>

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 31 December 2008 along with comparative data as at 31 December 2007, is presented in the table below:

**Note 30.1.4**

<b>Performing receivables without impairment (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>1-7</b>	2 414 105	2 445 404
<b>8-10</b>	4 015 296	3 532 205
<b>11-12</b>	2 128 125	1 750 645
<b>13-17</b>	752 407	136 694
Unrated	4 906 477	3 173 496
- of which mortgage loans	4 328 069	2 608 429
<b>Total</b>	<b>14 216 410</b>	<b>11 038 444</b>

The analysis of loans to customers which are impaired, broken down by rating classes as at 31 December 2008 along with comparative data as at 31 December 2007, is presented in the table below:

**Note 30.1.5**

<b>Impaired receivables (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
- determined on a case-by-case basis	531 178	223 162
<b>18</b>	9 014	8 872
<b>19</b>	175 935	129 727
<b>20</b>	152 833	82 438
Unrated	8 088	2 125
- determined using a collective method	43 922	32 551
<b>18</b>	237	591
<b>19</b>	412	442
<b>20</b>	4 057	7 094
Unrated	39 216	24 424
<b>Total</b>	<b>470 792</b>	<b>255 713</b>

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

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

**Note 30.1.6**

<b>Past-due period of non-performing receivables, without impairment (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
from 1 to 30 days	354 341	78 573
from 31 to 60 days	16 043	15 412
from 61 to 90 days	17 139	2 134
from 91 days up	8 065	-
<b>Total non-performing receivables without impairment</b>	<b>395 588</b>	<b>96 119</b>

The table below presents types of collateral accepted by the Bank to secure credits and loans granted to loans as at 31 December 2008 and comparative data as at 31 December 2007.

**Note 30.1.7**

<b>Nominal value of collateral established in favour of the Bank (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Financial collateral - cash and cash equivalents	616 821	661 647
Financial collateral - other	2 028 306	1 604 160
Non-financial collateral - tangible	21 840 015	11 590 331
Guarantees and sureties	3 090 050	6 289 469
<b>Total collateral received</b>	<b>27 575 192</b>	<b>20 145 607</b>

The collateral presented above includes the following collateral types:

- financial collateral – cash and cash equivalents – collateral established on cash or securities in the form of a guaranty deposit, hold on a bank account or on securities account;
- financial collateral – other – collateral established on investment fund participation units in the form of a hold on an account, transfer of receivables;
- non-financial collateral – tangible – established as registered pledge, ordinary pledge, ownership transfer, mortgage; guarantees and suretyships.

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 22,027 thousand as at 31 December 2008 and PLN 2,335 thousand as at 31 December 2007.

Below there is an analysis of credit exposures (excl. banks) broken by business lines as at 31 December 2008 and comparative data as at 31 December 2007.

**Note 30.1.8**

<b>Credit exposures broken by business lines 30 Dec 2008 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Private Banking</b>	<b>Merchant Banking</b>	<b>Total</b>
Balance sheet credit exposures	8 590 455	217 126	6 275 209	15 082 790
Off-balance sheet credit exposures	1 449 807	12 185	3 380 228	4 842 220
<b>Total credit exposures, gross</b>	<b>10 040 262</b>	<b>229 311</b>	<b>9 655 437</b>	<b>19 925 010</b>
Write-downs for impairment for incurred and reported losses	-112 731	-	-99 241	-211 972
Provisions for off-balance sheet commitments	-1 616	-	-6 654	-8 270
Write-downs for Incurred But Not Reported losses (IBNR)	-30 818	-306	-21 232	-52 356
- balance sheet receivables	-28 763	-300	-18 638	-47 701
- Off-balance sheet commitments	-2 055	-6	-2 594	-4 655
<b>Total credit exposures, net</b>	<b>9 895 097</b>	<b>229 005</b>	<b>9 528 310</b>	<b>19 652 412</b>

<b>Credit exposures broken by business lines 30 Dec 2007 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Private Banking</b>	<b>Merchant Banking</b>	<b>Total</b>
Balance sheet credit exposures	5 873 596	212 362	5 304 318	11 390 276
Off-balance sheet credit exposures	1 376 739	13 834	3 109 970	4 500 543
<b>Total credit exposures, gross</b>	<b>7 250 335</b>	<b>226 196</b>	<b>8 414 288</b>	<b>15 890 819</b>
Write-downs for impairment for incurred and reported losses	-86 179	-	-59 172	-145 351
Provisions for off-balance sheet commitments	-1 115	-	-3 796	-4 911
Write-downs for Incurred But Not Reported losses (IBNR)	-29 796	-302	-26 688	-56 786
- balance sheet receivables	-27 371	-286	-21 401	-49 058
- Off-balance sheet commitments	-2 425	-16	-5 287	-7 728
<b>Total credit exposures, net</b>	<b>7 133 245</b>	<b>225 894</b>	<b>8 324 632</b>	<b>15 683 771</b>

**Note 30.1.9**

Segment / Risk category 31.12.2008	Credit exposure value						Total
	Retail Banking		Private Banking		Merchant Banking		
	in PLN thousand	in %	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	9 799 988	98	229 311	100	9 384 743	96	19 414 042
With impairment:	240 274	2	-	-	270 694	4	510 968
- determined on a case-by-case basis	195 891	-	-	-	270 207	-	466 098
- determined by a portfolio method	44 383	-	-	-	487	-	44 870
<b>Total credit exposures, gross</b>	<b>10 040 262</b>	<b>100</b>	<b>229 311</b>	<b>100</b>	<b>9 655 437</b>	<b>100</b>	<b>19 925 010</b>

Segment / Risk category 31.12.2007	Credit exposure value						Total
	Retail Banking		Private Banking		Merchant Banking		
	in PLN thousand	in %	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	7 086 441	98	226 196	100	8 255 169	98	15 567 806
With impairment:	163 894	2	-	-	159 119	2	323 013
- determined on a case-by-case basis	128 876	-	-	-	158 334	-	287 210
- determined by a portfolio method	35 018	-	-	-	785	-	35 803
<b>Total credit exposures, gross</b>	<b>7 250 335</b>	<b>100</b>	<b>226 196</b>	<b>100</b>	<b>8 414 288</b>	<b>100</b>	<b>15 890 819</b>

The table below presents an analysis of the portfolio of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 31 December 2008 along with comparative data as at 31 December 2007.

**Note 30.1.10**

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

Mortgage loans for private individuals 31.12.2007	PLN	FC	Total
Balance sheet value (in PLN thousand)	434 572	2 225 735	2 660 307
Average maturity (years)	20,5	25,7	25,0
Average LTV (%)	85,6	88,9	88,4

**Note 30.1.11**

<b>Analysis of the gross mortgage loan portfolio (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Performing receivables without impairment	4 328 070	2 608 428
Non-performing receivables without impairment	140 438	36 422
Receivables with impairment determined on a case-by-case basis with a provision	7 263	2 539
Receivables with impairment determined collectively, with a provision	25 896	12 777
Receivables with impairment determined collectively, without a provision	129	141
<b>Total mortgage loans, gross</b>	<b>4 501 796</b>	<b>2 660 307</b>

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

**Note 30.1.12**

<b>Past-due period of non-performing mortgage loans, without impairment (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
from 1 to 30 days	129 674	30 847
from 31 to 60 days	6 846	4 048
from 61 to 90 days	3 918	1 527
<b>Total non-performing mortgage loans without impairment</b>	<b>140 438</b>	<b>36 422</b>

The table below presents an analysis of mortgage loans by currency, as at 31 December 2008 and comparative data as at 31 December 2007.

**Note 30.1.13**

<b>Mortgage loans by currency (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
CHF	3 940 935	2 177 361
EUR	63 185	42 601
PLN	491 510	434 572
USD	6 166	5 773
<b>Total mortgage loans</b>	<b>4 501 796</b>	<b>2 660 307</b>

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken by sectors, as at 31 December 2008 and comparative data as at 31 December 2007.

**Note 30.1.14**

Credit portfolio by sectors	31.12.2008		31.12.2007	
	in PLN thousand	in %	in PLN thousand	in %
Natural persons	5 331 892	26,62	3 475 222	21,87
Wholesale	2 700 460	13,48	2 536 020	15,96
Education, medical care	1 747 423	8,72	1 368 557	8,61
Commercial construction and engineering	1 572 791	7,85	918 221	5,78
Machines	1 173 341	5,89	998 835	6,29
Retail trade	918 984	4,59	679 421	4,28
Food, tobacco, beverages	721 967	3,62	700 142	4,41
Chemicals and plastics	698 473	3,49	748 753	4,71
Wood, woodwork	411 340	2,06	447 109	2,81
Vessels	423 956	2,12	316 453	1,99
Financial institutions	430 509	2,16	254 197	1,60
Sports, tourism, culture and arts	384 174	1,92	357 519	2,25
Motor vehicles	333 997	1,67	283 986	1,79
Administration services	236 298	1,18	214 493	1,35
Ceramics and glass	245 759	1,23	169 333	1,07
Furniture and electrical industry	244 798	1,22	238 448	1,50
Textiles, leather articles	155 536	0,78	198 056	1,25
Transport	179 288	0,90	162 352	1,02
Other means of transport:	151 898	0,76	91 647	0,58
Production of metals and nonmetals	115 653	0,58	71 763	0,45
Paper and stationery	131 818	0,66	118 307	0,74
Print shops and publishers	122 866	0,61	151 567	0,95
Other services	31 798	0,16	56 929	0,36
Communications	25 901	0,13	33 902	0,21
Residential construction	43 706	0,22	61 047	0,38
Other production	1 118 227	5,61	831 220	5,23
Others	272 157	1,35	407 320	2,56
<b>Total credit portfolio by sectors</b>	<b>19 925 010</b>	<b>100,00</b>	<b>15 890 819</b>	<b>100,00</b>

**Credit risk concentration**

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

Pursuant to Article 71 of the Banking Law Act, as at 31 December 2008 maximum limits for the Bank were as follows:

- PLN 395,504 thousand (under the law, 25% of the Bank's equity) as regards the Bank's exposure towards each entity or entities affiliated by capital or management, where none of them is affiliated with the Bank,
- PLN 316,403 thousand (under the law, 20% of the Bank's equity) as regards the Bank's exposure towards each entity or entities affiliated by capital or management, where any of such entities is the Bank's parent entity or subsidiary, or a subsidiary of the Bank's parent entity,
- PLN 158,202 thousand (under the law, 10% of the Bank's equity) as regards the limit that defines the level that determines large exposure.

Neither in 2008 nor in 2007 did the Bank exceed the maximum exposure limit towards any customer or capital group as stipulated under the Banking Law Act.

**Liquidity, FX and interest rate risks**

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

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

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

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

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

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

- keep the desired market risk profile, determined in the Bank's strategies,
- keep the limits set out by the Bank within the limits, if any, determined for the same portfolios and risk types by Fortis Bank **Brussels**.

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

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

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

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

The policy that consists in a plain separation of:

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

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

no financial or non-financial assets by taking over collateral established to improve the credit terms and conditions, either in 2008 or in the comparative period, i.e. in 2007.

### Liquidity Risk

The Bank identifies the following liquidity types:

- Immediate liquidity – within a current day,
- Future liquidity – for a period exceeding the current day, which may be further broken down by the following:
  - Current liquidity – within the term up to 10 days
  - short-term liquidity – up to 3 months,
  - mid-term liquidity – from 3 months up to 1 year,
  - long-term liquidity – from 1 year up to three years,
  - long-term liquidity – from 1 year up to five years,
  - long-term liquidity – from 1 year up to ten years.

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

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

The Bank's strategy consists in the following:

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

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

As at 31.12.08, the structure of loans disbursed was as follows:

- EUR 200 million – maturity in January 2010;
- CHF 445 million – maturity in March 2010;
- EUR 500 million – maturity in June 2010;
- CHF 297 million – maturity in October 2010;
- CHF 100 million – maturity in July 2011;
- PLN 763 million – maturity in July 2011;

- CHF 212 million – maturity in June 2012;
- EUR 3 million – maturity in June 2012;
- PLN 725 million – maturity in June 2012;
- CHF 295 million – maturity in June 2012;
- EUR 100 million – maturity in September 2017.

The table below presents the liquidity gap as at 31 December 2008, likewise as at 31 December 2007.

**Note 30.2.1**

<b>Liquidity gap (in PLN million)</b>	<b>Amount</b>	<b>Unused limit</b>	<b>Limit</b>	<b>% of the limit used</b>	<b>Limit has been exceeded</b>	
<b>31. 12.2008</b>	<b>10D</b>	3 318	-908	2 410	138%	Yes
	<b>3M</b>	5 599	-3 229	2 370	236%	Yes
	<b>1Y</b>	2 292	-340	1 952	117%	Yes
<b>31.12.2007</b>	<b>10D</b>	1 352	126	1 478	91%	No
	<b>3M</b>	2 009	-544	<b>1 465</b>	137%	Yes
	<b>1Y</b>	1 272	-	1 272	100%	No

As at 31 December 2008, the 10D and 3M gaps were exceeded as a result of a significant outflow of customer deposits. A decrease of the total deposit balance disturbed statistical trends used in the Bank's liquidity gap calculation which in consequence resulted in a failure to keep internal liquidity limits. However, considering long-term liquidity lines agreements signed by the Bank in December, the Bank's liquidity situation is stable.

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 31 December 2008 and comparative data as at 31 December 2007.

**Note 30.2.2**

<b>31.12.2008 (in PLN thousand)</b>	<b>Without any maturity determined</b>	<b>up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Cash and cash equivalents	-	-	-	-	-	-	-	<b>1 494 888</b>
Financial assets held for trading	<b>-104 319</b>	<b>235 691</b>	<b>225 361</b>	<b>672 594</b>	<b>238 019</b>	<b>19 031</b>	<b>85 768</b>	<b>1 372 145</b>
Due from banks	<b>-74</b>	<b>591 172</b>	<b>3 735</b>	<b>4 999</b>	<b>6 541</b>	-	-	<b>606 373</b>
Loans to customers	<b>211 005</b>	<b>2 955 491</b>	<b>742 467</b>	<b>1 709 768</b>	<b>2 139 867</b>	<b>1 518 109</b>	<b>5 546 410</b>	<b>14 823 117</b>
Investments available for sale	<b>18 242</b>	-	<b>49 500</b>	<b>387 911</b>	<b>282 796</b>	<b>34 829</b>	<b>445 712</b>	<b>1 218 990</b>
Other assets	-	-	-	-	-	-	-	<b>370 791</b>
<b>Long position</b>	<b>124 854</b>	<b>3 782 354</b>	<b>1 021 063</b>	<b>2 775 272</b>	<b>2 667 223</b>	<b>1 571 969</b>	<b>6 077 890</b>	<b>19 886 304</b>
Financial liabilities held for trading	-	<b>110 161</b>	<b>184 396</b>	<b>470 120</b>	<b>144 783</b>	<b>15 891</b>	<b>36 250</b>	<b>961 601</b>
Due to banks	-	<b>1 810 320</b>	<b>5 890</b>	<b>44 178</b>	<b>3 262 961</b>	<b>2 310 380</b>	<b>120 754</b>	<b>7 554 483</b>
Due to customers	<b>42</b>	<b>4 731 659</b>	<b>1 155 450</b>	<b>481 175</b>	<b>2 937 074</b>	-	<b>2 812</b>	<b>9 308 212</b>
Subordinated liabilities	-	-	-	-	-	-	<b>417 240</b>	<b>417 240</b>
Other liabilities	-	-	-	-	-	-	-	<b>1 644 768</b>
<b>Short position</b>	<b>42</b>	<b>6 652 140</b>	<b>1 345 736</b>	<b>995 473</b>	<b>6 344 818</b>	<b>2 326 271</b>	<b>577 056</b>	<b>19 886 304</b>
<b>Gap – balance sheet</b>	<b>124 812</b>	<b>-2 869 786</b>	<b>-324 673</b>	<b>1 779 799</b>	<b>-3 677 595</b>	<b>-754 302</b>	<b>5 500 834</b>	<b>-</b>

**Derivative instruments**



Amounts bought	-	<b>3 317 720</b>	<b>3 026 439</b>	<b>8 175 074</b>	<b>2 272 745</b>	<b>1 018 635</b>	<b>1 562 910</b>	<b>19 373 523</b>
Amounts sold	-	<b>3 198 363</b>	<b>2 985 866</b>	<b>8 113 354</b>	<b>2 264 397</b>	<b>1 018 502</b>	<b>1 562 910</b>	<b>19 143 392</b>
<b>Gap – off-balance sheet</b>	-	<b>119 357</b>	<b>40 573</b>	<b>61 720</b>	<b>8 348</b>	<b>133</b>	-	<b>230 131</b>
<b>31.12.2007</b>								
<b>(in PLN thousand)</b>	<b>Without any maturity determined</b>	<b>up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Cash and cash equivalents	-	-	-	-	-	-	-	<b>710 793</b>
Financial assets held for trading	-	<b>64 215</b>	<b>56 292</b>	<b>70 268</b>	<b>5 636</b>	<b>43 134</b>	<b>13 756</b>	<b>253 301</b>
Due from banks	<b>-77</b>	<b>891 268</b>	<b>40 711</b>	<b>151 991</b>	<b>390</b>	-	-	<b>1 084 283</b>
Loans to customers	<b>61 308</b>	<b>2 516 402</b>	<b>351 789</b>	<b>1 660 554</b>	<b>2 012 759</b>	<b>1 130 346</b>	<b>3 462 709</b>	<b>11 195 867</b>
Investments available for sale	<b>18 236</b>	-	-	<b>95 835</b>	<b>219 261</b>	<b>179 899</b>	<b>90 004</b>	<b>603 235</b>
Other assets	-	-	-	-	-	-	-	<b>363 535</b>
<b>Long position</b>	<b>79 467</b>	<b>3 471 885</b>	<b>448 792</b>	<b>1 978 648</b>	<b>2 238 046</b>	<b>1 353 379</b>	<b>3 566 469</b>	<b>14 211 014</b>
Financial liabilities held for trading	-	<b>48 073</b>	<b>58 159</b>	<b>77 196</b>	<b>4 209</b>	<b>6 617</b>	<b>7 127</b>	<b>201 381</b>
Due to banks	-	<b>1 905 747</b>	<b>17 057</b>	<b>483 626</b>	<b>306 934</b>	<b>3 068 400</b>	<b>113 781</b>	<b>5 895 545</b>
Due to customers	-	<b>5 645 063</b>	<b>241 757</b>	<b>94 094</b>	<b>3 162</b>	<b>16 119</b>	<b>307 233</b>	<b>6 307 428</b>
Subordinated liabilities	-	-	-	-	-	-	<b>358 200</b>	<b>358 200</b>
Other liabilities	-	-	-	-	-	-	-	<b>1 448 460</b>
<b>Short position</b>	-	<b>7 598 883</b>	<b>316 973</b>	<b>654 916</b>	<b>314 305</b>	<b>3 091 136</b>	<b>786 341</b>	<b>14 211 014</b>
<b>Gap – balance sheet</b>	<b>79 467</b>	<b>-4 126 998</b>	<b>131 819</b>	<b>1 323 732</b>	<b>1 923 741</b>	<b>-1 737 757</b>	<b>2 780 128</b>	-
<b>Derivative instruments</b>								
Amounts bought	-	<b>5 825 846</b>	<b>3 055 380</b>	<b>4 743 442</b>	<b>925 860</b>	<b>770 693</b>	<b>897 785</b>	<b>16 219 006</b>
Amounts sold	-	<b>5 709 557</b>	<b>2 937 526</b>	<b>4 760 647</b>	<b>944 569</b>	<b>770 693</b>	<b>897 785</b>	<b>16 020 777</b>
<b>Gap – off-balance sheet</b>	-	<b>116 289</b>	<b>117 854</b>	<b>-17 205</b>	<b>-18 709</b>	-	-	<b>198 229</b>

### **FX risk**

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

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

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

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

Pursuant to the Bank's policy, the FX market risk is managed by the Treasury Department. The Treasury Department manages the risk by managing the Bank's FX position through entering into FX transactions with Customers and other

banks. To manage the FX position effectively and precisely, the Treasury Department uses the Bank's information system, which provides online up-to-date information on the following:

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

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

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

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

**Note 30.3.1**

<b>Information on FX risk</b>	<b>31.12.2008</b>		<b>31.12.2007</b>	
<b>(in PLN thousand)</b>				
Position limit utilization	16%	24 381	15%	22 744
VaR limit utilization	25%	297	23%	279

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

**Note 30.3.2**

<b>1.01.2008 – 31.12.2008</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	2%	9%	75%
<b>Global FX position</b>	5%	12%	33%

<b>1.01.2007 – 31.12.2007</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	2%	12%	50%
<b>Global FX position</b>	4%	13%	30%

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 31 December 2008 along with comparative data as at 31 December 2007.

**Note 30.3.3**

FX position components (in PLN thousand)	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
HUF	80	670	65	383
CZK	479	776	283	4 454
AUD	163	209	249	323
JPY	980	193	2 519	283
USD	202 033	358 251	507 739	573 721
CAD	1 155	1 883	1 528	1 615
GBP	73 721	80 023	89 289	88 724
DKK	32 571	19 958	39 606	22 320
NOK	24 400	13 743	54 115	16 045
CHF	4 261 222	3 853 743	2 326 553	1 793 333
SEK	15 745	9 188	35 483	21 975
EUR	3 587 627	5 732 704	2 674 748	2 850 280
SKK	1 769	-	9	498
PLN	11 683 123	9 811 466	8 478 823	8 836 403
Other convertible currencies	1 236	3 497	5	657
<b>Total</b>	<b>19 886 304</b>	<b>19 886 304</b>	<b>14 211 014</b>	<b>14 211 014</b>

**Interest Rate Risk**

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

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

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

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

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

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

<sup>1</sup> i.e., cumulated year-to-date, or for the period from the beginning of the calendar year until the given day of the calendar year.

<sup>2</sup> Cumulated change of the capital value, understood as the cumulated change in the fair value of financial instruments (resulting from the change of interest rates), the measurement of which, in the light of the binding accounting provisions, is recorded in the Bank's capital.

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

## 2. Earnings at Risk (EaR).

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

- The Central Scenario – which consists in keeping the actual interest rate curve.
- Forward Scenario – which consists in the assumption that future interest rate curves will be actually consistent with the currently observed future interest rate levels.
- The (+ 100bp) Shift Scenario – which consists in a parallel shift of the actual interest rate curve up by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve shape does not change any longer.
- The (- 100bp) Shift Scenario – which consists in a parallel shift of the actual interest rate curve down by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve does not change any longer.
- The (+100 bp KT - 100 bp LT) Scenario – otherwise called flattening, consists in changing the current curve shape by moving it up at the 1M level by 100 bp and moving it down at the level of 10Y by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve shape does not change any longer.
- The (-100 bp KT + 100 bp LT) Scenario – otherwise called steepening, consists in changing the current curve shape by moving it down at the 1M level by 100 bp and moving it up at the level of 10Y by 100 bp. The shift takes place in the first month subject to the simulation, and then the curve shape does not change any longer.

3. Sensitivity to the parallel shift of the interest rate curve (+100 bp shift). The analysis consists in determination of sensitivity of net present value of the Bank's assets and liabilities, to the parallel interest rate curve shift up by 100 bp. Wrażliwość wyznaczana jest jako wartość bezwzględna z różnicy wartości bieżących netto aktywów i pasywów, uzyskanych poprzez: po pierwsze - dyskontowanie aktualną krzywą, po drugie - dyskontowanie krzywą przesuniętą w górę o 100 bp. The analysis is made every month.

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

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

#### 1. Value at Risk (VaR) analysis.

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

#### 2. Modified Duration (N) analysis.

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

### **Additional analyses**

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

#### 1. Basis Point Sensitivity.

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

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

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

**Information on interest rate risk**

As at the end of 2008 and in the comparative period of 2007, the Bank's interest rate change risk was the following:

**Note 30.4.1**

<b>2-month VaR on the banking portfolio (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	16 285	12 110

**Note 30.4.2**

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

<b>Bp sensitivity (+1bp): 31.12.2007 (in PLN thousand)</b>	<b>CHF</b>	<b>EUR</b>	<b>PLN</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
<b>D7</b>	-0,5	-1,2	-1,8	-	-	-3,5
<b>M1</b>	-2,4	3,1	-4,4	0,9	0,1	-2,7
<b>M3</b>	-0,1	-1,6	-8,2	0,1	-	-9,8
<b>M6</b>	0,4	-0,5	-5,3	-	-	-5,4
<b>M9</b>	-	0,3	-6,1	0,1	-	-5,7
<b>M12</b>	-	-	-2,5	-	-	-2,5
<b>Y2</b>	-	-0,7	-37,9	-	-	-38,6
<b>Y3</b>	-	-1,4	-20,9	-	-	-22,3
<b>Y5</b>	-	-1,1	-25,4	-	-	-26,5
<b>Y10</b>	-	0,2	-4,6	-	-	-4,4
<b>Total</b>	-2,6	-2,9	-117,1	1,1	0,1	

In April 2008, a Modified Duration, one of the GMK IR limits was changed ("Global interest rate position" in the table) from PLN 1,600 million to PLN 1,900 million. Taking into account this fact, the limit utilisation since the beginning of 2008 was as follows:

**Note 30.4.3**

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

1.01.2007 – 31.12.2007	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	9%	27%	53%
<b>Global interest rate position</b>	3%	40%	74%

**Counterparty risk**

Counterparty risk is the risk of the counterparty's default on its liabilities under contracts included in the Bank's trading portfolio. The counterparty risk is related to exposures at risk of such market factors as interest rates or FX rates. The impact of market factors on transactions can result in a change in the exposure scale over time, thus generating credit risk when customer is insolvent. Actual exposure depends on contract measurement and surcharge that depends on a transaction type, customer type and settlement dates.

As at the end of 2008, the counterparty risk calculation included the following transaction types included in the Bank's trading portfolio:

- day-to-day foreign exchange contracts
- interest rate contracts
- FX options
- interest rate options

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

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

**Fair value****Note 30.5.1**

Fair value table (in PLN thousand)	31.12.2008		31.12.2007	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	1 494 888	<b>1 494 600</b>	710 793	<b>710 763</b>
Due from banks	606 373	<b>605 290</b>	1 084 283	<b>1 084 220</b>
Loans to customers	14 823 117	<b>13 515 781</b>	11 195 867	<b>11 074 009</b>
Due to banks	7 554 483	<b>7 264 763</b>	5 895 545	<b>5 814 213</b>
Due to customers	9 308 212	<b>9 315 995</b>	6 307 428	<b>6 303 603</b>
Subordinated liabilities	417 240	<b>320 332</b>	358 200	<b>350 570</b>

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

An interest rate curve used to calculate a loan fair value consists of:

**1. for deposits**

- interest rate curve free of credit risk

- cost of the funds acquisition valid as at 31 Dec 2008,

**2. for loans**

- interest rate curve free of credit risk
- cost of the funds acquisition valid as at 31 Dec 2008,
- market margin that reflects the credit risk

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

**Operational risk**

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 on different organisational levels of the Bank. Operational risk is a basic risk inherent in the Bank's business activity which grows along with the complexity of organisation, systems applied and products and services offered.

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

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

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

The Bank's Board of Executives makes a periodic assessment of how the Bank operational risk management strategy assumptions are executed. To this end, 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. The Risk and ALM Committee, which consists of all the BoE members and Risk Line Director (Chief Risk Officer), is a body managing the main risks at the Bank, including the operational risk.

Furthermore, there is a specialised Operational Risk Committee operating in the Bank that makes recommendations to the Risk & ALM Committee on issues pertaining to operational risk management.

On the basis of recommendations issued by the Operational Risk Committee regarding the areas of the Bank's activity of increased operational risk level, the Risk and ALM Committee takes decisions on further actions of the Bank leading to operational risk mitigation or acceptance, or discontinuation of operations accompanied by that risk. The Risk and ALM Committee can also decide on the need to insure an identified risk.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Operational Risk Management Department of the Risk Line. In addition to the above, co-ordination of the operational risk management process in the units belonging to TOPS is the responsibility of the Risk Transfer and Information Security Department, whose scope of competence includes also definition and implementation of the Bank's strategy in terms of Bank insurance, as a risk mitigation method.

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

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

The Bank is particularly committed to identification and assessment of reasons of 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 are 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 internal audit, 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 Office monitors and analyses the above-mentioned areas and notifies the Compliance Department and Audit Department about any risks or irregularities identified.

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

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

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

The Risk Line Director exercises an overall supervision over the Bank's actions under the business continuity measures at Fortis Bank Polska SA. The Risk Line Director and the Business Continuity Committee members, who support his actions in their respective areas of responsibility, are the Managers of the business continuity program at the Bank. At the level of basic organisational units, business continuity actions are the responsibility of designated Coordinators.

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

### **Compliance risk**

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

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

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

### **Security policy**

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

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

In 2008, Fortis Bank Polska SA implemented an Information Security Management System (ISMS).

In December 2008, an independent BSI auditor assessed and verified the ISMS as regards the compliance of implemented security measures with international standard ISO/IEC 27001.



The audit was successful and resulted in the Certification of the Information Security Management System of Fortis Bank Polska SA in the full scope of ISO /IEC 27001 standard, covering all services and products offered to customers in all branches and units of the Bank.

Measures to ensure information security are applied on a permanent basis on each management level.

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

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

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

Fortis Bank Polska SA implements the aforesaid scheme 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 developed in 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 will contribute to mitigating the risk of losing availability, reliability or confidentiality of information, through anticipating and preventing negative factors that are reflected in the quality of products and services offered.

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

Taking into account a growing number of external and internal threats that bore the hallmarks of abuse or offence against assets of the Bank or its customers, likewise continuously improved *modus operandi* of such events, the Bank extended and enhanced the process of counteraction, detection and examination of such cases. To accomplish the above objectives, a separate Investigations Department was created. The above measures are carried out under rules applied in Fortis and in close cooperation with financial market institutions in Poland.

### **Business risk**

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

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

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

The **reputation risk** should be understood as the risk that may adversely affect the business potential and scale of activity of the whole Bank as well as of other 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 public opinion's negative perception about the institution. Moreover, the risk affects the Bank's possibilities of initiating new relations or continuing to provide services to existing customers.

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

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

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

**Capital management****Capital adequacy**

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

The basic goal of the Bank in the analysed period is to maintain the equity funds at the level that guarantees the solvency ratio of at least 9.5%.

In connection with the fact that the capital adequacy ratio became close to 9.5%, the Bank took measures to obtain a subordinated loan of EUR 50 million from an entity of Fortis Bank Group. The loan, following the approval of the Polish Financial Supervision Authority, would increase the Bank's equity funds. The Bank's Board of Executives contemplates also a capital increase through a share issue.

**Note 30.6.1**

<b>Capital adequacy (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Risk-weighted off-balance sheet assets and liabilities	<b>13 980 079</b>	<b>11 726 693</b>
Share capital	503 135	503 135
Share premium	308 656	308 656
Reserve capital together with retained earnings	344 983	183 710
Subordinated liabilities included in own funds*	417 240	358 200
Other elements of the equity capital included in the capital adequacy ratio calculation	52 095	67 300
<b>Gross equity capital, total</b>	<b>1 626 109</b>	<b>1 421 001</b>
<b>Deductions</b>		
Capital shares in financial entities	18 196	18 196
Net intangible assets	25 896	22 287
<b>Total deductions</b>	<b>44 092</b>	<b>40 483</b>
<b>Net equity capital</b>	<b>1 582 017</b>	<b>1 380 518</b>
<b>Short-term capital</b>	<b>-</b>	<b>14 286</b>
including current profit on the Trading Portfolio	-	14 286
<b>Total equity capital plus short-term capital</b>	<b>1 582 017</b>	<b>1 394 804</b>
<b>Capital charge for:</b>		
Credit risk	1 209 577	946 714
Market risk	9 654	5 707
Operational risk	75 431	-
<b>Total capital requirement</b>	<b>1 294 662</b>	<b>952 421</b>
<b>Capital adequacy ratio</b>	<b>9,78%</b>	<b>11,72%</b>

\*On 21 November 2007, the Bank obtained the consent of the Banking Supervision Commission to include the loan as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law in order to take it into account in the capital adequacy ratio calculation.

As at 31 December 2008 the capital adequacy ratio was 9.78% in comparison to 11.72% as at the end of December 2007. The ratio expresses the proportion between the Group's capital and its exposure on account of specific risks.

The Bank's own funds (as a category computed for the capital adequacy ratio calculation) increased by 13% versus the end of December 2007, while risk-weighted assets and off-balance sheet items increased by 19% in the same period.

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

The New Capital Accord comprises three pillars:

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

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

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

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

Within Pillar II, the Bank fulfils duties related to the internal capital computation under Resolution No. 4/2007 of the Banking Supervision Commission dated 13 March 2007 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process. For all risks that have been considered material, internal capital estimation methodologies have been developed. They are used by the Bank to make monthly internal assessments of the internal capital needs.

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

The scope and detailed rules of setting capital requirements for specific risks are determined by Resolution No. 1/2007 of the Banking Supervision Commission dated 13 March 2007 regarding the scope and detailed rules of determination of capital requirements on account of specific risk types (...).

The manner of calculation of equity capital used in the capital adequacy ratio computation is governed by Resolution no. 2/2007 of the Banking Supervision Commission dated 13 March 2007 regarding other reductions of Tier 1 funds (...).

The application of the above regulations by the Bank effective 1 January 2008 resulted in the increase of the total capital requirement. The increase is attributable chiefly to the capital requirement for operational risk that has not been previously taken into account in the capital adequacy ratio computation. Other capital requirements have not materially changed in comparison to calculations according to Basel II rules. In connection with the above, the Bank has not recalculated comparative periods data. The comparative data presented below as at 31 December 2007 are computed according to Basel I rules.

<b>Minimal capital requirements (in PLN thousand)</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Credit risk	1 209 577	946 714
Market risk, including:	9 654	5 707
- general interest rate risk	6 047	5 707
Operational risk	75 431	-
<b>Total capital requirement</b>	<b>1 294 662</b>	<b>952 421</b>

## 31. Events after the Balance Sheet Date

### 31.1. A tender offer to acquire shares of Fortis Bank Polska SA

On 10 January 2009, Société Fédérale de Participations et d'Investissement, a company managing Fortis assets on behalf of the Belgian government, announced a tender offer to acquire shares of Fortis Bank Polska SA traded on the stock exchange. The tender offer to acquire shares of Fortis Bank Polska SA is an obligation under the law. The said obligation is the consequence of a transaction under which in October 2008 the Belgian Fortis Bank was taken over by the Belgian government through Société Fédérale de Participations et d'Investissement. As at 10 January 2009, the minority shareholders who were the addressees of the tender offer, held 0.71% of shares of Fortis Bank Polska SA. The share price indicated in the tender offer was determined at PLN 154.85.

On 15 January 2009, the Board of Executives of Fortis Bank Polska SA announced that on 14 January 2009, the Polish Financial Supervision Authority decided to request Société Fédérale de Participations et d'Investissement, i.e. the entity that had announced the tender offer to subscribe for up to 119,731 shares of Fortis Bank Polska SA, to amend the tender offer contents by replacing the price determined at PLN 154.85 by the price of PLN 222.00. In connection with the above, the share price of Fortis Bank Polska SA was raised up to PLN 222.

On 5 March 2009, the Board of Executives of Fortis Bank Polska SA informed that on 4 March 2009, under the tender offer to acquire shares of Fortis Bank Polska SA listed on the Warsaw Stock Exchange, a transaction was entered into for 87,263 shares.

In consequence of the aforesaid transaction, Fortis Bank SA/NV holds 16,738,712 shares of Fortis Bank Polska SA, which is 99.81% of all the shares of Fortis Bank Polska SA.

### 31.2 Change in the composition of the Supervisory Board

On 31 January 2009, Mr Christopher Norris resigned from his function in the Supervisory Board of Fortis Bank Polska S.A. Mr Christopher Norris was a member of the Supervisory Board of Fortis Bank Polska SA since 26 September 2008.

Effective 1 February 2009, the Supervisory Board's composition is as follows:

1. Jos Clijsters - Chairman
2. Antoni Potocki - Deputy Chairman
3. Zbigniew Dresler
4. Lucas Willemys
5. Peter Ullmann

### 31.3. Change in the composition of the Board of Executives of Fortis Bank Polska SA

On 1 April 2009, under the Supervisory Board's decision, Mr Jacek Obłąkowski will take up a position of a Vice-President of the Board of Executives of Fortis Bank Polska SA, Responsible for Retail Banking Business Line (RB BL).

Mr Jacek Obłąkowski remains the President of the Management Board of Dominet Bank SA.

Effective 1 April 2009, the FBP Board of Executives' composition is as follows:

1. Alexander Paklons - President of the Board of Executives
2. Jan Bujak - Senior Vice-President of the Board of Executives
3. Jean-Luc Deguel - Vice President
4. Thierry Lechien - Vice President
5. Jacek Obłąkowski - Vice President
6. Jaromir Pelczarski - Vice President

At the same time, to ensure an efficient merger of Fortis Bank Polska SA and Dominet Bank SA, on 1 April 2009:

- Mr Jan Bujak will take up a position of a Vice-President of the Management Board of Dominet Bank SA based in Lubin,

- Mr Jaromir Pelczarski will be delegated by the Supervisory Board of Dominet Bank SA to temporarily perform duties of a Vice-President of the Management Board of Dominet Bank SA based in Lubin.

#### **31.4. Subsidy for the "Competence Development Academy- ARKa" training project**

Fortis Bank Polska SA obtained a subsidy for the "Competence Development Academy- ARKa" training project under Measure 2.1.1: "Development of Human Capital of Enterprises" of the Human Capital Operational Programme. The amount of subsidy is PLN 3,200,000. The ARKa Project includes 26 types of training courses in various fields, such as change management, project and process management, financial analysis, negotiation techniques, HR management, time and stress management. The courses are addressed to all the Bank's employees. The project will last 22 months, from March 2009 to December 2010.

#### **31.5. General Meetings of Shareholders in Brussels and Utrecht**

On 11 February and 13 February 2009, Annual General Meetings of Fortis Shareholders were held, respectively, in Brussels (AGM of Fortis SA/NV) and Utrecht (AGM of Fortis N.V.). They were to approve transactions made in October 2008, i.e. the sale of the Dutch part of Fortis to the Dutch State and the sale of 50% +1 share of Belgian Fortis Bank to the government of the Kingdom of Belgium thereby increasing its share up to 99.93%. The third issue voted on was the contemplated resale of Fortis Bank SA/NV to the French BNP Paribas Group. The voting result was negative. In consequence, the parties to the transactions can terminate their contractual relationship, or, unless there is a mutual agreement, the transactions can be cancelled by the court.

#### **31.6. A new agreement regarding the sale of Fortis Bank SA/NV shares to BNP Paribas**

In October 2008, Fortis holding, BNP Paribas and Société Fédérale de Participations et d'Investissement signed an agreement regarding the sale of 75% of Fortis Bank S.A./NV shares to French BNP Paribas. The said agreement was questioned by Fortis minority shareholders. As a result, it was subject to voting at the General Meeting which rejected the proposed transaction.

On 6 March 2009, a new agreement was signed regarding amended terms of the transaction. The new agreement will be submitted to shareholders for approval at the next general meetings of shareholders of Fortis SA/NV in Brussels and of Fortis N.V. in Utrecht, to be held in April 2009.

#### **31.7. Opinion of a statutory auditor on the Merger Plan audit**

On 24 February 2009, the Board of Executives of Fortis Bank Polska SA published a written opinion prepared by an independent statutory auditor from an audit of the correctness and reliability of the Merger Plan of Fortis Bank Polska SA and Dominet Bank SA, at the request of the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, pursuant to Articles 502 and 503 of the Code of Commercial Companies and Partnerships. In the above opinion, the statutory auditor stated that the Merger Plan was prepared in a correct and reliable manner.

#### **31.8. Material transactions with entities unrelated with Fortis Bank Polska SA**

On 31 March 2009, Fortis Bank Polska S.A. and Fortis Bank S.A./NV signed an agreement with a Customer not affiliated with Fortis Bank Polska SA. Pursuant to the aforementioned agreement, the Parties have agreed to suspend for a period of two months the repayment of the debt due under the loan agreements concluded with the Customer. Total outstanding debt as at 31 March 2009 under the said agreements equals PLN 286,855,748.979, whereas the debt towards Fortis Bank Polska S.A. totals PLN 236,494,637.869.

Fortis Bank Polska S.A. and Fortis Bank S.A./NV have agreed not to undertake any debt enforcement actions or actions to secure its claims against the Company. The purpose of the concluded agreement is to enable the completion of the negotiations between the Parties and obtaining long-term financing for the Company. The agreement contains the detailed schedule of actions to be taken during the agreement validity that shall lead to conclusion of a long-term agreement by the end of May 2009.

#### **31.9. Polish zloty depreciation**

After 31 December 2008, the Polish zloty significantly depreciated in comparison to main currencies:

- from EUR/PLN rate of 4.1724 as at 31 December 2008 to EUR/PLN of 4.7013 as at the date of signing the financial statements;
- from CHF/PLN rate of 2.8014 as at 31 December 2008 to CHF/PLN of 3.1001 as at the date of signing the financial statements;
- from USD/PLN rate of 2.9618 as at 31 December 2008 to USD/PLN of 3.5416 as at the date of signing the financial statements.

Such a change of FX rates can materially affect the value and risk profile of assets, liabilities and off-balance sheet financial instruments denominated in foreign currencies.

## 32. Other Material Information

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

As at 31 December 2008, the shareholders' structure was as follows:

The shareholder structure	number of shares owned	share (%) in the equity	number of votes at the AGM*	share (%) in the total number votes at the AGM*
<b>Fortis Bank S.A./N.V.</b>	<b>16 651 449</b>	<b>99,29%</b>	<b>16 651 449</b>	<b>99,29%</b>
<b>Others</b>	<b>119 731</b>	<b>0,71%</b>	<b>119 731</b>	<b>0,71%</b>
<b>Total:</b>	<b>16 771 180</b>	<b>100%</b>	<b>16 771 180</b>	<b>100%</b>

As at the date of publishing this report, i.e. 6 April 2009, the shareholders' structure was as follows:

The shareholder structure	number of shares owned	share (%) in the equity	number of votes at the AGM*	share (%) in the total number votes at the AGM*
<b>Fortis Bank S.A./N.V.</b>	<b>16 738 712</b>	<b>99,81%</b>	<b>16 738 712</b>	<b>99,81%</b>
<b>Others</b>	<b>32 468</b>	<b>0,19%</b>	<b>32 468</b>	<b>0,19%</b>
<b>Total:</b>	<b>16 771 180</b>	<b>100%</b>	<b>16 771 180</b>	<b>100%</b>

\* In connection with a change of Fortis Bank SA/NV parent entity (currently Societe Federale de Participation et d'Investment), Fortis Bank SA/NV cannot exercise its voting rights attached to the shares held, until Societe Federale de Participation et d'Investment receives a relevant consent from KNF (the Polish Financial Supervision Authority).

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

### 32.2. Fortis Bank Group structure and funding of Fortis Bank Polska SA by the Group

#### Fortis Bank Group structure

As at 31 December 2008, the Bank was part of an international banking group where the ultimate parent entity was the Belgian State government through the agency of the Société Fédérale de Participations et d'Investissement. Fortis Bank SA/NV based in Brussels remains the Bank's direct parent entity.

On 6 October 2008, the Bank was notified about an agreement signed by and between the government of the Kingdom of Belgium and Fortis, resulting in a change of the parent entity of the Bank's majority shareholder. Since the date of the transaction formal registration, i.e. effective 10 October 2008, Fortis Bank SA/NV has been controlled in 99.93% by the Government of the Kingdom of Belgium, i.e. the Belgian Federal Participation and Investment Authority (registered in Brussels at 54 Avenue Louise, B1 100), while 0.07% shares are held by dispersed shareholders. First, i.e. on 29 September 2008, the Belgian State Treasury bought a 49.93% share in the common equity of Fortis Bank SA/NV and then increased its stake after the Dutch government had taken over Fortis Bank Nederland (Holding) NV (including Fortis interest in ABN AMRO Holding NV) and insurance assets of Fortis Group in the Netherlands.

In October 2008, Fortis holding, BNP Paribas and Société Fédérale de Participations et d'Investissement signed an agreement regarding the sale of 75% of Fortis Bank S.A./NV shares to French BNP Paribas. On 11 February and 13 February 2009, Annual General Meetings of Fortis Shareholders were held, respectively, in Brussels (AGM of Fortis SA/NV) and Utrecht (AGM of Fortis N.V.). They were to approve transactions made in October 2008, i.e. the sale of the Dutch part of Fortis to the Dutch State and the sale of 50% +1 share of Belgian Fortis Bank to the government of the Kingdom of Belgium thereby increasing its share up to 99.93%. The third issue voted on was the contemplated resale of Fortis Bank SA/NV to the French BNP Paribas Group. The voting result was negative. As a result, the parties to the transactions can terminate their contractual relationship, or, unless there is a mutual agreement, the transactions can be cancelled by the court.



On 6 March 2009, a new agreement was signed regarding amended terms of the transaction. Under provisions of the new agreement, the Belgian government will transfer 75% of shares in Fortis Bank SA.NV to BNP Paribas based on the valuation of 100% assets at EUR 11 billion, in exchange for shares of BNP Paribas issued at EUR 68 each, whereas Fortis Bank SA/NV will acquire 25% of Fortis Insurance Belgium from Fortis holding. The new agreement will be submitted to shareholders for approval at the next general meetings of shareholders of Fortis SA/NV in Brussels and of Fortis N.V. in Utrecht, to be held in April 2009.

On 30 March 2009, Société Fédérale de Participations et d'Investissement filed an application to the Polish Financial Supervision Authority for a consent to exercise voting rights attached to shares of Fortis Bank Polska SA

Following the change of the parent entity of Fortis Bank S.A./NV, the majority shareholder of Fortis Bank Polska SA cannot exercise voting rights attached to shares held until it receives a consent from the Polish Financial Supervision Authority, pursuant to Article 25 para. 1 of the Banking Law Act of 29 August 1997.

### **Funding of Fortis Bank Polska SA by the Group**

The main source of the Bank's funding are loans extended by the Fortis Bank Group. As at 31.12.08, the Bank was provided with the following funding lines:

- EUR 200 million – maturity in January 2010;
- CHF 445 million – maturity in March 2010;
- EUR 500 million – maturity in June 2010;
- CHF 297 million – maturity in October 2010;
- CHF 100 million – maturity in July 2011;
- PLN 763 million – maturity in July 2011;
- CHF 212 million – maturity in June 2012;
- EUR 3 million – maturity in June 2012;
- PLN 725 million – maturity in June 2012;
- CHF 295 million – maturity in June 2012;
- EUR 100 million – maturity in September 2017.

### **32.3. Shares of Fortis Bank Polska SA held by Management or Supervisory Board Members**

As at 31 December 2008, similarly as in the comparable period of the previous year, none of the Board of Executives' Members or Supervisory Board Members held any shares issued by Fortis Bank Polska S.A. or any other financial instruments related to the shares.

### **32.4. Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body**

In 2008, proceedings were conducted before the Office for Competition and Consumer Protection ("the Office"). In a letter dated 2 July 2008, the Bank was asked to provide documentation regarding mortgage loan contractual models and furnish information as regards the product. The Bank faced the risk of a penalty up to EUR 50 million to be imposed for the failure to furnish the information and provide the documentation or for misleading the Office. In a letter dated 9 July 2008, FBP SA provided the relevant data to the Office. Then in a letter dated 6 August 2008, the Bank notified the Office about changes introduced as regards this credit product, in line with the guidelines of the Office's report on mortgage loans. The Bank complied with the guidelines of the Office's report and furnished the requested information and documents on time, therefore the risk of the penalty being imposed is low. As at 31 December 2008, the case was not closed.

In 2008, anti-monopoly proceedings were 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. The Office accuses banks operating on the market of using competition-restricting practices by way of signing an agreement on interchange fees. In the opinion of the Office, such fees are charged unduly which in turn affects prices of consumer goods. A decision was issued 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's decision. On 13 November

2008, the Court of Competition and Consumer Protection stated that determination of commissions when accepting card payments did not constitute a practice that would restrict competition. The proceedings were not closed in 2008 and the Office made an appeal. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

### **32.5. Change in the composition of the Board of Executives of Fortis Bank Polska SA**

On 11 June 2008, the Bank released information about a resignation of Mr Bartosz Chyła from the function of a Member and Vice-President of the Board of Executives. Effective 1 July 2008, the FBP Board of Executives' composition is as follows:

1. Alexander Paklons - President of the Board of Executives
2. Jan Bujak - Senior Vice-President
3. Jean-Luc Deguel - Vice-President
4. Jaromir Pelczarski - Vice-President
5. Thierry Lechien - Vice-President

Apart from the resignation of Mr Bartosz Chyła, in 2008 there were no other changes in the composition of the Board of Executives.

### **32.6. Changes in the composition of the Supervisory Board**

On 21 February 2008, the Extraordinary General Meeting of the Bank's Shareholders appointed Mr. Marc Luet and Mr. Lucas Willemyns to the Supervisory Board of Fortis Bank Polska SA.

On 25 September 2008, Messrs. Werner Claes and Marc Luet resigned from their functions in the Supervisory Board of Fortis Bank Polska SA. Mr. Werner Claes was the Bank Supervisory Board's member since 16 December 1999 and Mr. Marc Luet assumed his function in the Supervisory Board since 21 February 2008.

The Extraordinary General Meeting held on 25 September 2008 appointed Mr Christopher Norris to the Supervisory Board. He took up the position on 26 September 2008.

As at the end of December 2008, the FBP Supervisory Board's composition was as follows:

1. Jos Clijsters - Chairman
2. Antoni Potocki - Deputy Chairman
3. Zbigniew Dresler
4. Peter Ullmann
5. Lucas Willemyns
6. Christopher Norris

### **32.7. Credit risk**

In connection with a downturn in the global financial markets, the Bank has identified rising credit risk related to derivative contracts. An analysis of the situation of customers who entered into FX option and forward transactions, showed that some of the cash flows expected by exporters would not be generated or would be generated in the amount lower than estimated when contracts to hedge such cash flows were signed.

Another material factor that affects the ability of customers to settle their payment obligations in foreign currencies due to the Bank is the PLN exchange rate depreciation.

In order to mitigate credit risk of customers on account of financial instruments, the Bank decided to develop a methodology of adjusting the fair value on account of the said risk and disclose the fact in the financial statements.

The Bank applied an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, including 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 impact of adjustments to fair values of derivative instruments on account of credit risk was presented in the note regarding held-for-trading financial assets. The adjustments to fair value of matured foreign currency derivative instruments are recognised together with the receivables arising on that account.

The Bank forecasts that in the near future and especially in the perspective of at least the subsequent quarter, the identified credit risk will affect the Bank's financial performance. The Bank intends to regularly analyse customer ability to settle their payment obligations due to the Bank. A difference between the amount of customer payment obligations due to the Bank and the expected ability to repay such obligations will be reported as an adjustment to the valuation of derivative instruments on account of credit risk.

### **32.8. Other Important Events**

#### **Suspension of granting foreign currency loans**

Effective 15 May 2008, following its FX risk mitigation policy, Fortis Bank Polska SA suspended selling mortgage loans in currencies other than Polish zloty to private individuals (the limitation does not apply to Private Banking customers).

Effective 8 September 2008, Fortis Bank Polska SA resumed the offering of mortgage loans in CHF to selected groups of professions in connection with a decision taken by Fortis as regards granting mortgage loans in foreign currencies. The limited offer lasted until 31 December 2008.

#### **Annual General Meeting of Fortis Bank Polska SA Shareholders**

On 6 June 2008, the Annual General Meeting of Shareholders of Fortis Bank Polska SA was held which approved financial statements for the fiscal year 2007, Report of the Board of Executives for 2007 and the Report of the Supervisory Board for 2007. The AGM approved the discharge of duties of all Members of the Supervisory Board and Board of Executives in 2007. Under the AGM decision, the entire 2007 profit was earmarked for increasing own funds and in particular, for covering the costs of implementation by Fortis Bank Polska SA of the International Financial Reporting Standards.

#### **Transformation of Fortis Private Investments Polska SA**

On 6 June 2008, Fortis Private Investments Polska SA, a subsidiary of Fortis Bank Polska SA, filed an application to the Polish Financial Supervision Authority for a permit to run business by an investment fund company which will emerge from the transformation of the brokerage house and will operate under the firm of *Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA*.

#### **Merger date**

On 19 June 2008, the Bank released information about a planned date of a legal merger between Fortis Bank Polska SA and Dominet SA, i.e. 1 July 2009. At the same time, it was announced that Mr Alexander Paklons is planned to become the President of the Board of Executives of the combined bank. Mr Paklons is now the President of the Board of Executives of Fortis Bank Polska SA and Chairman of the Supervisory Board of Dominet Bank SA. Mr Jacek Obłękowski, at present the President of the Board of Executives of Dominet Bank SA, will be responsible for development of activity in the segment of individual customers and small enterprises.

On 25 November 2008, the Board of Executives of Fortis Bank Polska SA announced that the planned legal merger of Fortis Bank Polska SA and Dominet Bank SA would be postponed till 31 July 2009. After changing the planned merger date, the Banks made a respective amendment to the Cooperation Agreement signed between them on 9 January 2008.

#### **Merger Plan**

On 25 November 2008, the Board of Executives of Fortis Bank Polska SA approved a plan of merger of Fortis Bank Polska SA based in Warsaw and Dominet Bank SA based in Lubin, acting pursuant to Article 499 para. 1 and 2 of the Code of Commercial Companies and Partnerships.

The Merger Plan of Fortis Bank Polska SA and Dominet Bank SA was approved along with the following enclosures:

1. Drafts of resolutions of the General Meetings of Companies regarding the merger, and amendments to the Statute of Fortis Bank Polska SA.
2. Determination of the value of net assets of Dominet Bank S.A. as at October 1, 2008.
3. Statement containing information about the book value of Dominet Bank SA as at 1 October 2008 prepared for the purpose of the merger.
4. Statement containing information about the book value of Fortis Bank Polska SA as at October 1, 2008 prepared for the purpose of the merger.

5. Recommendation regarding the exchange parity.
6. Draft amendments to Fortis Bank Polska SA Statute.

### **Application to KNF (Polish Financial Supervision Authority) for postponement of the implementation of the commitment to increase the liquidity of shares of Fortis Bank Polska SA**

On 12 September 2008, Fortis SA/NV, Fortis NV, Fortis Brussels SA/NV and Fortis Bank SA/NV filed a request to the Financial Supervision Authority to postpone the deadline for the fulfilment of the Fortis Bank Polska SA share liquidity increase obligation.

The obligation to increase the liquidity of the Bank's shares to 10-15% minimum was determined by the Banking Supervision Commission in Resolution No. 14/KNB/2007 authorising Fortis Brussels SA/N.V. to exercise over 75% of voting rights at the Annual General Meeting of Fortis Bank Polska S.A. via Fortis Bank SA/N.V. This commitment was to be fulfilled within two years since the Resolution date. The Applicants requested the postponement of the above-mentioned date till the end of June 2010.

On 20 March 2009 Fortis Bank Polska SA received a letter from the PFSA, in which PFSA stated that it had suspended the processing of an application for altering the due date of the commitment to increase the free float of shares of Fortis Bank Polska SA at the WSE. The consideration of the application was suspended in connection with a change of the ultimate parent entity of Fortis Bank Polska SA. The PFSA will expect the new investor to implement the commitment to increase Fortis Bank Polska SA share free float, having agreed on the new date taking into account the current market situation.

### **ISO**

On 17 December 2008, Fortis Bank Polska SA was awarded a certificate of the Information Security Management System under ISO/IEC 27001:2005 standard. Fortis Bank Polska SA is the first bank in Poland which has audited its Information Security Management System in the area of all banking services offered and in all locations and organisational units. To ensure that procedures are appropriately applied, additional IT solutions have been implemented to support information security, including, but not limited to, the IDM – a system to manage identity and authorisations of employees in IT systems, monitoring of emails going out of the Bank, limitation of using external devices such as pen-drives with computers, etc. The Information Security Management System standard implemented in Fortis Bank Polska SA will be introduced in Dominet Bank's units in 2009, so that after the legal merger, the merged bank could pass the regulatory audit of the compliance with the ISO/IEC 27001:2005 standard. Subsequent audits will be performed until 2011 to annually confirm that the ISO standards are met.

### **Material transactions with entities unrelated with Fortis Bank Polska SA**

In the second quarter of 2008, the Bank signed two significant credit agreements with customers that were not affiliated entities to Fortis Bank Polska SA, for the total of PLN 500 million (PLN 300 million and PLN 200 million). The Agreements were concluded for the period up to one year and 10 years, respectively. Terms of such transactions correspond to market conditions.

In the third quarter of 2008, the Bank signed an annex to a significant loan agreement with a customer not affiliated with Fortis Bank Polska SA. As at the date of signing the annex, the limit granted amounted to PLN 198 million. The financing term was extended until 31 March 2009. Terms of such transactions correspond to market conditions.

## **32.9. Statements of the Bank's Board of Executives**

### **Correctness and reliability of reports presented**

According to the best knowledge of the Bank's Board of Executives, the annual financial data and the comparative data presented in these Annual Financial Statements of Fortis Bank Polska SA for the period ending 31 December 2008 were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Bank and its net profit.

### **Selection of an entity authorised to audit the financial statements**

The entity authorised to audit financial statements, i.e. KPMG Audyt Sp. z o.o., that has reviewed the Annual Financial Statements of Fortis Bank Polska SA for the period ending 31 December 2008, was chosen pursuant to the provisions of law. The aforesaid entity and statutory auditors fulfilled prerequisites for drawing an impartial and independent conclusion from the audit, in compliance with the respective provisions of Polish law.

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

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<b>31 March 2009</b>	<b>Alexander Paklons President of the Board of Executives</b>	..... <b>signature</b>
<b>31 March 2009</b>	<b>Jan Bujak Senior Vice-President of the Board of Executives Chief Financial Officer</b>	..... <b>signature</b>
<b>31 March 2009</b>	<b>Jean – Luc Deguel Vice President</b>	..... <b>signature</b>
<b>31 March 2009</b>	<b>Jaromir Pelczarski Vice President</b>	..... <b>signature</b>
<b>31 March 2009</b>	<b>Thierry Lechien Vice President</b>	..... <b>signature</b>

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