The Capital Group of Fortis Bank Polska S.A.

Interim Consolidated Financial Statements of Fortis Bank Polska SA Capital Group for the First Half of 2008

prepared pursuant to the International Financial Reporting Standards

FORTIS

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1. Financial Highlights

Consolidated Financial Highlights	in PLN thousand		in EUR thousand	
	30.06.08 (YTD)	30.06.07 (YTD)	30.06.08 (YTD)	30.06.07 (YTD)
Interest income	467 186	252 494	134 341	65 607
Fee and commission income	104 300	70 374	29 992	18 286
Total income, net	355 181	263 177	102 134	68 383
Profit before income tax	152 361	103 058	43 812	26 778
Net profit	122 885	86 437	35 336	22 459
Net cash provided by operating activities	1 585 094	-1 447 169	455 802	-376 025
Net cash provided by investing activities	-800 021	152 723	-230 050	39 683
Net cash provided by (used in) financing activities	845 797	133 683	243 213	34 735
Total net cash flow	1 630 870	-1 160 763	468 965	-301 607
Total assets	18 377 926	11 937 171	5 479 079	3 169 890
Due to banks	8 409 344	5 309 536	2 507 109	1 409 936
Due to customers	7 772 390	5 192 205	2 317 211	1 378 779
Equity	1 271 356	1 064 907	379 034	282 784
Number of shares	16 771 180	16 771 180	16 771 180	16 771 180
Book value per share (in PLN / EUR)	75,81	63,50	22,60	16,86
Diluted book value per share (in PLN / EUR)	75,81	63,50	22,60	16,86
Capital adequacy ratio	11,01%	9,47%	-	-
Basic Earnings Per Share (PLN/EUR)	7,33	5,15	2,11	1,34
Diluted Earnings Per Share (PLN/EUR)	7,33	5,15	2,11	1,34

Key items in the balance sheet, income statement and cash flow statement in the financial statements for the first half of 2008 and the corresponding financial figures for the first half of 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 the first half of 2008 have been converted into EUR at the mid-rate binding as at 30 June 2008 published by the National Bank of Poland on 30 June 2008, i.e. EUR 1 = PLN 3.3542; comparative financial data as at the end of the first half of 2007 have been converted into EUR at the mid-rate binding as at 29 June 2007, published by the National Bank of Poland on 29 June 2007, i.e. EUR 1 = PLN 3.7658;
- particular items in the income statement and cash flows, and earnings per share as at the end of the first half 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 June 2008, i.e. EUR 1 = PLN 3.4776, whereas comparative data as at the end of the first half 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 June 2007, i.e. EUR 1 = PLN 3.8486.

2. Consolidated Financial Statements of Fortis Bank Polska S.A. Capital Group

Consolidated Income Statement (in PLN thousand)	Notes	1.01.2008 - 30.06.2008	1.01.2007 - 30.06.2007*
Interest income	7.1	467 186	252 494
Interest expense	7.2	-284 051	-122 890
Net interest income		**183 135**	**129 604**
Fee and commission income	7.3	104 300	70 374
Fee and commission expense	7.4	-6 038	-4 525
Net fee and commission income		**98 262**	**65 849**
Dividend and other investment income	7.5	-	600
Net trading income	7.6	66 273	62 306
Net gain/loss on available-for-sale financial assets	7.7	-	319
Net profit (loss) on hedging transactions	7.7	56	-113
Other revenues	7.9	7 455	4 612
Total income, net		**355 181**	**263 177**
Personnel expenses	7.10	-95 575	-76 084
Depreciation of fixed assets and intangible fixed assets	7.11	-17 256	-10 195
Other expenses	7.12	-66 076	-61 443
Net impairment losses	7.13	-23 913	-12 397
Profit before income tax		**152 361**	**103 058**
Income tax expense	7.14	-29 476	-16 621
Net profit		**122 885**	**86 437**
Consolidated Earnings Per Share	7.15		
Net profit (in PLN)		122 885 000	86 437 000
Weighted average number of ordinary shares		16 771 180	16 771 180
EPS ratio (in PLN)		7,33	5,15
Weighted average diluted number of ordinary shares		16 771 180	16 771 180
Diluted EPS ratio (in PLN)		7,33	5,15

*for the first half of 2007, separate data of Fortis Bank Polska SA have been presented.

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

Consolidated balance sheet statement (in PLN thousand)	Notes	30.06.2008	31.12.2007*	30.06.2007*
ASSETS				
Cash and cash equivalents	8	3 231 063	1 590 463	1 666 169
Financial assets held for trading	9.1	305 977	253 301	185 211
Due from banks	10.1	421 646	228 525	180 819
Loans to customers	10.2	12 641 182	11 172 026	8 991 100
Investments - Available for Sale	11	1 359 103	603 235	465 554
Property, Plant and Equipment	12	117 773	113 816	90 051
Intangible Assets	13	23 815	22 287	19 260
Deferred tax assets	14	33 037	33 873	32 052
Other assets	15	244 330	193 488	306 955
Total assets		**18 377 926**	**14 211 014**	**11 937 171**
LIABILITIES				
Financial liabilities held for trading	9.2	275 438	201 381	120 389
Due to banks	16.1	8 409 344	5 895 545	5 309 536
Due to customers	16.2	7 772 390	6 307 428	5 192 205
Subordinated liabilities	17	335 420	358 200	-
Current tax liabilities		14 691	26 601	17 322
Other liabilities	18	283 901	251 929	219 182
Provisions	19	15 386	15 974	13 630
Total liabilities		**17 106 570**	**13 057 058**	**10 872 264**
EQUITY CAPITAL				
Share capital		503 135	503 135	503 135
Share premium		308 656	308 656	308 814
Other capital		344 983	183 200	183 200
Revaluation reserve		-9 008	-2 818	-868
Retained earnings		705	-15 811	-15 811
Net profit (loss) for the year		122 885	177 594	86 437
Total equity	20	**1 271 356**	**1 153 956**	**1 064 907**
Total liabilities and equity		**18 377 926**	**14 211 014**	**11 937 171**

*for the first half of 2007 and for 2007, separate data of Fortis Bank Polska SA have been presented.

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

Consolidated Statement of Changes in Shareholders' Equity in the first half of 2007* (in PLN thousand)

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
Balance as at 01.01.07	**503 135**	**308 814**	**92 455**	**-**	**74 934**	**2 167**	**981 505**
Net profit (loss) for the year	-	-	-	86 437	-	-	86 437
Net profits/losses not recognised in the income statement (investments available for sale)	-	-	-	-	-	-2 106	-2 106
Net profits/losses recognised in the income statement (investments available for sale)	-	-	-	-	-	-1 641	-1 641
Deferred tax – net profits/losses (investments available for sale)	-	-	-	-	-	712	712
Total income for the First Half of 2007	**-**	**-**	**-**	**86 437**	**-**	**-3 035**	**83 402**
Distribution of retained earnings			-108 266	-	108 266	-	-
Balance as at 30.06.07	**503 135**	**308 814**	**-15 811**	**86 437**	**183 200**	**-868**	**1 064 907**

*for the first half of 2007, separate data of Fortis Bank Polska SA have been presented.

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

*for 2007, separate data of Fortis Bank Polska SA have been presented.

Consolidated Statement of Changes in Shareholders' Equity in the first half of 2008 (in PLN thousand)

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
Balance as at 01.01.08	**503 135**	**308 656**	**161 783**	**-**	**183 200**	**-2 818**	**1 153 956**
Consolidation adjustment	-	-	705	-	-	-	705
Adjusted balance as at 01.01.2008	**503 135**	**308 656**	**162 488**	**-**	**183 200**	**-2 818**	**1 154 661**
Net profit (loss) for the year	-	-	-	122 885	-	-	122 885
Net profits/losses not recognised in the income statement (investments available for sale)	-	-	-	-	-	-7 642	-7 642
Deferred tax – net profits/losses (investments available for sale)	-	-	-	-	-	1 452	1 452
Total income for the First Half of 2008	**-**	**-**	**-**	**122 885**	**-**	**-6 190**	**116 695**
Distribution of retained earnings	**-**	**-**	**-161 783**	**-**	**161 783**	**-**	**-**
Balance as at 30.06.08	**503 135**	**308 656**	**705**	**122 885**	**344 983**	**-9 008**	**1 271 356**

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

Consolidated cash flow statement (in PLN thousand)	01.01.2008 - 30.06.2008	01.01.2007 - 31.12.2007*	01.01.2007 - 30.06.2007*
Cash and cash equivalents, gross, opening balance	**1 590 779**	**2 827 141**	**2 827 141**
Consolidation adjustment	11 385	**-**	**-**
Adjusted cash and cash equivalents, gross, opening balance	**1 602 164**	**2 827 141**	**2 827 141**
Profit before income tax	**152 361**	**214 607**	**103 058**
Adjustments for:	**1 432 733**	**-3 007 524**	**-1 550 227**
Depreciation	17 256	25 257	10 195
Impairment losses	22 310	26 205	1 398
Profits/losses on account of FX rate differences	-22 780	-3	-
Profits/losses on investing activities	1 927	13 773	1 727
Changes in operational assets and liabilities:	1 454 982	-3 047 792	-1 551 518
- financial assets and liabilities held for trading	21 381	33 822	20 920
- due from banks	-193 242	-29 415	18 302
- loans to customers	-1 490 268	-4 219 657	-2 016 217
- change in the balance of available for sale investments	-4 286	11 677	-3 896
- due to banks	1 667 640	-315 164	219 876
- due to customers	1 475 120	1 680 071	564 848
- other assets and liabilities (Note 21)	-21 363	-209 126	-355 351
Income tax (current and deferred)	-40 962	-24 964	-12 029
Net operating cash flows	**1 585 094**	**-2 792 917**	**-1 447 169**
Purchase of available-for-sale investments	-775 926	-667 467	-128 448
Purchase of property, plant and equipment and intangible fixed assets	-23 690	- 87 723	-39 130
Proceeds from sales of available-for-sale investments	-	702 283	318 465
Proceeds from sales of property, plant and equipment	539	3 703	2 917
Other investment expenses	-944	-7 173	-1 081
Net cash provided by investing activities	**-800 021**	**-56 377**	**152 723**
Issuance of subordinated liabilities	-	358 200	-
Loans and credit facilities taken	982 629	2 149 206	285 572
Repayment of loans and credit facilities	-136 832	-894 474	-151 889
Net cash provided by (used in) financing activities	**845 797**	**1 612 932**	**133 683**
Cash and cash equivalents, gross, ending balance (Note 8)	**3 233 034**	**1 590 779**	**1 666 378**
Change in cash and cash equivalents, net	**1 630 870**	**- 1 236 362**	**-1 160 763**

*for 2007, separate data of Fortis Bank Polska SA have been presented.

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

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

Additional Notes to Financial Statements

3. Information on Fortis Bank Polska S.A. Capital Group

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.

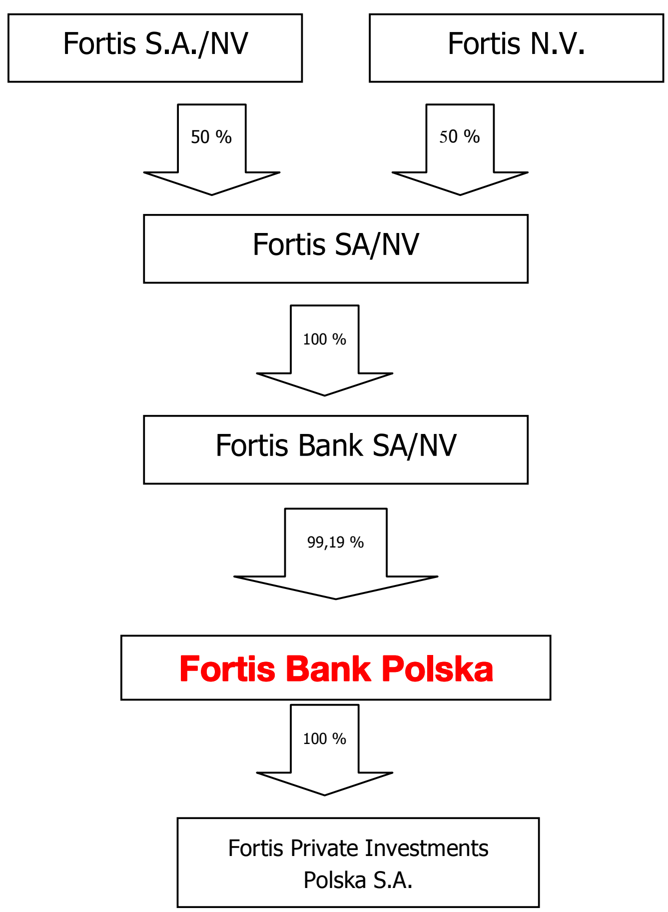
The consolidated financial statements of Fortis Bank Polska SA Capital Group for the first half of 2008 contains the data of the Bank and of its subsidiary, Fortis Private Investments S.A. (jointly referred to as "the Group").

The Group's structure

The Bank is part of Fortis, an international banking and insurance group. The ultimate parent entities are: Fortis SA/NV and Fortis N.V. Fortis Bank SA/NV based in Brussels is the Bank's parent entity.

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

Structure of the capital group of Fortis Bank Polska S.A.



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

Name of the entity	Ownership relation	Consolidation method	Registered office	% of votes at the Annual General Meeting		
				30.06.2008	31.12.2007	30.06.2007
Fortis Private Investments Polska S.A.	Subsidiary	Full consolidation	Warsaw	100%	100%	100%

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

The Group's principal line of business:

The scope of the Group's business covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality, and brokerage activities. The Group focuses primarily on investment, commercial and retail banking, and on asset management.
The scope of the Bank's business include 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.

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

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

4. Accounting Policies

Basis of presentation

Statement on consistency with the IFRS

These consolidated financial statements fulfil the requirements of the International Financial Reporting Standards (IFRS), including the International Accounting Standard (IAS) 34, which have been approved by the European Union. In the scope not regulated by the above standards, these financial statements have been prepared in compliance with the Accounting Act of September 29, 1994 (Journal of Laws of 2002 no. 76, item 694, as amended) and administrative acts based thereon, likewise fulfil requirements set out in the Ministry of Finance Ordinance dated October 19, 2005, regarding current and periodical information submitted by issuers of securities (Journal of Laws of 2005 No. 209, item 1744).

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) have not become effective yet:

- IFRS 2 *Share-based Payment*; it applies 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;

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

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. The Bank now analyses in detail the effect of new standards and interpretations on the financial statements. In the opinion of the Bank's Board of Executives, the implementation of new standards and interpretations will not materially affect the Bank's financial statements.

Basis for the financial statements

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

The Group's Management are not aware of any circumstances indicating any risk to the business continuation by the Group in the foreseeable future.

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

Comparative data

The consolidated financial statements present consolidated data of Fortis Bank Polska SA and its subsidiary, Fortis Private Investments Polska SA, for the period from 1 Jan 2008 through 30 June 2008, while separate comparative data present data of Fortis Bank Polska SA for the period from 1 Jan 2007 through 30 June 2007, and as at 31 Dec 2007.

The fact that data regarding Fortis Bank Polska S.A. only are accounted for in comparative periods, does not impair the comparability with the consolidated data for 2008 and does not materially affect the picture of the Bank's situation due to a minor scale of operations of Fortis Private Investments Polska SA.

Consolidation basis

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

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

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

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

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

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

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

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

Ther Group's entities apply the uniform accounting policies.

Under IAS 27, in the consolidated financial statements of Fortis Bank Polska SA for the first half of 2008, the full consolidation is applied to the following subsidiary:

- Fortis Private Investments Polska S.A.

Accounting Estimates

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

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

Fair value

The fair value of financial instruments that are not traded on an active market is measured using valuation models using the market yield curve. Some variables used in such models require the adoption of expert estimations. Change of the models adopted or a different estimation of variables could affect the estimation of fair values determined using such models.

Write-downs for impairment of financial assets

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

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

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

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

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

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

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

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

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

Write-downs for non-financial assets' impairment

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

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

Useful lives and residual values

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

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

Other Accounting Estimates

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

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

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

Foreign currencies

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

Financial assets and liabilities

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

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

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

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

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

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

Classification and measurement

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

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

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

The Group classifies financial instruments into the following categories:

Loans and receivables.

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

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

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

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

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

Investments held to maturity.

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

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

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

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

Financial assets measured to fair value through profit or loss.

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

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

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

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

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

Financial assets available for sale.

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

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

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

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

Financial liabilities measured to fair value through profit or loss.

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

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

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

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

Other financial liabilities.

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

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

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

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

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

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.

Offsetting financial instruments

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

The Group made no setoff referred to above.

Sale and Repurchase Agreements and Lending/Borrowing Securities

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

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

Derivative instruments

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

Derivative instruments in the Group include the following transactions:

a) IRS Contracts

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

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

b) FX Forward Contracts

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

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

c) FX Swap Contracts

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

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

d) Interest Rate Options

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

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

e) FX Options

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

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

f) FRA Contracts

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

g) CIRS Contracts

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

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

h) OIS Contracts

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

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

i) Futures contracts

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

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

Derivative instruments that are hedging instruments

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

The Group applies hedge accounting with respect to interest rate risk hedging. 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.

Embedded derivatives

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

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

Asset Impairment

Financial assets

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

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

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

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

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

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

Non-financial Assets

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

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

The recoverable value is the higher of the following:

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

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

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

Cash and cash equivalents

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

Due from Banks and Loans to Customers

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

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

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

Rules governing impairment estimation are presented above.

Property, Plant and Equipment

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

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

Any impairment loss identified is recognised in the income statement.

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

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

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

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

Fixed assets of low unit value (low-value assets) are charged to costs as one-time expenses in the month they are made available for use. In the event of a 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:

No.	Specification	Useful life
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 Group will recover the carrying amount from a sale transaction instead of through continuing use. Such assets are carried at the lower of the following:

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

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

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

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

Intangible Assets

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

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

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

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

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

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

Due to customers

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

Employee Benefits

Long-Term Obligations to Employees

The Group measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, 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 Group recognises provisions in the balance sheet, when:

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

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

Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

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

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

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

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:

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

Earnings per Share

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

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

Interest Income and Expense

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

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

Fees and Transaction Costs

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

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

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

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

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

Net profit/loss on transactions in financial instruments

Net profit/loss on transactions in financial instruments includes:

- net profit/loss on transactions in financial instruments classified as available for sale, i.e. realised gains or losses on sales that represent the difference between the sales proceeds received and the amortised cost of the asset sold, minus any impairment losses previously recognised in the income statement;
- net profit/loss on transactions in financial instruments carried at fair value through profit or loss, 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 Group's tax liability computed on the basis of relevant tax law provisions.

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

Deferred tax assets are recognised to the extent to which they can be utilised to decrease future tax liability.

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

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 Group 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 Group'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 Group 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 the second quarter of 2007 as at 30 June 2007 to ensure data comparability.

Balance sheet as at 30 June 2007

Item	Report for 1st half of 2007 before adjustment	Report for 1st half of 2007 after adjustement	Difference	Change description
Cash and cash equivalents	1 668 517	1 666 169	69	Short-term due from banks
			-2 417	Measurement of FX Spot transactions
Financial assets held for trading	175 690	185 211	9 521	Change in presentation of measurement of interest rate derivative instruments
Due from banks	180 888	180 819	-69	Short-term due from banks
Property, Plant and Equipment	84 691	90 051	5 360	Operating software
Intangible Assets	24 620	19 260	-5 360	Operating software
Deferred tax assets	30 055	32 052	1 997	Adjustment to the opening balance regarding change in the value of deferred tax on account of IBNR
Other assets	302 113	306 955	4 840	Recognition of financial instruments at the trade date
			2	Others
Total changes			**13 943**	
Financial liabilities held for trading	110 868	120 389	9 521	Change in presentation of measurement of interest rate derivative instruments
Due to banks	5 449 317	5 309 536	-136 884	Due to brokerage offices
			-1 680	Measurement of FX Spot transactions
			-1 217	Social benefit funds
Due to customers	5 056 056	5 192 205	136 884	Due to brokerage offices
			-735	Measurement of FX Spot transactions
Other liabilities	213 123	219 182	1 217	Social benefit funds
			4 840	Recognition of financial instruments at the trade date
			2	Others
Revaluation reserve	-867	-868	-1	Others
Retained earnings	-17 809	- 15 811	1 997	Adjustment to the opening balance regarding change in the value of deferred tax on account of IBNR
			1	Others
Net profit (loss) for the year	86 439	86 437	-2	Others
Total changes			**13 943**	

Income statement for the period from 1 January through 30 June 2007

Item	Report for 1st half of 2007 before adjustment	Report for 1st half of 2007 after adjustment	Difference	Change description
Fee and commission income	61 642	70 374	3 112	Reclassification of fee and commission income from Other revenues
			5 671	Fees and commissions related to derivative instrument buy/sell transactions
			-51	Others
Fee and commission expense	-4 576	-4 525	51	Others
Net trading income	67 977	62 306	5 671	Fees and commissions related to derivative instrument buy/sell transactions
Other revenues	7 724	4 612	-3 112	Reclassification of Fee and commission income to Fees and commission income
Total changes			**-**	

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 Group 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, Private Banking BL or ALM, so that fixed margins can be allocated to the remaining business lines. In the case of products whose interest rate are related to market interest rates, the transfer price and margin on a transaction are fixed. For products whose interest rates are not related to market interest rates, transfer prices change every day.

Transfer prices are calculated for standard periods of product duration, based on official WIBOR, WIBID, 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.

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

- **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 S.A.

Fortis Private Investments Polska SA (FPIP) is a licensed brokerage firm providing asset management services. Currently it manages assets of natural and legal persons.
Products offered by FPIP include comprehensive investment solutions. Customer assets are invested in Polish and international financial instruments. Products available to customers are tailored to individual customer needs, their preferences, acceptable risk, expected rate of return and investment horizon.

Effective 1 January 2008, the data of FPIP are consolidated in Fortis Bank Polska SA Group and reported in the Private Banking BL.

- **Merchant Banking**

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

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

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

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

Secondary segment

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

Consolidated Income Statement by Business Segments

1 Jan 2008 – 30 June 2008 (in PLN thousand)	Retail Banking	Private Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	194 481	7 201	232 602	32 902	467 186
Transfer prices expense (internal)	-146 043	-5 937	-318 777	-26 950	-497 707
Interest expense (external)	-65 773	-6 783	-210 936	-559	-284 051
Transfer prices income (internal)	94 310	7 483	331 204	64 710	497 707
Net interest income	**76 975**	**1 964**	**34 093**	**70 103**	**183 135**
Other transfer prices (internal)	**594**	**-153**	**40 122**	**-40 563**	**-**
Fee and commission income (external)	51 954	3 210	47 476	1 660	104 300
Fee and commission expense (external)	-4 050	-600	-482	-906	-6 038
Net fee and commission income	**47 904**	**2 610**	**46 994**	**754**	**98 262**
Net trading income (external)	33 182	178	32 913	-	**66 273**
Net profit (loss) on hedging transactions (external)	-	-	-	56	**56**
Other income (external)	4 940	136	1 772	607	**7 455**
Total income, net	**163 595**	**4 735**	**155 894**	**30 957**	**355 181**
Personnel expense (external)	-40 576	-2 936	-20 491	-31 572	**-95 575**
Depreciation of fixed assets and intangible fixed assets (external)	-6 980	-245	-1 671	-8 360	**-17 256**
Other expenses (external)	-5 794	-750	-130	-59 402	**-66 076**
Net impairment losses (external)	-13 039	-8	-10 791	-75	**-23 913**
Costs allocation - rebilling (internal)	-80 060	-2 728	-16 139	98 927	**-**
Profit before income tax	**17 146**	**-1 932**	**106 672**	**30 475**	**152 361**
Income tax expense	-3 284	374	-20 842	-5 724	**-29 476**
Net profit	**13 862**	**-1 558**	**85 830**	**24 751**	**122 885**

1 Jan 2007 – 30 June 2007 (in PLN thousand)	Retail Banking	Private Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	114 725	693	122 181	14 895	252 494
Transfer prices expense (internal)	-73 872	-527	-161 995	-15 951	-252 345
Interest expense (external)	-36 739	-3 020	-81 528	-1 603	-122 890
Transfer prices income (internal)	59 035	3 230	159 260	30 820	252 345
Net interest income	**63 149**	**376**	**37 918**	**28 161**	**129 604**
Other transfer prices (internal)	**48**	**4**	**6 832**	**-6 884**	**-**
Fee and commission income (external)	42 908	343	25 471	1 652	70 374
Fee and commission expense (external)	-3 007	-36	-423	-1 059	-4 525
Net fee and commission income	**39 901**	**307**	**25 048**	**593**	**65 849**
Dividend and other investment income (external)	-	-	-	600	**600**
Net trading income (external)	24 880	163	37 263	-	**62 306**
Net gain/loss on available-for-sale financial assets (external)	-	-	-38	357	**319**
Net profit (loss) on hedging transactions (external)	-	-	-	-113	**-113**
Other income (external)	3 326	7	1 276	3	**4 612**
Total income, net	**131 304**	**857**	**108 299**	**22 717**	**263 177**
Personnel expense (external)	-30 856	-1 091	-20 427	-23 710	**-76 084**
Depreciation of fixed assets and intangible fixed assets (external)	-4 342	-66	-1 200	-4 587	**-10 195**
Other expenses (external)	-7 438	-157	-2 055	-51 793	**-61 443**
Net impairment losses (external)	-5 051	-32	-7 316	2	**-12 397**
Costs allocation - rebilling (internal)	-69 523	-1 569	-8 754	79 846	**-**
Profit before income tax	**14 094**	**-2 058**	**68 547**	**22 475**	**103 058**
Income tax expense	-1 872	342	-11 340	-3 751	**-16 621**
Net profit	**12 222**	**-1 716**	**57 207**	**18 724**	**86 437**

Consolidated total assets (in PLN thousand)	As at:	Retail Banking	Private Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Assets	**30.06.2008**	6 999 312	193 759	9 358 917	1 825 938	**18 377 926**
	31.12.2007	6 327 794	212 636	6 641 950	1 028 634	**14 211 014**
	30.06.2007	4 878 917	52 585	6 131 887	873 782	**11 937 171**

Liabilities	**30.06.2008**	3 654 536	271 500	13 017 208	1 434 682	**18 377 926**
	31.12.2007	3 451 684	311 558	9 124 157	1 323 615	**14 211 014**
	30.06.2007	2 940 845	179 554	7 614 987	1 201 785	**11 937 171**

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 30 June 2008, 31 December 2007 and 30 June 2007. The following have been classified into the non-monetary expenses: unrealised loss on financial instruments, write-downs for impairment, provisions.

in PLN thousand	As at:	Retail Banking	Private Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Non-monetary costs	**30.06.2008**	-39 710	-852	-247 103	-11 621	**-299 286**
	30.06.2007	-19 129	-643	-75 393	-12 686	**-107 851**

W poniższej tabeli zaprezentowane zostały koszty poniesione w celu nabycia rzeczowych aktywów trwałych i wartości niematerialnych za okres sprawozdawczy kończący się 30.06.2008 roku oraz dane porównawcze wg stanu na 31.12.2007 i 30.06.2007 roku.

in PLN thousand	As at:	Retail Banking	Private Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Asset acquisition costs	**30.06.2008**	-	56	-	22 714	**22 770**
	31.12.2007	-	-	-	88 337	**88 337**
	30.06.2007	-	-	-	39 342	**39 342**

Description of Segment Activity

Retail Banking

Customers

Retail Banking is a dynamically developing business line. As at the end of the first half of 2008, the number of active customers of this line reached 52,011. Private Individuals (69%) and enterprises (21%) prevail among the Retail Banking customers, while the remaining 10% are mass market customers. Portfolios of that line's customers (credit cards, cash loans) continue to be maintained, however the Group does not focus on this area any longer.

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 Group's statistics show that Customers are much interested in alternative distribution channels. Comparing the data for the First Half 2008 and First Half 2007 (YTD), the Group noted the following:

- increase in the number of Customers using the Pl@net banking system by 36%,
- increase in the number of transfers made via the Pl@net by 56%,

Products

RB BL customers use a wide range of credit, deposit, investment and card products.
The following products are largely popular among Private Individuals:

- mortgage loans: as at the end of the first half of 2008, the balance of such loans reached PLN 3.1 billion, which means an increase by 51% as compared to the end of the first half of 2007;
- credit cards: as at the end of the first half of 2008, the number of credit cards for Private Individuals and mass market Customers stood at 10,207 while the balance of card credits increased by 25% (the average of the first half of 2008 as compared to the average of the first six months of 2007),
- investment products: e.g. "Pure Profit" savings-linked insurance policy, which is a product of a guaranteed profit and capital protection and which has recently become popular among customers because it combines the best deposit features, i.e. simplicity and security plus insurance benefits. Its outstanding balance reached PLN 0.6 billion as at the end of the first half of 2008.

The following products are largely popular among Enterprises:

- investment loans: as at the end of the first half of 2008, the balance of such loans reached PLN 2.2 billion, which means an increase by 55% as compared to the end of the first half of 2007,
- currency exchange instruments: the number of table-based and negotiated transactions in the first half of 2008 increased by 23% as compared to the first half 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 Group's products is reflected in the Group's income statement as this line's net revenues increased by 25% in the first half of 2008 as compared to the first half of 2007 (YTD). This increase was generated thanks to:

- net trading income higher by 33%, which was attributable both to the net FX income (growth by 34%) and the net income on derivative instruments.
- net interest profit higher by 22%;
- net fee and commission profit higher by 20%.

The Retail Banking intensive development also resulted in costs increase. Personnel expenses grew by 32%. The increase was however mainly due to the growth in FTEs (in periods analysed by 20% on average). The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The costs increased by 15% 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 the first half of 2008, the number of active customers of this line reached 241. On average, the number of the line's customers increased by 150% (the first six months of 2008 compared to the first six months of 2007).

Distribution channels

Private Banking customers have at their disposal both a network of Business Centres (6), which are part of the international Fortis Bank network including about 125 centres in 20 countries, as well as alternative channels: Multicash, Pl@net systems and Call Centre. As statistics show, these channels are more and more willingly used by the customers.

Comparing the First Half 2008 data and First Half 2007 (YTD), the Group noted the following:

- increase in the number of Customers using the Pl@net banking system by 593%,
- increase in the number of transfers made via the Pl@net by 927%,

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 the first half of 2008, Private Banking customers saved approx. PLN 472 million (in savings and investment products such as e.g. foreign investment funds like L-FIX and L-Funds managed by Fortis Investments or Fortis FIO investment portfolios managed by Fortis Private Investments Polska S.A.).
- overdraft facility as at the end of the first half of 2008, the balance of such credit facilities reached PLN 120 billion (while in the first half of 2007 the sales of these credits was insignificant).

Results

In connection with a consolidation of financial statements effective January 2008, the financial data of the Private Banking Business Line include also results generated by Fortis Private Investments Polska (FPIP) which make up 61%% of the Line's net income, and 1% of the consolidated net income of Fortis Bank Polska.

The constantly developing base of Merchant Banking customers and growing interest in the Group's products is reflected in the Group's income statement as this line's net income increased by 453% in the first half of 2008 as compared to the first half of 2007. This increase was generated thanks to:

- net interest income higher by 422% (without FPIP: by 281%)
- net fee and commission income higher by 773% (without FPIP: by 5%)

The Private Banking intensive development also resulted in costs increase. Personnel expense increased by 169% (without FPIP, by 36%). It mainly resulted from the increased employment in both Private Banking BL and FPIP (FPIP employees account for 55% of the business line staff) and adjustment of the remuneration policy to the present situation on the labour market. 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 74%. The factor affecting the growth of transferred costs was the higher Customer activity, the resulting growth of products and services sold and primarily organisational changes. 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 the first half of 2008, the number of active customers of this line reached 2,471. On average, the number of the line's customers increased by 24% (the first six months of 2008 compared to the first six 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 including about 125 centres in 20 countries, as well as alternative channels: Multicash, Pl@net systems and Call Centre. As statistics show, these channels are more and more willingly used by the customers. Comparing the First Half 2008 data and First Half 2007 (YTD), the Group noted the following:

- increase in the number of Customers using the Pl@net banking system by 270%,
- increase in the number of transfers made via the Pl@net by 560%,

Products

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

Products offered by the group to institutional customers include:

- investment loans (including loans to purchase / construction of commercial real properties): as at the end of the first half of 2008, the balance of such loans exceeded PLN 2.8 billion, which means an increase by 37% as compared to the end of the first half of 2007;
- working capital loans: as at the end of the first half of 2008, the balance of such loans reached PLN 1.5 billion, which means an increase by 24% as compared to the end of the first half of 2007;
- overdraft facilities: as at the end of the first half of 2008, the balance of such loans reached PLN 1.5 billion, which means an increase by 38% as compared to the end of the first half of 2007;
- deposits: as at the end of the first half of 2008, the total balance of deposits reached PLN 3.6 billion, which means an increase by 52% as compared to the end of the first half of 2007;
- currency exchange instruments: the number of negotiated and table-based transactions in the first six months of 2008 reached about 27 thousand and the average monthly volume of such transactions oscillates around PLN 1.6 billion.

Results

The constantly developing base of Merchant Banking customers and growing interest in the Group's products is reflected in the Group's income statement as this line's net income increased by 44% in the first half of 2008 as compared to the first half of 2007. This increase was generated thanks to:

- net commission and fee profit higher by 88%,
- net FX income higher by 20%%, which constitute 77% of the net income on held-for-trading financial instruments.

The Merchant Banking intensive development also resulted in costs increase.

The "costs allocation (rebilling) item is the net value of business line costs allocated and transferred from Merchant Banking to other units. The costs increased by 84%. The factor affecting the growth of transferred costs was the higher Customer activity, the resulting growth of products and services sold and primarily organisational changes. The support units (horizontal functions) involved in the service of such products and services, transferred to business lines costs proportional to the increasing production.

Personnel costs remained at the same level as in the previous year. Such a situation results from decreasing employment in this segment through organisational changes and moving some people from units supporting credit operations to Retail Banking.

ALM and support units (horizontal functions)

Results

On one hand, the ALM segment presents the results of interest rate and liquidity risk management (net profit on the activity increased by 36% in the first half of 2008 in comparison to the first half of 2007), and on the other hand, costs of support units reflecting the Group's development.

In 2007, the Group implemented a new methodology of costs allocation, which has been continued in 2008, in accordance with the methodology applied in Fortis. This methodology introduces a new definition of the unit's direct costs i.e. the cost that is in the area of a given unit's responsibility is treated as a direct cost of a given unit. In accordance with this methodology, costs of depreciation, rent and training are reported as a direct cost of appropriate support units responsible for this cost. Finally, the costs are allocated to business units, in a proportion appropriate to the support rendered to a given business line, increasing the unit's allocation costs.

7. Additional Notes to Consolidated Income Statement

Below there is detailed information on consolidated revenues and expenses of the Group for the first half of 2008 and comparative data for the first half of 2007.

Note 7.1

Interest income (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
Cash and cash equivalents	39 495	11 291
Due from banks	9 197	5 795
Investments available for sale	28 222	12 612
Loans to customers	388 314	220 022
Securities held for trading	1 958	2 774
Total interest income	**467 186**	**252 494**

Interest income includes interest accrued on non-performing loans of PLN 6,770 thousand for the first half of 2008, and of PLN 6,370 for the first half of 2007.

Note 7.2

Interest expense (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
Due to banks	-120 379	-61 327
Due to customers	-153 242	-59 626
Subordinated loans	-9 352	-
Derivative hedging instruments	-559	-1 603
Others	-519	-334
Total interest expense	**-284 051**	**-122 890**

Note 7.3

Fee and commission income (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
Custody services and securities trading	1 331	1 373
Cash settlements services	27 344	25 733
Guarantees and contingent liabilities	7 525	7 328
Commissions related to granting credit facilities (amortised using the straight-line method)	11 514	9 204
Loan origination fees and commissions (incurred one time)	6 778	2 251
Fees and commissions related to derivative instrument buy/sell transactions	30 885	5 671
Income on account of agency in customer acquisition	2 120	5 637
Card related income	5 871	5 596
Income on asset management	4 890	1 087
Others	6 042	6 494
Total fee and commission income	**104 300**	**70 374**

Note 7.4

Fee and commission expense (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
Custody services and securities trading	-496	-244
Card related expenses	-2 165	-1 923
Cash transactions expenses	-1 478	-1 168
Settlements	-593	-717
Others	-1 306	-473
Total fee and commission expenses	**-6 038**	**-4 525**

Net commission and fee profit (loss) includes:

- fee and commission income of PLN 93,902 thousand for the first half of 2008, and PLN 57,375 thousand for the first half of 2007;
- fee and commission expense of PLN (5,454) thousand for the first half of 2008, and PLN (4,525) thousand for the first half of 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

Dividend and other investment income (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Dividend income from the subsidiary	-	600
Total dividends and other investment income	**-**	**600**

Note 7.6

Net trading income (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Securities	-1 258	-1 398
Derivative instruments	1 259	4 478
Foreign exchange transactions	66 272	59 226
Total net trading income	**66 273**	**62 306**

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.

Note 7.7

Net gain/loss on available-for-sale financial assets (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Securities	-	319
Total net profit (loss) on transactions in available-for-sale financial assets	**-**	**319**

Note 7.8

Net profit (loss) on hedging transactions (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Change to fair value of hedged instruments	-673	-2 319
Change to fair value of hedging instruments	729	2 206
Total net profit (loss) on hedging transactions	**56**	**-113**

Note 7.9

Other revenues (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
- consulting as regards software	2 608	2 208
- rental and lease income	2 234	706
- income on account of providing financial services	1 152	818
- compensation, penalties and fines	176	288
- other	1 285	592
Total other income	**7 455**	**4 612**

Note 7.10

Personnel expenses (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
- remuneration	-66 141	-52 443
- surcharges on remuneration	-13 184	-11 119
- provisions on severance pay related to retirement, unused vacation leaves and other employee benefits	-16 250	-12 522
Total personnel costs	**-95 575**	**-76 084**

Note 7.11

Depreciation of fixed assets and intangible fixed assets (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
Fixed assets, including:	-13 537	-8 033
- leasehold improvements	-3 920	-3 082
- computer hardware	-6 971	-2 947
- other fixed assets	-2 646	-2 004
Intangible Assets	-3 719	-2 162
Total depreciation of fixed assets and intangible fixed assets	**-17 256**	**-10 195**

Note 7.12

Other costs * (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
- rents	-13 528	-11 240
- information technologies and systems	-9 216	-8 823
-marketing and advertising	-9 705	-7 619
- expenditure related to RE use	-4 226	-4 270
- postal and telecommunication services	-5 481	-5 002
- advisory services and consulting	-3 298	-3 912
- business travels	-3 451	-3 624
- training,	-2 809	-2 971
- municipal services:	-2 947	-2 767
- security	-1 998	-1 900
- stationery	-1 568	-1 356
- Banking Guarantee Fund costs	-1 299	-977
- compensation, penalties and fines	-142	-182
- other	-6 408	-6 800
Total other costs	**-66 076**	**-61 443**

*The above note presents general expenses and operating costs.

Note 7.13

Net write-offs for impairment (in PLN thousand)	1.01.2008 – 30.06.2008	1.01.2007 – 30.06.2007
Net cash and cash equivalents, including:	-1 655	-43
- write-offs for Incurred But Not Reported losses (IBNR)	-1 655	-43
Due from banks, net, including:	-121	-8
- write-offs for Incurred But Not Reported losses (IBNR)	-121	-8
Loans to customers, net, including:	-22 717	-11 148
- write-offs for credit receivables	-16 182	-7 371
- write-offs for Incurred But Not Reported losses (IBNR)	-7 863	-4 423
- income on account of receivables written-off,	1 328	646
Off-balance sheet liabilities, net, including:	958	-1 182
- provisions for off-balance sheet commitments	1 126	-453
- write-offs for Incurred But Not Reported losses (IBNR)	-168	-729
Other assets, net	-10	369
Other provisions, net	-368	-385
Total impairment losses, net	**-23 913**	**-12 397**

The major components of the income tax expense:

Note 7.14.1

Income tax expense (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Current tax	-25 033	-26 233
Current tax for the previous year	-2 011	1 557
Deferred tax	-2 432	8 055
Total income tax	**-29 476**	**-16 621**

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 30 June 2008 and for comparative data as at 30 June 2007 differ from the estimate computed using the binding tax rate due to the following factors:

Note 7.14.2

Tax load (in PLN thousand)	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Profit before income tax	152 361	103 058
Binding tax rate in %	19%	19%
Tax computed at the rate	-28 948	-19 581
Tax increases / decreases on account of:	0	
Tax effects of tax-free accounting revenues:	943	1 123
- tax-exempt interest	922	917
- non-taxable dividends from subsidiaries	0	114
- other	21	92
Tax effects of not tax-deductible accounting costs	-705	-654
Tax effect of recognition of previous year costs	-276	568
Others	-490	1 923
Total tax increases / decreases	-528	2 960
Total tax load	**-29 476**	**-16 621**

Note 7.15

Consolidated Earnings Per Share	**1.01.2008 – 30.06.2008**	**1.01.2007 – 30.06.2007**
Number of shares as at 30 June	16 771 180	16 771 180
Weighted average number of ordinary shares	16 771 180	16 771 180
Net profit of the period (annualised) in PLN thousand	122 885 000	86 437 000
EPS ratio in PLN	7,33	5,15
Weighted average diluted number of potential ordinary shares	16 771 180	16 771 180
Diluted consolidated EPS ratio (PLN per share)	7,33	5,15

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

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

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

8. Cash and cash equivalents

Note 8.1

Cash and cash equivalents (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Cash at hand	200 147	543 343	159 011
Due from the central bank	433 509	17 153	53 340
Short-term due from banks, including:	2 586 279	1 006 442	1 397 969
- nostro accounts	51 285	97	41 727
- short-term deposits from banks	954 945	150 516	456 780
- other short-term receivables	1 580 049	855 829	899 462
Receivables on account of unsettled FX spot and FX swap transactions	13 099	23 841	56 058
Cash and cash equivalents, gross	**3 233 034**	**1 590 779**	**1 666 378**
Write-offs for impairment	**-1 971**	**-316**	**-209**
- for Incurred But Not Reported losses (IBNR)	-1 971	-316	-209
Total cash and cash equivalents, net	**3 231 063**	**1 590 463**	**1 666 169**

Note 8.2

Write-offs for impairment (in PLN thousand)	30.06.2008		31.12.2007		30.06.2007	
	Write-off for impairment	(IBNR)	Write-off for impairment	(IBNR)	Write-off for impairment	(IBNR)
Opening balance	**-**	**-316**	**-**	**-166**	**-**	**-166**
Increases	-	-3 353	-	-446	-	-336
Decreases	-	1 698	-	296	-	293
Ending balance	**-**	**-1 971**	**-**	**-316**	**-**	**-209**

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP). At the nostro account with the NBP, funds that constitute the mandatory reserve are kept, computed on the basis of the arithmetic mean of daily balances on current and term accounts for a given month.
The average balance of the mandatory reserve declared at the end of the first half of 2008 stood at PLN 315,424 thousand, at the end of 2007, it made up PLN 257,516 thousand, while at the end of the first half of 2007 it stood at PLN 198,078 thousand.

9. Financial Assets and Liabilities Held for Trading

Note 9.1

Financial assets held for trading (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Held-for-trading securities, including:	**41 831**	**48 241**	**81 896**
- treasury bonds	37 131	33 309	81 896
- treasury bills	4 700	14 932	-
Derivative financial instruments, including:	**264 146**	**205 060**	**103 315**
- foreign currency contracts	214 503	160 130	54 448
- interest rate contracts	49 643	44 930	48 867
Total financial assets held for trading	**305 977**	**253 301**	**185 211**

As at 30 June 2008, 31 December 2007 and 30 June 2007, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

Note 9.2

Financial liabilities held for trading (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Derivative financial instruments, including:	**275 438**	**201 381**	**120 389**
- foreign currency contracts	236 642	157 620	49 595
- interest rate contracts	38 796	43 761	70 794
Total financial liabilities held for trading	**275 438**	**201 381**	**120 389**

The table below presents fair values of derivative financial instruments.

Note 9.3

Derivative financial instruments held for trading (in PLN thousand)	30.06.2008		31.12.2007		30.06.2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency contracts:	214 503	236 642	160 130	157 620	54 448	49 595
- Forward (including the forward leg of a swap	102 161	124 300	91 183	88 675	33 095	28 240
- Options	111 522	111 522	68 947	68 945	21 353	21 355
- CIRS	820	820				
Interest Rate contracts:	49 643	38 796	44 930	43 761	48 867	70 794
- FRA	667	692	947	982	171	599
- IRS	38 044	27 172	40 097	38 893	44 610	66 109
- Options	10 932	10 932	3 886	3 886	4 086	4 086
Total derivative financial instruments held for trading	**264 146**	**275 438**	**205 060**	**201 381**	**103 315**	**120 389**

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

Note 9.4

Held-for-trading derivative instruments by nominal value (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
a) FX transactions	**22 187 453**	**18 801 332**	**13 223 670**
- Forward (including the forward leg of a swap contract) – amounts	3 713 605	4 972 872	3 547 221
- Forward (including the forward leg of a swap contract) – amounts sold	3 738 898	4 970 143	3 541 836
- Options - amounts purchased	7 320 362	4 413 435	3 055 025
- Options - amounts sold	7 367 920	4 444 882	3 079 588
- CIRS - amounts purchased	23 334	-	-
- CIRS – amounts sold	23 334	-	-
b) interest rate transactions	**7 516 824**	**13 138 451**	**29 571 604**
- FRA	600 000	1 426 947	1 500 000
- IRS - amounts purchased	2 819 182	5 493 356	13 694 444
- IRS - amounts sold	2 819 182	5 493 356	13 694 444
- Options - amounts purchased	639 230	362 396	341 358
- Options - amounts sold	639 230	362 396	341 358
Total financial instruments	**29 704 277**	**31 939 783**	**42 795 274**

10. Receivables

Note 10.1

Due from banks (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Loans	75 000	74 999	25 000
Debt securities not traded on an active market	149 792	150 639	152 803
Deposits	179 566	-	-
Other receivables	17 486	2 964	3 081
Total due from banks, gross	**421 844**	**228 602**	**180 884**
Write-downs for impairment	**-198**	**-77**	**-65**
- for Incurred But Not Reported losses (IBNR)	-198	-77	-65
Total net due from banks	**421 646**	**228 525**	**180 819**

Note 10.2

Loans to customers (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Loans to budgetary entities	442	454	955
Mortgage loans	3 152 948	2 660 307	2 066 829
Consumer loans and credit facilities	506 413	489 765	296 885
Commercial loans	9 196 900	8 215 694	6 797 418
Other receivables	-	215	908
Total loans to customers, gross	**12 856 703**	**11 366 435**	**9 162 995**
Write-downs for impairment	**-215 521**	**-194 409**	**-171 895**
- for incurred, reported losses	-158 600	-145 351	-134 525
- for Incurred But Not Reported losses (IBNR)	-56 921	-49 058	-37 370
Total net loans to customers	**12 641 182**	**11 172 026**	**8 991 100**

Note 10.3

Write-offs for impairment (in PLN thousand)	Due from banks	Loans to Customers	
	Write-offs for Incurred But Not Reported losses (IBNR)	Write-off for impairment	Write-offs for Incurred But Not Reported losses (IBNR)
Balance as at 1 January 2008	**-77**	**-145 351**	**-49 058**
Increases	-123	-53 745	-9 016
Decreases	2	37 563	1 153
Write-downs to provisions	-	1 283	-
FX rate differences	-	1 650	-
Balance as at 30 June 2008	**-198**	**-158 600**	**-56 921**
Balance as at 1 January 2007	**-57**	**-138 609**	**-32 947**
Increases	-62	-64 838	-16 598
Decreases	42	41 357	487
Write-downs to provisions	-	12 992	-
FX rate differences	-	3 747	-
Balance as at 31 December 2007	**-77**	**-145 351**	**-49 058**
Balance as at 1 January 2007	**-57**	**-138 609**	**-32 947**
Increases	-37	-21 487	-4 845
Decreases	29	14 116	422
Write-downs to provisions	-	9 778	-
FX rate differences	-	1 677	-
Balance as at 30 June 2007	**-65**	**-134 525**	**-37 370**

11. Investments - Available for Sale

Note 11.1

Investments Available for Sale at fair value (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Treasury bonds	1 069 037	464 186	422 338
Treasury bills	265 008	95 835	-
NBP Bonds	24 979	24 979	24 979
Shares and stock	79	18 235	18 237
Total investments available for sale	**1 359 103**	**603 235**	**465 554**

Note 11.2

Change in the balance of available for sale investments (in PLN thousand)	**Debt securities**	**Shares and stock**	**Total**
Balance as at 1 January 2008	**585 000**	**18 235**	**603 235**
Increases	775 926	-	775 926
Decreases (sale and maturity)	-	-	-
Consolidation adjustment	-	-18 154	-18 154
Measurement to fair value	-7 642	-	-7 642
Others	5 740	-2	5 738
Balance as at 30 June 2008	**1 359 024**	**79**	**1 359 103**

Change in the balance of available for sale investments (in PLN thousand)	**Debt securities**	**Shares and stock**	**Total**
Balance as at 1 January 2007	**636 472**	**18 238**	**654 710**
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
Balance as at 31 December 2007	**585 000**	**18 235**	**603 235**

Change in the balance of available for sale investments (in PLN thousand)	**Debt securities**	**Shares and stock**	**Total**
Balance as at 1 January 2007	**636 472**	**18 238**	**654 710**
Increases	128 819	-	128 819
Decreases (sale and maturity)	-311 015	-	-311 015
Measurement to fair value	-2 106	-	-2 106
Others	-4 853	-1	-4 854
Balance as at 30 June 2007	**447 317**	**18 237**	**465 554**

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 30 June 2008 and for the periods from 1 January 2007 to 31 December 2007 and from 1 January 2007 to 30 June 2007.

Note 11.3

Investments Available for Sale (in PLN thousand)	**1.01.2008 - 30.06.2008**	**1.01.2007 - 31.12.2007**	**1.01.2007 - 30.06.2007**
Profits recognised directly in the equity and then derecognised from the equity and recognised in the net profit/loss	-	1 828	1 654
Losses recognised directly in the equity and then derecognised from the equity and recognised in the net profit/loss	-	-2 531	-13
Total	**-**	**-703**	**1 641**

12. Property, Plant and Equipment

Note 12.1

Property, Plant and Equipment by groups (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
investments in non-company fixed assets:	42 485	42 511	33 477
Machines and equipment and means of transport:	27 250	23 147	25 552
Computer hardware	48 038	48 158	31 022
Total Property, Plant and Equipment	**117 773**	**113 816**	**90 051**

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

Note 12.2

in PLN thousand	investments in non-company fixed assets:	Machines and equipment and means of transport:	Computer hardware	Total
Gross value as at 01.01.08	**83 408**	**39 525**	**121 861**	**244 794**
- increase (incl. purchase)	3 983	7 498	6 732	18 213
- balance decrease (sale, liquidation)	-5 861	-2 252	-9 405	-17 518
- consolidation adjustment	276	443	435	1 154
- other	-13	-352	-189	-554
Gross value as at 30.06.08	**81 793**	**44 862**	**119 434**	**246 089**
Depreciation as at 01.01.08	**-40 897**	**-16 378**	**-73 703**	**-130 978**
- depreciation	-3 920	-2 646	-6 971	-13 537
- balance decrease (sale, liquidation)	5 595	1 655	9 400	16 650
- consolidation adjustment	-86	-310	-265	-661
- other	-	67	143	210
Depreciation as at 30.06.08	**-39 308**	**-17 612**	**-71 396**	**-128 316**
Fixed assets net as at 30.06.08	**42 485**	**27 250**	**48 038**	**117 773**

in PLN thousand	investments in non-company fixed assets:	Machines and equipment and means of transport:	Computer hardware	Total
Gross value as at 01.01.07	**64 085**	**31 306**	**112 625**	**208 016**
- 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
Gross value as at 31.12.07	**83 408**	**39 525**	**121 861**	**244 794**
Depreciation as at 01.01.07	**-34 943**	**-13 412**	**-87 604**	**-135 959**
- 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
Depreciation as at 31.12.07	**-40 897**	**-16 378**	**-73 703**	**-130 978**
Fixed assets net as at 31.12.07	**42 511**	**23 147**	**48 158**	**113 816**

in PLN thousand	investments in non-company fixed assets:	Machines and equipment and means of transport:	Computer hardware	Total
Gross value as at 01.01.07	**64 085**	**31 306**	**112 625**	**208 016**
- increase (incl. purchase)	10 290	10 209	9 048	29 547
- balance decrease (sale, liquidation)	-2 952	-568	-7 545	-11 065
- other	-79	-451	-758	-1 288
Gross value as at 30.06.07	**71 344**	**40 496**	**113 370**	**225 210**
Depreciation as at 01.01.07	**-34 943**	**-13 412**	**-87 604**	**-135 959**
- depreciation	-3 081	-2 004	-2 948	-8 033
- balance decrease (sale, liquidation)	157	381	7 533	8 071
- other	-	91	671	762
Depreciation as at 30.06.07	**-37 867**	**-14 944**	**-82 348**	**-135 159**
Fixed assets net as at 30.06.07	**33 477**	**25 552**	**31 022**	**90 051**

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

Intangible Assets (in PLN thousand)	1.01.2008 - 30.06.2008	1.01.2007 - 31.12.2007	1.01.2007 - 30.06.2007
Gross value opening balance	**32 653**	**17 171**	**17 171**
- balance increase (incl. purchase)	5 477	16 439	9 583
- liquidation	-	-52	-52
- consolidation adjustment	296		
- other	-313	-905	**-43**
Ending balance gross	**38 113**	**32 653**	**26 659**
Depreciation opening balance	**-10 366**	**-5 289**	**-5 289**
- depreciation costs	-3 719	-5 129	-2 162
- consolidation adjustment	-213		
- balance decrease (sale and liquidation)	-	52	52
Depreciation ending balance	**-14 298**	**-10 366**	**-7 399**
Total intangible assets net Ending balance	**23 815**	**22 287**	**19 260**

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 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007.

Note 14.1

in PLN thousand	30.06.2008	31.12.2007	30.06.2007
Deferred tax assets	68 757	57 369	46 827
Deferred tax reserve	35 720	23 496	14 775
Net deferred tax	**33 037**	**33 873**	**32 052**

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	Consolidation adjustment	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 30.06.08
Interest accrued to be paid	8 219		-890	-	7 329
Negative fair value – trading derivatives	113		-113	-	-
Negative fair value - hedged and hedging items	81		811	-	892
Write-offs for impairment and provisions	22 541		3 723	-	26 264
Other non-tax-deductible provisions	8 495	170	-2 786	-	5 879
Measurement of financial instruments held for trading	13 609		9 305	-	22 914
Measurement of available-for-sale investments	661		-	1 452	2 113
Commissions and fees settled in time	3 479		-317	-	3 162
Others	171	4	29	-	204
Total deferred tax assets	**57 369**	**174**	**9 762**	**1 452**	**68 757**
Deferred tax liabilities in PLN thousand					
Interest accrued to be received	13 074	11	5 086	-	18 171
Positive fair value - trading derivatives	353		1 713	-	2 066
Difference between balance sheet depreciation and tax depreciation	3 025	19	29	-	3 073
Investment relief settlement	6		-5	-	1
Measurement of financial instruments held for trading	6 907		2 243	-	9 150
Measurement of available-for-sale investments	-		-	-	-
Others	131		3 128	-	3 259
Total deferred tax liabilities	**23 496**	**30**	**12 194**	**-**	**35 720**
Net deferred tax	**33 873**	**144**	**-2 432**	**1 452**	**33 037**

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
Total deferred tax assets	**34 013**	**22 695**	**661**	**57 369**
Deferred tax liabilities in PLN thousand				
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
Total deferred tax liabilities	**10 728**	**13 276**	**-508**	**23 496**
Net deferred tax	**23 285**	**9 419**	**1 169**	**33 873**

Deferred tax assets (in PLN thousand)	Opening balance 01.01.07	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 30.06.07
Interest accrued to be paid	3 922	1 117	-	5 039
Negative fair value – trading derivatives	310	3 775	-	4 085
Negative fair value - hedged and hedging items	25	1 440	-	1 465
Write-offs for impairment and provisions	15 935	4 261	-	20 196
Other non-tax-deductible provisions	5 700	-270	-	5 430
Measurement of financial instruments held for trading	3 272	2 538	-	5 810
Measurement of available-for-sale investments	-	-	204	204
Commissions and fees settled in time	4 460	-47	-	4 413
Others	389	-204	-	185
Total deferred tax assets	**34 013**	**12 610**	**204**	**46 827**
Deferred tax liabilities in PLN thousand				
Interest accrued to be received	9 132	1 769	-	10 901
Positive fair value - trading derivatives	175	-175	-	-
Difference between balance sheet depreciation and tax depreciation	286	759	-	1 045
Investment relief settlement	31	-11	-	20
Measurement of financial instruments held for trading	585	2 065	-	2 650
Measurement of available-for-sale investments	508	-	-508	-
Others	11	148	-	159
Total deferred tax liabilities	**10 728**	**4 555**	**-508**	**14 775**
Net deferred tax	**23 285**	**8 055**	**712**	**32 052**

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 30 June 2008, the total current and deferred tax liabilities related to items decreasing or increasing the equity stood at PLN 1,452 thousand while as at 31 December 2007 it was PLN 1,169 thousand and as at 30 June 2007 it was PLN 712 thousand.

15. Other assets

Note 15

Other assets (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Deferred acquisition cost	7 890	2 540	6 221
Interest to be received, including:	91 229	69 714	47 263
- on cash and cash equivalents	1 700	41	835
- on due from banks	7 632	1 623	5 951
- on loans to customers	61 433	51 964	35 639
- on debt securities held for trading	689	1 143	1 677
- on debt securities available for sale	19 775	14 943	3 161
Financial assets recognised at the trade date	104 485	97 400	223 794
Interbank settlements	697	1 559	373
Income to be received	17 860	5 200	2 380
Receivables due form counterparties	9 649	9 680	10 440
Others	14 039	8 881	18 139
Total other assets	**245 849**	**194 974**	**308 610**
Write-offs for impairment	-1 519	-1 486	-1 655
Total other assets, net	**244 330**	**193 488**	**306 955**

16. Liabilities

Note 16.1

Due to banks (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Due to the central bank	**-**	**-**	**148 000**
Banks' deposits	**2 315 026**	**1 373 528**	**1 537 105**
- Current	68 822	103 769	63 188
- Term	1 888 686	953 700	1 216 070
- Cash collateral	357 518	316 059	257 847
Loans and credit facilities received	**4 512 593**	**3 666 796**	**2 724 800**
Others	**1 581 725**	**855 221**	**899 631**
Total due to banks	**8 409 344**	**5 895 545**	**5 309 536**

Note 16.2

Due to customers (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Current deposits	1 335 508	1 425 475	1 480 670
Term deposits	5 538 273	4 597 824	3 407 534
Loans and credit facilities received	670 840	-	-
Cash collateral	214 898	260 334	248 182
Others	12 871	23 795	55 819
Total due to customers	**7 772 390**	**6 307 428**	**5 192 205**

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 a margin of 1% p.a.

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 of 1% p.a. starting from the second interest period, EURIBOR 1M + margin increased by 0.5% p.a. starting from 28 December 2012.

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

As at the end of June 2008, the loan outstanding value was PLN 335,420 thousand, while as at the end of December 2007, it stood at PLN 358,200 thousand.

18. Other liabilities

Note 18

Other liabilities (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Accrued interest and expenses	16 118	14 042	14 407
Interest to be paid, including:	36 185	41 434	24 552
- on due to banks	14 104	32 794	18 547
- on due to customers	22 031	8 423	6 005
- on subordinated debt	50	217	-
Expenses to be paid	7 343	11 911	6 394
Taxes to be paid	5 995	6 913	6 500
Employee Benefits	23 370	31 522	21 108
Derivative instruments - hedging	4 695	751	7 710
Interbank settlements	141 413	58 642	93 269
Liabilities on account of recognition of financial assets at the trade date	4 809	20 700	4 840
Liabilities due to counterparties	7 720	14 087	2 725
Settlement on account of credit debt	19 593	32 642	17 554
Others	16 660	19 285	20 123
Total other liabilities	**283 901**	**251 929**	**219 182**

19. Provisions

Note 19.1

Provisions by titles (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Provisions for off-balance sheet commitments	3 786	4 911	990
IBNR reserve – off-balance sheet commitments	7 896	7 728	8 811
Legal risk provisions	2 900	2 900	2 916
Provisions for office sub-lease	804	435	913
Total provisions	**15 386**	**15 974**	**13 630**

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 change sin the balance of provisions:

Note 19.2.1

Change in provisions for off-balance sheet commitments (in PLN thousand)	01.01.2008 – 30.06.2008	01.01.2007 – 31.12.2007	01.01.2007 – 30.06.2007
Opening balance	**12 639**	**8 816**	**8 816**
Increases	2 672	6 222	1 825
- for off-balance sheet commitments	1 297	4 863	879
- for IBNR losses – off-balance sheet commitments	1 375	1 359	946
Decreases	-3 630	-2 389	- 643
- for off-balance sheet commitments	-2 423	-677	-426
- for IBNR losses – off-balance sheet commitments	- 1 207	-1 712	-217
FX rate differences	-1	-10	-197
Ending balance	**11 682**	**12 639**	**9 801**

Note 19.2.2

Changes in other provisions (in PLN thousand)	01.01.2008 – 30.06.2008	01.01.2007 – 31.12.2007	01.01.2007 – 30.06.2007
Opening balance	**3 335**	**3 444**	**3 444**
Increases	804	1 936	535
- for legal risk	-	1 401	-
- for office sub-lease	804	535	535
Decreases	-435	-2 045	-150
- for legal risk	-	-1 417	-
- for office sub-lease	-435	-628	-150
Ending balance	**3 704**	**3 335**	**3 829**

20. Equity

Note 20.1

Equity (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Share capital	503 135	503 135	503 135
Share premium	308 656	308 656	308 814
Other capital	344 983	183 200	183 200
Revaluation reserve	-9 008	-2 818	-868
Consolidation adjustment	705	-	-
Retained earnings	-	-15 811	-15 811
Net profit (loss) for the year	122 885	177 594	86 437
Total equity	**1 271 356**	**1 153 956**	**1 064 907**

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

Series / issue	Registration date	Number of shares	Series / issue value at nominal value
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
Total		**16 771 180**	**503 135 400**

The shareholder structure as at 30 June 2008 and in comparative periods was as follows:

Note 20.3

Balance as at 30.06.08	number of shares owned	share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank S.A./N.V.	16 636 072	99,19%	16 636 072	99,19%
Others	135 108	0,81%	135 108	0,81%
Total:	**16 771 180**	**100%**	**16 771 180**	**100%**

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

Balance as at 30.06.07	number of shares owned	share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank S.A./N.V.	16 635 287	99,19%	16 635 287	99,19%
Others	135 893	0,81%	135 893	0,81%
Total:	**16 771 180**	**100%**	**16 771 180**	**100,00%**

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

Other capital (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
General risk fund	194 639	117 045	117 045
Reserve capital	150 344	66 155	66 155
Total other capital	**344 983**	**183 200**	**183 200**

Revaluation reserve as at 30 June 2008 and in comparative periods stood at:

Note 20.5

Revaluation reserve (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Measurement of available-for-sale financial assets, including:	-11 121	-3 479	-1 072
- Treasury bills	-640	-93	-
- Treasury bonds	-10 481	-3 386	-1 072
Deferred tax	2 113	661	204
Total revaluation reserve	**-9 008**	**-2 818**	**-868**

The revaluation reserve includes write-downs for 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

Other assets and liabilities (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Change in costs to be paid	-5 118	7 091	1 674
Change in the balance of financial assets and liabilities recognised at the trade date	-22 976	-180 530	-322 784
Change in interest to be received	-21 519	-31 744	-9 293
Change in interest to be paid	-5 186	22 558	5 676
Change in interbank settlements	83 633	-69 770	-33 957
Change in employee benefits	-8 153	7 771	-2 643
Change in the balance of settlements on account of credit debt	-13 049	18 100	3 012
Change in the balance of settlements with counterparties	-6 608	5 582	-6 540
Others	-22 387	11 816	9 504
Total other assets and liabilities	**-21 363**	**-209 126**	**-355 351**

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 30 June 2008 the Bank's books contained Treasury bonds, which were separated from assets, to secure the BGF in the nominal value of PLN 20,000,000. 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

Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund

(in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
- Treasury bonds at nominal value	20 000	20 000	12 000
- Treasury bonds at balance sheet value	19 843	20 001	11 375
Total available for sale securities at balance sheet value	**19 843**	**20 001**	**11 375**

Value of cash deposited at the Bank and guaranteed by the system	**9 060 374**	**7 409 434**	**5 869 914**

Note 22.2

Securities pledged in the KDPW against the lombard loan

(in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
- Treasury bonds at nominal value	-	271 000	382 300
- Treasury bonds at balance sheet value	-	269 448	384 654
of which used against the loan taken:	-	-	185 000
Total securities pledged in the KDPW against the lombard loan, balance sheet value	-	**269 448**	**384 654**

A lombard loan is taken based on the *Regulations of Refinancing Banks by the NBP through a Lombard Loan* published in Resolution no. 42/2008 of the NBP Management Board dated 1 February 2008 (Official Journal of the NBP no. 3 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 80% 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 Resolution no. 5/2005 of the NBP Management Board dated 1 February 2008 (Official Journal of the NBP no. 3 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 80% 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 hedging derivative instruments at nominal value as at 30.06.2008 and in comparative periods, broken by residual maturity.

Note 23.1

Hedging derivative instruments (in PLN thousand)	30.06.2008					
	Fair value		Denomination			
	positive	negative	up to 1 year	1-5 years	> 5 years	Total
Interest Rate contracts	**-**	**4 694**	**150 000**	**-**	**-**	**150 000**
- Swaps	-	4 694	150 000	-	-	150 000
Total hedging derivative instruments	**-**	**4 694**	**150 000**	**-**	**-**	**150 000**
Not traded on regulated markets	-	4 694	150 000	-	-	150 000
Total	**-**	**4 694**	**150 000**	**-**	**-**	**150 000**

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

Hedging derivative instruments (in PLN thousand)	30.06.2007					
	Fair value		Denomination			
	positive	negative	up to 1 year	1-5 years	> 5 years	Total
Interest Rate contracts	**-**	**7 710**	**-**	**150 000**	**-**	**150 000**
- Swaps	-	7 710	-	150 000	-	150 000
Total hedging derivative instruments	**-**		**-**	**150 000**	**-**	**150 000**
Not traded on regulated markets	-	7 710	-	150 000	-	150 000
Total	**-**	**7 710**	**-**	**150 000**	**-**	**150 000**

Information about hedge accounting rules applied:

The Bank applies 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 applies only the hedging for the risk of changing the fair value of bonds presented as receivables, which risk results exclusively from the variability of the risk-free interest rate.

As at 30 June 2008, 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. In the first half of 2008, changes in the fair value on account of the bond risk hedged were PLN (673) thousand, while the change in fair value of the hedging derivative in the same period stood at PLN 729 thousand. Changes to fair value were recognised in the income statement of the Bank.

Hedging for bonds of Credit Suisse First Boston Singapore Branch:

Note 23.2

Instrument hedged: Credit Suisse First Boston bonds (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
nominal value	150 000	150 000	150 000
fair value change	**-673**	**-4 307**	**-2 319**

Hedging instrument: IRS Contract (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
nominal value	150 000	150 000	150 000
fair value change	**729**	**4 180**	**2 205**

At present the Bank does not intend to enter into any subsequent transactions that will be hedged.

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 30.06.2008 and for comparative periods, broken by residual maturity.

Note 23.3

Derivative instruments held for trading (in PLN thousand)	30.06.2008							
	Fair value		Nominal value by maturity					
	positive	negative	Up to 1 month	1-3 months	3 months-1 year	1-5 years	> 5 years	Total
Foreign currency contracts:	**214 503**	**236 642**	**3 594 022**	**5 288 778**	**11 187 616**	**2 117 037**	**-**	**22 187 453**
- Forward (including the forward leg of a FX swap contract) - amounts bought	102 161	124 300	967 079	1 131 046	1 389 085	226 395	-	**3 713 605**
- Forward (including the forward leg of a FX swap contract) - amounts sold			983 829	1 129 210	1 399 675	226 184	-	**3 738 898**
- Options – amounts purchased	111 522	111 522	821 557	1 514 261	4 175 649	808 895	-	**7 320 362**
- Options – amounts sold			821 557	1 514 261	4 223 207	808 895	-	**7 367 920**
- CIRS – amounts purchased	820	820	-	-	-	23 334	-	**23 334**
- CIRS – amounts sold			-	-	-	23 334	-	**23 334**
Interest Rate contracts	**49 643**	**38 796**	**350 000**	**300 000**	**1 487 566**	**3 489 358**	**1 889 900**	**7 516 822**
- FRA	667	692	200 000	200 000	200 000	-	-	**600 000**
-IRS – amounts purchased	38 043	27 171	75 000	50 000	586 755	1 452 203	655 224	**2 819 182**
- IRS – amounts sold			75 000	50 000	586 755	1 452 203	655 224	**2 819 182**
- Options – amounts purchased	10 933	10 933	-	-	57 028	292 476	289 726	**639 230**
- Options – amounts sold			-	-	57 028	292 476	289 726	**639 230**
Total derivative instruments held for trading	**264 146**	**275 438**	**3 944 022**	**5 588 778**	**12 675 182**	**5 606 395**	**1 889 900**	**29 704 277**
Not traded on regulated markets	**264 146**	**275 438**	3 944 022	5 588 778	12 675 182	5 606 395	1 889 900	29 704 277
Total	**264 146**	**275 438**	**3 944 022**	**5 588 778**	**12 675 182**	**5 606 395**	**1 889 900**	**29 704 277**

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

Derivative instruments held for trading (in PLN thousand)	30.06.2007							
	Fair value		Nominal value by maturity					
	positive	negative	Up to 1 month	1-3 months	3 months-1 year	1-5 years	> 5 years	Total
Foreign currency contracts:	**54 448**	**49 595**	**4 664 200**	**3 935 576**	**4 402 987**	**220 907**	**-**	**13 223 670**
- Forward (including the forward leg of a FX swap contract) - amounts bought	33 095	28 240	1 861 716	980 931	641 551	63 023	-	**3 547 221**
- Forward (including the forward leg of a FX swap contract) - amounts sold			1 860 076	978 505	640 709	62 546	-	**3 541 836**
- Options – amounts purchased	21 353	21 355	471 204	988 070	1 548 082	47 669	-	**3 055 025**
- Options – amounts sold			471 204	988 070	1 572 645	47 669	-	**3 079 588**
Interest Rate contracts	**48 867**	**70 794**	**-**	**10 000**	**25 841 576**	**1 982 270**	**1 737 758**	**29 571 604**
- FRA	171	599	-	-	1 200 000	300 000	-	**1 500 000**
-IRS – amounts purchased	44 610	66 109	-	-	12 298 959	748 297	647 188	**13 694 444**
- IRS – amounts sold			-	-	12 298 959	748 297	647 188	**13 694 444**
- Options – amounts purchased	4 086	4 086	-	5 000	21 829	92 838	221 691	**341 358**
- Options – amounts sold			-	5 000	21 829	92 838	221 691	**341 358**
Total derivative instruments held for trading	**103 315**	**120 389**	**4 644 200**	**3 945 576**	**30 244 563**	**2 203 177**	**1 737 758**	**42 795 274**
Not traded on regulated markets	103 315	120 389	4 644 200	3 945 576	30 244 563	2 203 177	1 737 758	**42 795 274**
Total	**103 315**	**120 389**	**4 644 200**	**3 945 576**	**30 244 563**	**2 203 177**	**1 737 758**	**42 795 274**

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 30.06.08 and comparative data.

Note 24.1

Contingencies and Commitments (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Contingent liabilities granted			
- items related to financing	4 004 849	3 730 140	3 609 929
- guarantees	882 740	876 428	841 384
Total contingent sheet commitments granted	**4 887 589**	**4 606 568**	**4 451 313**
Contingent liabilities received			
- items related to financing	1 272 032	584 232	454 245
- guarantees	283 211	259 712	177 955
Total contingent sheet commitments received	**1 555 243**	**843 944**	**632 200**
Total contingent liabilities	**6 442 832**	**5 450 512**	**5 083 513**

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 30 June 2008 made up PLN 3,845,046 thousand or 96% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 3,482,888 thousand as at 31 December 2007 (93%) and PLN 3,298,157 thousand as at 30 June 2007 (91%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

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

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

The major item of off-balance sheet commitments received by the Bank constitute unused credit lines granted by the NBP and the entity affiliated by management which as at 30 June 2008 stood at PLN 1,272,032 thousand, while as at 31 December 2007 they made up PLN 584,232 thousand, and as at 30 June 2007 they were PLN 330,194 thousand, accordingly.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 283,211 thousand as at 30 June 2008 and PLN 259,712 thousand as at 31 December 2007 and PLN 177,955 thousand as at 30 June 2007.

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 undertook by Fortis FIO with respect to their compliance with Fortis FIO Statute and legal regulations.

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

	30.06.2008	31.12.2007	30.06.2007
Number of accounts maintained in favour of customers	10	56	53
Funds deposited on such Customer accounts (in PLN thousand)	2 647 876	3 997 609	4 060 939

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

Fortis Bank Polska SA, pursuant to lease agreements occupies mainly office premises, storehouses, parking spaces and garages. The major agreements concern buildings in Warsaw and Krakow.
In the first half of 2008, the Bank incurred expenses related to rent for the above real property of PLN 13,528 thousand, as compared to PLN 11,240 thousand incurred in the comparable period. The above fees were recognised in the income statement in Note "Other costs."

Note 26.1

Future liabilities under lease agreements by maturity in PLN thousand	**30.06.2008**	**31.12.2007**	**30.06.2007**
up to 1 year	33 201	34 297	27 501
from 1 up to 5 years	100 614	97 642	72 470
above 5 years	64 210	73 432	42 005
TOTAL	198 025	**205 371**	**141 976**

Some 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 leases out office premises, storehouses, parking spaces and garages.

Note 26.2

Future receivables under lease agreements by maturity in PLN thousand	**30.06.2008**	**31.12.2007**	**30.06.2007**
up to 1 year	1 900	2 955	5 992
from 1 up to 5 years	5 476	6 391	4 733
above 5 years	4 168	5 211	4 982
TOTAL	**11 544**	**14 557**	**15 707**

Some 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

The Bank is part of Fortis, an international banking and insurance group. Fortis Bank S.A./NV based in Brussels is the Bank's parent entity. Fortis consolidated financial statements are published at the Belgian Stock Exchange in Brussels.

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 29.

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 within a standard business activity; the terms and conditions of transactions presented correspond to market conditions.

Note 27.1

30.06.2008 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Assets				
Cash and cash equivalents	1 556 644	-	42 326	1 598 970
Financial assets held for trading	133 611	-	-	133 611
Due from Banks and Loans to Customers	146 972	1	118 181	265 154
Other assets	17 909	605	21 184	39 698
Total	**1 855 136**	**606**	**181 691**	**2 037 433**
Liabilities				
Financial liabilities held for trading	146 816	-	-	146 816
Due to banks and customers	1 065 591	18 926	5 659 440	6 743 957
Subordinated liabilities	-	-	335 420	335 420
Other liabilities	4 852	67	19 159	24 078
Total	**1 217 259**	**18 993**	**6 014 019**	**7 250 271**

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

30.06.2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Assets				
Cash and cash equivalents	814 819	-	509	815 328
Financial assets held for trading	36 752	-	-	36 752
Due from Banks and Loans to Customers	-	1	87 794	87 795
Other assets	296	67	155	518
Total	**851 867**	**68**	**88 458**	**940 393**
Liabilities				
Financial liabilities held for trading	6 232	-	-	6 232
Due to banks and customers	744 138	7 562	2 987 494	3 739 194
Other liabilities	7 764	39	24 518	32 321
Total	**758 134**	**7 601**	**3 012 012**	**3 777 747**

Note 27.2

1.01.2008 – 30.06.2008 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Income Statement				
Interest income	28 151	-	4 576	32 727
Interest expense	-2 556	-473	-116 003	-119 032
Fee and commission income	32 659	1 550	2 240	36 449
Fee and commission expense	-719	-	-1	-720
Net trading income	11 600	-	17	11 617
Net profit (loss) on hedging transactions	729	-	-	729
Other revenues	3 690	-	264	3 954

1.01.2007 – 30.06.2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Income Statement				
Interest income	6 140	-	1 401	7 541
Interest expense	-1 809	-83	-44 666	-46 558
Fee and commission income	10 424	4 717	783	7 250
Fee and commission expense	-916	-35	-1	-952
Dividend and other investment income	-	-	-	-
Net trading income	21 086	-	4	29 764
Net profit (loss) on hedging transactions	2 206	-	-	2 206

Note 27.3

30.06.2008 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments				
Contingent liabilities granted:	17 692	49	250 199	267 940
- items related to financing	-	49	199 334	199 383
- guarantees	17 692	-	50 865	68 557
Contingent liabilities received:	18 793	-	31 547	50 340
- items related to financing	-	-	-	-
- guarantees	18 793	-	31 547	50 340
Transactions in derivative instruments*	14 090 251	-	-	14 090 251

31.12.2007 (in PLN thousand)	Parent entity	Subsidiary	Entities affiliated by management	Total

Contingent liabilities and transactions in derivative instruments				
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

30.06.2007 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Contingent liabilities and transactions in derivative instruments				
Contingent liabilities granted:	-	49	106 271	106 320
- items related to financing	-	49	76 576	76 625
- guarantees	-	-	29 695	27 695
Contingent liabilities received:	12 049	-	141 431	153 480
- items related to financing	-	-	87 956	87 956
- guarantees	12 049	-	53 475	65 524
Transactions in derivative instruments*	31 599 212	-	-	31 599 212

*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.

On 3 March 2008, Fortis Bank Polska S.A. signed an agreement with Fortis Bank S.A./NV Bruxelles Sucursala Bucharest, 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 up to 24%.

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.

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 S.A. and Dominet Bank S.A. The merger is to be effected by transferring the assets of Dominet Bank S.A. (the acquiree) to Fortis Bank Polska S.A. (the acquirer) in exchange for newly-issued FBP shares which will be allocated to the existing Dominet Bank shareholders, pursuant to Art. 492 § 1 of the Code of Commercial Companies and Partnerships.

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 - 30.06.2008	01.01.2007 - 30.06.2007
Board of Executives, including:	3 540	3 525
- remuneration	1 706	1 645
- benefits*	285	322
- other**	1 549	1 558
Supervisory Board	195	235
Managing Directors***	9 350	8 903

* 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.

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 the first half of 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 Group:

Note 28.2

	30.06.2008		31.12.2007		30.06.2007	
	Number of options	Option average weighted price (in EUR)	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	51 100	21,99
(ii) granted (and accepted) in a given period	39 700	16,46	42 100	34,19	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	93 200	27,5
(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)	98		97		103	

(*) 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 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 in the first half of 2008.

Provisions for employee benefits for key managers of the Group

The table below shows provisions for employee benefits for key managers as at 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007:

Note 28.3

Provisions for employee benefits for key managers, by groups (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Short-term, including:	4 750	3 687	4 963
- Board of Executives	1 274	1 675	1 654
- Managing Directors	3 476	2 012	3 309
Long-term, including:	269	173	229
- Board of Executives	116	64	61
- Managing Directors	153	109	168
Total provisions for employee benefits for key managers	**5 019**	**3 860**	**5 192**

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 30.06.08, 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;
- 1 debit limit in the savings and checking accounts (ROR) in the amount of PLN 10 thousand;

to the Board of Executives' Members:

- eight (8) credit card limits of PLN 107 thousand in total, of which PLN 25 thousand was used,
- two (2) foreign currency loans in the total amount of PLN 1,275 thousand with the original maturity from 5 to 30 years, inclusive;
- two (2) debit limits in the savings and checking account of PLN 100 thousand in total, of which PLN 42 thousand was used,

to Managing Directors:

- 34 loans totalling PLN 6,643 thousand, including 20 foreign currency loans of the total of PLN 4,812 thousand with original maturity from 2 to over 30 years;
- nine (9) debit limits in the savings and checking accounts (ROR) totalling PLN 120 thousand, of which PLN 4 thousand were utilised as at the end of June 2008;
- 26 credit card limits totalling PLN 187 thousand, of which PLN 39 thousand were utilised as at the end of June 2008;

to persons related to managing and supervising persons:

- 16 loans (of which, three in foreign currencies) in the total amount of PLN 752 thousand with the original maturity from 5 to 30 years, inclusive;
- five (5) debit limits in the savings and loan accounts totalling PLN 116 thousand, of which PLN 63 thousand were utilised as at the end of June 2008;
- four (4) credit card limits totalling PLN 30 thousand, of which PLN 17 thousand were utilised as at the end of June 2008;

As at 30.06.2007, the Bank granted:

to the Supervisory Board's Members:

- Credit card limit of PLN 29 thousand, of which PLN 7 thousand was used,
- Guarantee of USD 5 thousand issued for the period from 5 up to 10 years;

to the Board of Executives' Members:

- six (6) credit card limits of PLN 82 thousand in total, of which PLN 21 thousand was used,
- three (3) loans (of which, two in foreign currencies) in the total amount of PLN 928 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:

- 38 loans totalling PLN 8,103 thousand, including 20 foreign currency loans in the total of PLN 4,668 thousand with original maturity from 3 to over 30 years;
- 11 debit limits in the savings and checking accounts (ROR) totalling PLN 141 thousand, of which PLN 26 thousand were utilised as at the end of June 2007;
- 22 credit card limits totalling PLN 163 thousand, of which PLN 38 thousand were utilised as at the end of June 2007;

to persons related to managing and supervising persons:

- 14 loans (of which, three in foreign currencies) in the total amount of PLN 761 thousand with the original maturity from 5 to 30 years, inclusive;
- 4 debit limits in the savings and loan accounts totalling PLN 118 thousand, of which PLN 76 thousand were utilised as at the end of June 2008;
- three (3) credit card limits totalling PLN 28 thousand, of which PLN 17 thousand were utilised as at the end of June 2008;

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

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

Note 28.4

Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)	30.06.2008	31.12.2007	30.06.2007
in PLN thousand	273	341	315

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 28.5

Employee loans granted	30.06.2008	30.12.2007	30.06.2007
in PLN thousand	120 424	106 029	80 489
According to the number of employees	1 038	991	827

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

Employment:	30.06.2008	31.12.2007	30.06.2007
FTEs	1 744	1 701	1 548
of which, having education:			
- Higher	65%	64%	62%
- BA	11%	12%	11%
- Secondary	24%	24%	27%

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

Short-term employee benefits by titles (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Reserve for employee bonuses	12 200	23 750	12 771
Reserve for unused vacation leaves	6 277	4 984	4 674
CSBF (Company Social Benefit Fund)	1 872	581	1 532
Others	990	44	203
Total short-term employee benefits	**21 339**	**29 359**	**19 180**

The Group does not finance employee pension schemes.

Long-term employee benefits include the Bank's liabilities on account of retirement severance pay, disability benefits and post-death benefits, 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 performs also voluntarily 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

Current value of liabilities (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Retirement severance pay, disability benefits and post-death benefits	1 100	975	796
Jubilee awards	1 188	1 188	1 132
Total long-term employee benefits	**2 288**	**2 163**	**1 928**
Liabilities recognised in the balance sheet	**2 288**	**2 163**	**1 928**

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 29.4

Actuarial assumptions for measurement	**30.06.2008**	**31.12.2007**	**30.06.2007**
Minimum discount rate	5,3%	5,3%	4,5%
Maximum discount rate	5,75%	5,5%	5,2%
Expected remuneration growth rate	3,5-5,0%	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:

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

Credit risk components

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

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

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

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

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

The default status is assigned to borrowers with respect to which the Bank identified indicators of default on their obligations under the credit agreement. The 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. The loss incubation period is set for nine (9) months.

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

Rating system

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

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

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

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

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 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007.

Note 30.1.1

Information on exposure quality (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Cash and cash equivalents, gross	**3 032 886**	**1 047 436**	**1 507 367**
- performing	3 032 886	1 047 436	1 507 367
Financial assets held for trading	**305 977**	**253 301**	**185 211**
- performing	305 977	253 301	185 211
Due from banks, gross	**421 844**	**228 602**	**180 884**
- performing	421 844	228 602	180 884
Loans to Customers, gross	**12 856 703**	**11 366 435**	**9 162 995**
- performing	12 200 937	10 711 417	8 711 912
- special mention	366 039	399 305	220 316
- impaired and uncertain, including:	132 093	139 219	110 934
determined on a case-by-case basis	131 310	138 186	110 061
determined using a collective method	783	1 033	873
- impaired and doubtful, including:	157 634	116 494	119 833
determined on a case-by-case basis	122 545	84 976	89 168
determined using a collective method	35 089	31 518	30 665
Investments Available for Sale	**1 377 257**	**603 235**	**465 554**
- performing	1 377 257	603 235	465 554
Off-balance sheet commitments granted	**4 887 589**	**4 606 568**	**4 451 313**
items related to financing	**4 004 849**	**3 730 140**	**3 609 929**
- performing	3 817 832	3 528 253	3 465 366
- special mention	135 033	141 974	118 611
- impaired and uncertain, including:	50 782	59 363	25 012
determined on a case-by-case basis	50 726	59 228	24 990
determined using a collective method	56	135	22
- impaired and doubtful, including:	1 202	550	940
determined on a case-by-case basis	709	245	736
determined using a collective method	493	305	204
guarantees	**882 740**	**876 428**	**841 384**
- performing	863 804	833 567	819 527
- special mention	11 762	35 474	13 300
- impaired and uncertain, including:	6 708	6 843	7 536
determined on a case-by-case basis	6 617	6 728	7 518
determined using a collective method	91	115	18
- impaired and doubtful, including:	466	544	1 021
determined on a case-by-case basis	456	478	866
determined using a collective method	10	66	155

The held-for-trading financial assets include positive measurement of derivative instruments whose balance sheet equivalent stood at PLN 408,719 thousand as at 30 June 2007, while it was PLN 322,025 thousand as at 31 December 20007, and PLN 132,075 thousand as at 30 June 2007.

Note 30.1.2

Write-offs for impairment and provisions (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Write-offs for impairment			
Cash and cash equivalents	-1 971	-316	-209
- for Incurred But Not Reported losses (IBNR)	-1 971	-316	-209
Due from banks	-198	-77	-65
- for Incurred But Not Reported losses (IBNR)	-198	-77	-65
Loans to customers	-215 521	-194 409	-171 895
- for incurred, reported losses	-158 600	-145 351	-134 525
determined on a case-by-case basis	-136 852	-125 949	-115 165
determined using a collective method	-21 748	-19 402	-19 360
- for Incurred But Not Reported losses (IBNR)	-56 921	-49 058	-37 370
Total write-downs for impairment	**-217 690**	**-194 802**	**-172 169**
Provisions			
- for off-balance sheet commitments	3 786	4 911	990
determined on a case-by-case basis	3 455	4 596	803
determined using a collective method	331	315	187
- for IBNR losses – off-balance sheet commitments	7 896	7 728	8 811
Total provisions	**11 682**	**12 639**	**9 801**

Risk assessment expressions used in the above table have the following meaning:

performing – no risk has been identified, normal risk;

special mention – some weaknesses have been identified in the customer's operations that may have an adverse impact on the timely service of payment obligations in the future. At the same time, there is a need to assign higher risk categories;

impaired and uncertain – expressly defined risk, highly probable delay in repayment and Bank's losses likely related to the Customer's failure to meet his payment obligations in the event his situation does not improve.

impaired and doubtful – delays in instalment payments, high probability of the Bank's losses related to discontinuation of customer's loan service, problems with liquidity.

Note 30.1.3

Analysis of gross loans to customer portfolio (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Performing receivables without impairment	12 319 204	11 014 603	8 837 332
Non-performing receivables without impairment	247 772	96 119	94 896
Receivables with impairment determined on a case-by-case basis with a provision	219 343	213 343	174 924
Receivables with impairment determined on a case-by-case basis without a provision	34 512	9 119	24 305
Receivables with impairment determined collectively, with a provision	33 288	29 731	27 208
Receivables with impairment determined collectively, without a provision	2 584	3 520	4 330
Total loans to customers, gross	**12 586 703**	**11 366 435**	**9 162 995**

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 30 June 2008 along with comparative data as at 31 December 2007 and 30 June 2007, is presented in the table below:

Note 30.1.4

Performing receivables without impairment (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
1-7	2 517 276	2 445 404	1 654 580
8-10	3 494 885	3 532 205	2 353 316
11-12	1 127 855	1 750 645	1 278 051
13-17	202 266	136 694	204 070
Unrated	4 976 922	3 149 655	3 347 315
- of which mortgage loans	3 074 897	2 608 429	2 023 264
Total	**12 319 204**	**11 014 603**	**8 837 332**

The "unrated" category covers the Bank's customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. Some customers are not assigned rating pursuant to the rules of application of Fortis Masterscale in the Bank. According to that system, rating assignment procedure is applied only to Commercial Banking BL customers and those Retail Banking BL customers towards which the Bank's total credit exposure exceeds EUR 1000.

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

Note 30.1.5

Past-due period of non-performing receivables, without impairment (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
from 1 to 30 days	181 893	78 573	85 326
from 31 to 60 days	37 982	15 412	9 042
from 61 to 90 days	27 897	2 134	528
Total non-performing receivables without impairment	**247 772**	**96 119**	**94 896**

The table below presents types of collateral accepted by the Bank to secure credits and loans granted to loans as at 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007.

Note 30.1.6

Nominal value of collateral established in favour of the Bank (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
Financial collateral - cash and cash equivalents	530 907	661 647	508 058
Financial collateral - other	**1 798 139**	**1 604 160**	**1 418 229**
Non-financial collateral - tangible	15 404 705	11 590 331	9 809 605
Non-financial collateral - other	251 213	285 642	263 467
Guarantees and sureties	7 085 794	6 290 037	5 422 250
Total collateral received	25 070 758	20 431 817	17 421 609

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;
- non-financial collateral – other – letter of comfort, letter of intent;

guarantees and suretyships.

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 5,495 thousand as at 30 June 2008 and PLN 2,335 thousand as at 31 December 2007 and PLN 15,568 thousand as at 30 June 2007.

Below there is an analysis of credit exposures (excl. banks) broken by business lines as at 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007.

Note 30.1.7

Credit exposures broken by business lines 30.06.2008 (in PLN thousand)	**Retail Banking**	**Private Banking**	**Merchant Banking**	**Total**
Balance sheet credit exposures	6 880 566	210 183	5 765 954	12 856 703
Off-balance sheet credit exposures	1 466 614	10 751	3 280 272	4 757 637
Total credit exposures, gross	**8 347 180**	**220 934**	**9 046 226**	**17 614 340**
Write-downs for impairment for incurred and reported losses	-92 018	-	-66 582	-158 600
Provisions for off-balance sheet commitments	-1 059	-	-2 727	-3 786
Write-downs for Incurred But Not Reported losses (IBNR)	-35 486	-299	- 29 032	-64 817
- balance sheet receivables	-32 455	-286	-24 180	-56 921
- Off-balance sheet commitments	-3 031	-13	-4 852	-7 896
Total credit exposures, net	**8 218 617**	**220 635**	**8 947 885**	**17 387 137**

Credit exposures broken by business lines 31.12.2007 (in PLN thousand)	**Retail Banking**	**Private Banking**	**Merchant Banking**	**Total**
Balance sheet credit exposures	5 863 293	212 362	5 290 780	11 366 435
Off-balance sheet credit exposures	1 376 739	13 834	3 109 970	4 500 543
Total credit exposures, gross	**7 240 032**	**226 196**	**8 400 750**	**15 866 978**
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
Total credit exposures, net	**7 122 942**	**225 894**	**8 311 094**	**15 659 930**

Credit exposures broken by business lines 30.06.2007 (in PLN thousand)	**Retail Banking**	**Private Banking**	**Merchant Banking**	**Total**
Balance sheet credit exposures	4 773 733	53 001	4 336 261	9 162 995
Off-balance sheet credit exposures	1 147 914	4 951	3 141 054	4 293 919
Total credit exposures, gross	**5 921 647**	**57 952**	**7 477 315**	**13 456 914**
Write-downs for impairment for incurred and reported losses	-75 726	-	-58 799	-134 525
Provisions for off-balance sheet commitments	-846	-	-144	-990
Write-downs for Incurred But Not Reported losses (IBNR)	**-21 536**	**-43**	**-24 602**	**-46 181**
- balance sheet receivables	-19 156	-38	-18 176	-37 370
- Off-balance sheet commitments	-2 380	-5	-6 426	-8 811
Total credit exposures, net	**5 823 539**	**57 909**	**7 393 770**	**13 275 218**

Note 30.1.8

Segment / Risk category 30.06.2008	Credit exposure value						Total
	Retail Banking		Private Banking		Merchant Banking		
	in PLN thousand	in %	in PLN thousand	in %	in PLN thousand	in %	
.	8 019 043	96	220 934	100	8 512 645	94	16 752 622
Special mention	176 492	2	-	-	336 342	4	512 834
Impaired and:	151 645	2	-	-	197 239	2	348 884
- uncertain	52 765	-	-	-	136 817	-	189 582
- doubtful	98 880	-	-	-	60 422	-	159 302
Total credit exposures, gross	**8 347 180**	**100**	**220 934**	**100**	**9 046 226**	**100**	**17 614 340**

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 %	
.	6 938 502	96	226 196	100	7 802 514	93	14 967 212
Special mention	137 636	2	-	-	439 117	5	576 753
Impaired and:	163 894	2	-	-	159 119	2	323 013
- uncertain	73 238	-	-	-	132 187	-	205 425
- doubtful	90 656	-	-	-	26 932	-	117 588
Total credit exposures, gross	**7 240 032**	**100**	**226 196**	**100**	**8 400 750**	**100**	**15 866 978**

Segment / Risk category 30.06.2007	Credit exposure value						Total
	Retail Banking		Private Banking		Merchant Banking		
	in PLN thousand	in %	in PLN thousand	in %	in PLN thousand	in %	
.	5 721 831	97	57 952	100	7 059 627	94	12 839 410
Special mention	83 474	1	-	-	268 752	4	352 226
Impaired and:	116 342	2	-	-	148 936	2	265 278
- uncertain	20 536	-	-	-	122 949	-	143 485
- doubtful	95 806	-	-	-	25 987	-	121 793
Total credit exposures, gross	**5 921 647**	**100**	**57 952**	**100**	**7 477 315**	**100**	**13 456 914**

The table below presents an analysis of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 30 June 2008 along with comparative data as at 31 December 2007 and 30 June 2007.

Note 30.1.9

Mortgage loans for private individuals 30.06.2008	**PLN**	**FC**	**Total**
Balance sheet value (in PLN thousand)	463 429	2 689 519	3 152 948
Average maturity (years)	20,9	26,0	25,3
Average LTV (%)	81,8%	87,1%	86,3%

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%

Mortgage loans for private individuals 30.06.2007	PLN	FC	Total
Balance sheet value (in PLN thousand)	319 216	1 747 613	2 066 829
Average maturity (years)	19,3	25,2	24,3
Average LTV (%)	84,9%	89,4%	88,8%

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken by sectors, as at 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007. The data below exclude write-downs for impairment.

Note 30.1.10

Credit portfolio by sectors	30.06.2008		31.12.2007		30.06.2007	
	in PLN thousand	in %	in PLN thousand	in %	in PLN thousand	in %
Natural persons	3 984 834	22,62	3 474 053	21,89	2 699 498	20,06
Wholesale	2 796 125	15,87	2 531 651	15,96	2 334 127	17,35
Education, medical care	1 628 647	9,25	1 368 557	8,63	1 047 239	7,78
Commercial construction and engineering	1 281 294	7,27	918 221	5,79	688 724	5,12
Machines	1 093 540	6,21	991 586	6,25	935 829	6,95
Retail trade	872 220	4,95	679 421	4,28	609 215	4,53
Food, tobacco, beverages	700 735	3,98	700 142	4,41	626 808	4,66
Chemicals and plastics	639 617	3,63	748 753	4,72	581 755	4,32
Wood, woodwork	369 273	2,10	447 109	2,82	527 000	3,92
Vessels	366 570	2,08	316 453	1,99	258 502	1,92
Financial institutions	363 830	2,07	244 271	1,54	235 483	1,75
Sports, tourism, culture and arts	319 118	1,81	357 519	2,25	220 041	1,64
Motor vehicles	284 356	1,61	283 986	1,79	202 701	1,51
Administration services	228 667	1,30	214 493	1,35	220 961	1,64
Ceramics and glass	228 838	1,30	169 333	1,07	181 555	1,35
Furniture and electrical industry	210 684	1,20	238 448	1,50	224 804	1,67
Textiles, leather articles	190 424	1,08	198 056	1,25	172 744	1,28
Transport	184 151	1,05	162 352	1,02	150 837	1,12
Other means of transport:	161 247	0,92	91 647	0,58	92 879	0,69
Production of metals and nonmetals	115 017	0,65	71 763	0,45	45 691	0,34
Paper and stationery	109 716	0,62	118 307	0,75	168 258	1,25
Print shops and publishers	92 235	0,52	151 567	0,96	92 782	0,69
Other services	55 442	0,31	56 929	0,36	51 063	0,38
Communications	33 740	0,19	33 902	0,21	22 842	0,17
Residential construction	22 913	0,13	61 047	0,38	42 274	0,31
Other production	938 332	5,33	406 926	2,56	772 790	5,74
Others	342 775	1,95	830 486	5,24	250 512	1,86
Total credit portfolio by sectors	**17 614 340**	**100,00**	**15 866 978**	**100,00**	**13 456 914**	**100,00**

Credit risk concentration

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

Pursuant to Article 71 of the Banking Law Act, as at 30 June 2008 maximum limits for the Bank were as follows:

- PLN 359,778 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 287,822 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 143,911 thousand (under the law, 10% of the Bank's equity) as regards the limit that defines the level that determines large exposure.

The maximum exposure limit towards any customer or capital group, as stipulated in the Banking Law Act, was not exceeded either in the first half of 2008 or in the first half of 2007.

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.

In the first half of 2008 and in comparative periods, i.e. in 2007 and in the first half of 2007, the Bank did not obtain any financial or non-financial assets by taking over collateral established to improve the credit terms and conditions.

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 – up to five years,

  long-term liquidity – 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 30.06.08, the structure of loans disbursed was as follows:

- EUR 200 million – maturity in January 2010;
- CHF 470 million – maturity in March 2010;
- CHF 248 million – maturity in May 2010;
- EUR 40 million – maturity in May 2010;
- CHF 85 million – maturity in July 2011;
- EUR 16.5 million – maturity in July 2011;
- PLN 773 million – maturity in July 2011;
- CHF 242 million – maturity in June 2012;
- PLN 725 million – maturity in June 2012;
- CHF 210 million – maturity in June 2012;
- EUR 60 million – maturity in June 2012;
- EUR 100 million – maturity in September 2017.

The table below presents the liquidity gap as at 30 June 2008, likewise as at 31 December 2007 and 30 June 2007.

Note 30.2.1

Liquidity gap (in PLN million)		Amount	Unused limit	Limit	% of the limit used	Limit has been exceeded
30.06.2008	10D	1 661	287	1 948	85%	no
	3M	1 293	655	1 948	66%	no
	1Y	653	793	1 446	45%	no
31.12.2007	10D	1 352	126	1 478	91%	no
	3M	2 009	-544	1 465	137%	yes
	1Y	1 272	-	1 272	100%	no
30.06.2007	10D	1 057	1 065	2 122	50%	no
	3M	1 039	1 083	2 122	49%	no
	1Y	3 457	-1 368	2 089	165%	yes

The three-month gap limit was exceeded as at 31 December 2007 because the available though unused loan extended by Fortis Bank Belgium of EUR 200 million was not taken into account. If the aforesaid loan amount had been accounted for the limit would not have been exceeded.

As at 30 June 2007, the annual gap limit was exceeded because of including EUR 200 million loan from Fortis Bank Belgium with maturity in April 2008. Assuming the loan renewal, the limit would not have been exceeded.

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 30 June 2008 and comparative data as at 31 December 2007 and 30 June 2007.

Note 30.2.2

30.06.2008 (in PLN thousand)	Without any maturity determined	up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years	> 5 years	Total
Cash and cash equivalents	-	-	-	-	-	-	-	**3 231 063**
Financial assets held for trading	-	36 398	80 796	99 610	29 743	15 509	43 921	**305 977**
Due from banks	-198	80 057	183 822	151 860	6 105	-	-	**421 646**
Loans to customers	74 221	2 911 459	625 736	1 642 397	2 006 699	1 257 369	4 123 301	**12 641 182**
Investments Available for Sale	79	-	98 627	315 187	274 415	303 694	367 101	**1 359 103**
Other assets	-	-	-	-	-	-	-	**418 955**
Long position	**74 102**	**3 027 914**	**988 981**	**2 209 054**	**2 316 962**	**1 576 572**	**4 534 323**	**18 377 926**
Financial liabilities held for trading	-	51 823	77 070	101 192	19 170	12 247	13 936	**275 438**
Due to banks	-	3 495 712	15 133	37 883	1 729 997	3 009 867	120 752	**8 409 344**
Due to customers	-	5 749 471	498 232	477 968	672 557	15 895	358 267	**7 772 390**
Subordinated liabilities	-	-	-	-	-	-	335 420	**335 420**
Other liabilities	-	-	-	-	-	-	-	**1 585 334**
Short position	**-**	**9 297 006**	**590 435**	**617 043**	**2 421 7246**	**3 038 009**	**828 375**	**18 377 926**
Gap – balance sheet	**74 102**	**-6 269 092**	**398 546**	**1 592 011**	**-104 762**	**-1 461 437**	**3 705 948**	**-**
Derivative instruments								
Amounts bought	-	1 963 636	2 795 306	6 458 517	1 905 583	897 720	944 950	**14 965 712**
Amounts sold	-	1 980 385	2 793 470	6 516 665	1 905 372	897 720	944 950	**15 038 562**
Gap – off-balance sheet	-	-16 749	1 836	-58 148	211	-	-	**-72 850**

31.12.2007 (in PLN thousand)	Without any maturity determined	up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years	> 5 years	Total
Cash and cash equivalents	-	-	-	-	-	-	-	**1 590 463**
Financial assets held for trading	-	64 215	56 292	70 268	5 636	43 134	13 756	**253 301**
Due from banks	-77	35 510	40 711	151 991	390	-	-	**228 525**
Loans to customers	61 308	2 492 561	351 789	1 660 554	2 012 759	1 130 346	3 462 709	**11 172 026**
Investments Available for Sale	18 236	-	-	95 835	219 261	179 899	90 004	**603 235**
Other assets	-	-	-	-	-	-	-	**363 464**
Long position	**79 467**	**2 592 286**	**448 792**	**1 978 648**	**2 238 046**	**1 353 379**	**3 566 469**	**14 211 014**
Financial liabilities held for trading	-	48 073	58 159	77 196	4 209	6 617	7 127	**201 381**
Due to banks	-	1 905 747	17 057	483 626	306 934	3 068 400	113 781	**5 895 545**
Due to customers	-	5 645 063	241 757	94 094	3 162	16 119	307 233	**6 307 428**
Subordinated liabilities	-	-	-	-	-	-	358 200	**358 200**
Other liabilities	-	-	-	-	-	-	-	**1 448 460**

Short position	**-**	**7 598 883**	**316 973**	**654 916**	**314 305**	**3 091 136**	**786 341**	**14 211 014**
Gap – balance sheet	**79 467**	**-5 006 597**	**131 819**	**1 323 732**	**1 923 741**	**-1 737 757**	**2 780 128**	**-**
Derivative instruments								
Amounts bought	-	5 825 846	3 055 380	4 743 442	925 860	770 693	897 785	**16 219 006**
Amounts sold	-	5 709 557	2 937 526	4 760 647	944 569	770 693	897 785	**16 020 777**
Gap – off-balance sheet	**-**	**116 289**	**117 854**	**-17 205**	**-18 709**	**-**	**-**	**198 229**

30.06.2007 (in PLN thousand)	**Without any maturity determined**	**up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	-	-	-	-	-	-	-	**1 666 169**
Financial assets held for trading	-	17 670	18 223	43 980	4 226	59 437	41 675	**185 211**
Due from banks	-65	27 007	869	205	152 803	-	-	**180 819**
Loans to customers	58 872	2 071 694	297 785	1 309 712	1 522 120	1 003 392	2 727 525	**8 991 100**
Investments Available for Sale	18 237	-	-	49 003	255 185	132 571	10 558	**465 554**
Other assets	-	-	-	-	-	-	-	**448 318**
Long position	**77 044**	**2 116 371**	**316 877**	**1 402 900**	**1 934 334**	**1 195 400**	**2 779 758**	**11 937 171**
Financial liabilities held for trading	-	16 047	18 906	59 979	3 626	2 795	19 036	**120 389**
Due to banks	-	2 289 547	25 316	906 005	63 797	1 370 983	653 888	**5 309 536**
Due to customers	-	4 544 565	310 397	51 595	2 122	18 110	265 416	**5 192 205**
Other liabilities	-	-	-	-	-	-	-	**1 315 041**
Short position	**-**	**6 850 159**	**354 619**	**1 017 579**	**69 545**	**1 391 888**	**938 340**	**11 937 171**
Gap – balance sheet	**77 044**	**-4 733 788**	**-37 742**	**385 321**	**1 864 789**	**-196 488**	**1 841 418**	**-**
Derivative instruments								
Amounts bought	-	2 332 921	1 974 001	14 910 420	835 708	366 119	868 879	**21 288 048**
Amounts sold	-	2 331 280	1 971 575	15 334 142	935 231	366 119	868 879	**21 807 226**
Gap – off-balance sheet	**-**	**1 641**	**2 426**	**-423 722**	**-99 523**	**-**	**-**	**-519 178**

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,
- global FX position,
- 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 and VAR limit utilisation is presented in the table below:

Note 30.3.1

Information on FX risk (in PLN thousand)	**30.06.2008**		**31.12.2007**		**30.06.2007**	
Position limit utilization	12%	17 599	15%	22 744	13%	19 954
VaR limit utilization	10%	124	23%	279	13%	157

Since the beginning of 2008, the utilisation of limits for FX risk portfolio managed by the Treasury Department was as follows:

Note 30.3.2

1.01.2008 – 30.06.2008		**Limit utilisation**	
	minimum	**medium**	**maximum**
VaR	2%	10%	36%
Global FX position	5%	13%	25%

1.01.2007 – 31.12.2007		**Limit utilisation**	
	minimum	**medium**	**maximum**
VaR	2%	12%	50%
Global FX position	4%	13%	30%

1.01.2007 – 30.06.2007		**Limit utilisation**	
	minimum	**medium**	**maximum**
VaR	2%	11%	28%
Global FX position	5%	13%	27%

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 30 June 2008 along with comparative data as at 31 December 2007 and 30 June 2007.

Note 30.3.3

FX position components	30.06.2008		31.12.2007		30.06.2007	
(in PLN thousand)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
HUF	93	163	65	383	278	169
CZK	58	577	283	4 454	1 292	1 838
AUD	295	187	249	323	570	304
JPY	6 536	735	2 519	283	15 098	9 064
USD	679 662	882 204	507 739	573 721	786 982	754 317
CAD	856	1 159	1 528	1 615	2 694	2 847
GBP	83 791	125 210	89 289	88 724	46 713	43 968
DKK	14 604	15 091	39 606	22 320	7 959	7 635
NOK	32 239	28 413	54 115	16 045	9 613	13 423
CHF	2 840 965	2 678 724	2 326 553	1 793 333	1 796 500	1 692 075
SEK	15 927	16 090	35 483	21 975	8 207	5 038
EUR	2 616 185	3 159 806	2 674 748	2 850 280	2 049 652	2 026 524
SKK	31	1 096	9	498	66	1 013
PLN	12 084 909	11 466 615	8 478 823	8 836 403	7 211 466	7 378 758
Other convertible currencies	1 775	1 856	5	657	81	198
Total	**18 377 926**	**18 377 926**	**14 211 014**	**14 211 014**	**11 937 171**	**11 937 171**

Interest Rate Risk

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

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

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

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

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

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

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

2. Earnings at Risk (EaR).

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

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

3. Sensitivity to the parallel shift of the interest rate curve (+100 bp shift).

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

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

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

1. Value at Risk (VaR) analysis.

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

2. Modified Duration (N) analysis.

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

Additional analyses

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

1. Basis Point Sensitivity.

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

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

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

Information on interest rate risk

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

Note 30.4.1

2-month VaR on the banking portfolio (in PLN thousand)	30.06.2008	31.12.2007	30.06.2007
	10 306	12 110	9 925

Note 30.4.2

Bp sensitivity (+1bp): 30.06.2008 (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	4,7	0,5	-1,9	-	-	3,3
M1	-6,6	3,1	-11,9	1,0	0,1	-14,3
M3	-29,8	-4,3	-12,5	0,3	-	-46,3
M6	-19,1	-2,5	-6,5	-	-	-28,1
M9	-	0,2	-5,9	0,1	-	-5,6
M12	-	-0,4	-21,7	0,1	-	-22,0
Y2	-	-1,4	-35,4	0,1	-	-36,7
Y3	-	-1,1	-5,2	-	-	-6,3
Y5	-	-0,5	-24,1	-	-	-24,6
Y10	-	0,2	-4,9	-	-	-4,7
Total	-50,8	-6,2	-130,0	1,6	0,1	

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

Bp sensitivity (+1bp): 30.06.2007 (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	-0,3	-0,7	0,5	0,2	-	-0,3
M1	0,9	3,3	-4,2	1,0	0,1	1,1
M3	-4,1	2,1	-3,0	0,1	-	-4,9
M6	11,3	4,2	8,9	0,1	-	24,5
M9	0,2	0,0	-1,1	0,1	-	-0,8
M12	-	-0,3	-28,8	0,1	-	-29,0
Y2	-	-0,7	-26,9	-	-	-27,6
Y3	-	-1,4	-13,3	-	-	-14,7
Y5	-	-1,5	-22,0	-	-	-23,5
Y10	-	-	-4,0	-	-	-4,0
Total	8,0	5,0	-93,9	1,6	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 – 30.06.2008	Limit utilisation		
	minimum	medium	maximum
VaR	17%	29%	51%
Global interest rate position	14%	47%	79%

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

1.01.2007 – 30.06.2007	Limit utilisation		
	minimum	medium	maximum
VaR	15%	32%	53%
Global interest rate position	6%	45%	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 June 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

Fair value

Note 30.5.1

Fair value table (in PLN thousand)	30.06.2008		31.12.2007		30.06.2007	
	Balance sheet value	Fair value	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	3 231 063	3 230 938	1 590 463	1 590 434	1 666 169	1 665 986
Due from banks	421 646	421 301	228 525	228 462	180 819	180 762
Loans to customers	12 641 182	12 415 330	11 172 026	11 050 168	8 991 100	8 669 889
Due to banks	8 409 344	8 246 047	5 895 545	5 814 213	5 309 536	5 198 435
Due to customers	7 772 390	7 760 094	6 307 428	6 303 603	5 192 205	5 188 990

The Bank calculates fair values presented in the table based on market interest rates. Interest rates obtained from the market enable to determine a market yield curve that shows discounting ratios for the future cash flow at any date. The curve is used to discount future cash flows for specific financial instruments.
A fair value of a financial instrument is determined as the total of discounted future cash flows regarding such an instrument.
The Bank determines fair values by discounting future cash flows using interest rate curves that reflect market conditions relevant for such loans.

An interest rate curve used to calculate a loan fair value consists of the total of:
- interest rate curve free of credit risk
- market margin

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 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 an operational risk management 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.

In connection with the fact that the Bank is part of Fortis any rules binding at the Bank with respect to operational risk management are consistent with, or uncontradictory to, the methodology binding for all Fortis entities.

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.

The Bank performs measures leading to the creation of an integrated business continuity management system. The system will enable identification of potential threats to organisation, estimation of expected impact of those threats, should they occur, on the processes existing in the Bank, and development of a structure leading to building immunity of the organisation thanks to which it will become possible to effectively react to protect the interests of the organisation, its reputation, brand and actions that form its goodwill.

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, advisory and opinion-giving 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.

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.

From January 2008, the Bank has been running a project aimed at the creation of the Information Security Management System based on Fortis Information Security Policy and ISO/IEC 27001:2005 international standard. Under the project, information processed in Fortis Bank Polska SA has been classified into categories and rules of information handling have been developed. Furthermore, risk in the information security area was analysed to minimise the risk.

The purpose of activities involved in the organisation of information security is to develop a formal information security management structure, pursued in a comprehensive manner in the following areas: personal security, physical and environmental security, data communication security, legal security and business continuity.

In June 2008, the Bank's Board of Executives approved the "Information Security Policy of Fortis Bank Polska SA."

Measures undertaken by the Bank to effectively control security and maintain it on an acceptable level resulted in a number of organisational changes, including the creation of the Risk Transfer and Information Security Department, IT Security Group, likewise the Physical Security and Technical Protection Group, whose primary aim is to ensure security of the Bank at the required level, in line with relevant areas of responsibility of specific units.

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.

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.

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

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

Should there arise any risk of going below that threshold (i.e. below 9.5%), the Group will undertake steps aimed at the equity funds' increase, including the Tier 1 funds, and in particular the share capital, Share premium and reserve capital.

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

Note 30.6.1

Capital adequacy and financial liquidity (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Risk-weighted off-balance sheet assets and liabilities	12 321 169	11 726 693	9 897 050
Share capital	503 135	503 135	503 135
Share premium	308 656	308 656	308 814
Reserve capital together with retained earnings	344 983	183 710	183 710

Subordinated liabilities included in own funds*	335 420	358 200	-
Other elements of the equity capital included in the capital adequacy ratio calculation	-11 154	67 300	-19 188
Gross equity capital, total	**1 481 040**	**1 421 001**	**976 471**
Deductions			
Capital shares in financial entities	-	18 196	18 196
Net intangible assets	23 815	22 287	19 260
Total deductions	**23 815**	**40 483**	**37 456**
Net equity capital	**1 457 225**	**1 380 518**	**939 015**
Short-term capital	**22 600**	**14 286**	**10 290**
including current profit on the Trading Portfolio	22 600	14 286	10 290
Total equity capital plus short-term capital	**1 479 825**	**1 394 804**	**949 305**
Credit risk	1 005 843	946 714	795 343
Market risk	2 451	5 707	6 711
Operational risk	66 947	-	-
Total capital requirement	**1 075 241**	**952 421**	**802 054**
Capital adequacy ratio	**11,01%**	**11,72%**	**9,47%**

*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 30 June 2008 the capital adequacy ratio was 11.01% in comparison to 9.47% as at the end of June 2007. The ratio expresses the proportion between the Group's capital and its exposure on account of specific risks.

The Group's own funds (as a category computed for the capital adequacy ratio calculation) increased by 56% versus the end of June 2007, while risk-weighted assets and off-balance sheet items increased by 24% 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.

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 Group 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 Group has not recalculated comparative period data. The comparative data presented below as at 31 December 2007 and 30 June 2007 are computed according to Basel I rules.

Minimal capital requirements (in PLN thousand)	**30.06.2008**	**31.12.2007**	**30.06.2007**
Credit risk	1 005 843	946 714	795 343
Market risk, including:	2 451	5 707	6 711
- general interest rate risk	2 451	5 707	6 711
- currency risk	-	-	-
Operational risk	66 947	-	-
Total capital requirement	**1 075 241**	**952 421**	**802 054**

31. Events after the Balance Sheet Date

On 25 September 2008, Mr. Werner Claes, who was the Supervisory Board's member since December 1999 and its Deputy Chairman since June 2006, and Mr Marc Luet, the Supervisory Board's member since February 2008, submitted their resignations from the membership of the Supervisory Board.

On 25 September 2008, the Extraordinary General Meeting of the Bank's Shareholders appointed Mr Chris Norris to the Bank's Supervisory Board for the period until the end of this tenure of the Supervisory Board, i.e., 2010.

32. Other Material Information

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

The shareholder structure as at 30.06.08	number of shares owned	share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank S.A./N.V.	16 636 072	99,19%	16 636 072	99,19%
Others	135 108	0,81%	135 108	0,81%
Total:	16 771 180	100%	16 771 180	100%

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

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

As at 30 June 2008, none of the managing or supervising persons held any shares issued by Fortis Bank Polska S.A.

As at 30 June 2007, none of the managing or supervising persons held any shares issued by Fortis Bank Polska S.A.

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

In the first half of 2008, there were no pending proceedings related to the obligations or claims of the Bank or its subsidiary before court, relevant authority for arbitration or state administration bodies, whose total value would account for at least 10% of the Bank's equity.

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 Chytła 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

Other Important Events

Effective 15 May 2008, following its FX risk mitigation policy, Fortis Bank Polska S.A. suspended selling mortgage loans in currencies other than Polish zloty to private individuals. The Bank intends to develop the PLN mortgage loan offer. The existing portfolio of foreign currency loans will be serviced under unchanged terms and conditions.

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.

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*.

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.

In the second quarter of 2008, the Bank signed two significant credit agreements with customers that were not affiliated entities to the Capital Group of 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.

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, semi-annual financial data and the comparative data presented in these interim consolidated financial statements of Fortis Bank Polska SA Capital Group for the period ending 30 June 2008 were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Group and its net profit.

Selection of an entity authorised to audit the financial statements

The entity authorised to audit financial statements, i.e. KPMG Audyt Sp. z o.o., that has reviewed the Interim Consolidated Financial Statements of Fortis Bank Polska SA Capital Group for the period ending 30 June 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 review, in compliance with the respective provisions of Polish law.

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

26 September 2008	Alexander Paklons President of the Board of Executives	.... signature
26 September 2008	Jan Bujak Senior Vice-President of the Board of Executives Chief Financial Officer	.... signature
26 September 2008	Jean – Luc Deguel Vice President	.... signature
26 September 2008	Jaromir Pelczarski Vice President	.... signature
26 September 2008	Thierry Lechien Vice President	.... signature