Fortis Bank Polska SA

Interim Financial Statements of Fortis Bank Polska SA for the First Half of 2007 compliant with the International Financial Reporting Standards

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1. Financial Highlights

Financial Highlights	in PLN thousand 30.06.07 (YTD)	in PLN thousand 30.06.06 (YTD)	in EUR thousand 30.06.07 (YTD)	in EUR thousand 30.06.06 (YTD)
Interest income	252 494	161 670	65 607	41 452
Commission and fee income	61 642	46 457	16 017	11 911
Total income net	263 176	193 656	68 382	49 653
Gross profit	103 060	59 773	26 779	15 326
Net profit	86 439	47 691	22 460	12 228
Net cash provided by operating activities	-1 844 084	-683 066	-479 157	-175 136
Net cash provided by investing activities	153 911	-397 692	39 991	-101 967
Net cash provided by (used in) financing activities	532 691	188 543	138 412	48 342
Total net cash flow	-1 157 482	-892 215	-300 754	-228 761
Total assets	11 923 228	7 968 095	3 166 187	1 970 642
Due to banks	5 449 317	3 296 538	1 447 054	815 289
Due to Customers	5 056 056	3 719 117	1 342 625	919 799
Equity	1 062 912	738 908	282 254	182 744
Number of shares	16 771 180	15 077 700	16 771 180	15 077 700
Book value per share (in PLN / EUR)	63,38	49,01	16,83	12,12
Diluted book value per share (in PLN / EUR)	63,38	49,01	16,83	12,12
Capital adequacy ratio	9,51%	10,99%		
EPS ratio (PLN)				
Basic	5,15	3,16	1,34	0,81
Diluted	5,15	3,16	1,34	0,81

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for the first half of 2007 and the corresponding financial figures for the first half of 2006 and as at the end of 2006 have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet and book value per share as at the end of the first half of 2007 have been converted into EUR at the mid-rate applied on 30 June 2007 published by the National Bank of Poland, i.e. EUR 1 = PLN 3.7658; comparative financial data as at the end of the first half of 2006 have been converted into EUR at the mid-rate published on 30 June 2006, i.e., PLN 4.0434, published by the National Bank of Poland;
- particular items in the profit and loss account and cash flows, and earnings per share 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 at the last days of the months from January through June 2007, which amounted to EUR 1 = PLN 3.8486, whereas comparative data as at the end of the first half of 2006 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through June 2006, which amounted to EUR 1 = PLN 3.9002.

2. Income Statement

in PLN thousand	Notes	1.01.2007 - 30.06.2007	1.01.2006 - 30.06.2006
Interest income	10.1	252 494	161 670
Interest expense	10.2	-122 890	-67 719
Net interest profit (loss)		**129 604**	**93 951**
Commission and fee income	10.3	61 642	46 457
Commission and fee expense	10.4	-4 576	-4 845
Net commission and fee profit (loss)		**57 066**	**41 612**
Dividend and other investment income	10.5	600	
Net profit (loss) on transactions in held-for-trading financial instruments	10.6	67 976	54 403
Net profit (loss) on transactions in available-for-sale financial assets	10.7	319	-1 053
Net profit (loss) on hedging transactions	10.8	-113	60
Other income		7 724	4 683
Total income net		**263 176**	**193 656**
Personnel costs	10.9	-76 084	-53 904
Depreciation of fixed assets and intangible fixed assets	10.10	-10 195	-10 972
Other costs	10.11	-61 440	-46 556
Net write-offs for impairment	10.12	-12 397	-22 451
Gross profit		**103 060**	**59 773**
Income tax	10.13	-16 621	-12 082
Net profit		**86 439**	**47 691**

EPS ratio (PLN)	10.14		
Net profit (in PLN)		86 439 000	47 691 000
Weighted average of ordinary shares		16 771 180	15 077 700
EPS ratio (in PLN)		5,15	3,16
Weighted average of ordinary shares		16 771 180	15 077 700
Diluted EPS ratio (in PLN)		5,15	3,16

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

3. Balance Sheet

in PLN thousand	Notes	30.06.2007	31.12.2006	30.06.2006
ASSETS				
Cash and cash equivalents	11	1 668 517	2 825 999	1 181 504
Financial assets held for trading	12.1	175 690	143 107	95 149
Due from banks	13.1	180 888	200 405	198 434
Loans to Customers	13.2	8 991 100	6 975 116	5 656 215
Investments - Available for Sale	14	465 554	654 710	694 026
Property, Plant and Equipment	15	84 691	60 275	48 911
Intangible Assets	16	24 620	23 664	17 156
Deferred tax assets	17	30 055	21 289	19 994
Deferred acquisition cost, accrued interest and other assets	18	302 113	65 583	56 706
Total assets		**11 923 228**	**10 970 148**	**7 968 095**
LIABILITIES				
Financial liabilities held for trading	12.2	110 868	57 365	54 275
Due to banks	19.1	5 449 317	5 106 686	3 296 538
Due to Customers	19.2	5 056 056	4 476 883	3 719 117
Current tax liabilities	17	17 322	3 963	6 600
Accrued interest and expenses and other liabilities	20	213 123	333 483	143 111
Provisions	21	13 630	12 260	9 546
Total liabilities		**10 860 316**	**9 990 640**	**7 229 187**
EQUITY CAPITAL				
Share capital		503 135	503 135	30 155
Share premium		308 814	308 814	349 528
Other capital		183 200	74 934	307 578
Revaluation reserve		-867	2 167	-1 677
Retained earnings		-17 809	5 633	5 633
Net profit (loss) for the year		86 439	84 825	47 691
Total equity	22	**1 062 912**	**979 508**	**738 908**
Total liabilities and equity		**11 923 228**	**10 970 148**	**7 968 095**

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

4. Statement of Changes in Shareholders' Equity

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

Balance as at 01.01.06 according to Polish Accounting Principles (PAP)	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
Share capital	30 155						30 155
Additional capital		349 528			11		349 539
Revaluation reserve					510	1 905	2 415
Other reserve capital					153 834		153 834
Retained earnings			155 842				155 842
First-Time Adoption of IFRS			5 633		-510	-207	4 916
Balance as at 01.01.06 according to IFRS	**30 155**	**349 528**	**161 475**		**153 845**	**1 698**	**696 701**
Net profit (loss) for the year				47 691			47 691
Profits/ Losses net (financial assets available for sale)						-3 375	-3 375
Profit allocation			-101 499		101 499		
Coverage of uncovered losses with the reserve capital			10 199		-10 199		
Movement of undistributed retained earnings to supplementary capital			- 64 542		64 542		
Other					-2 109		-2 109
Balance as at 30.06.06	**30 155**	**349 528**	**5 633**	**47 691**	**307 578**	**-1 677**	**738 908**

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

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

Statement of Changes in Shareholders' Equity 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**	**5 633**	**84 825**	**74 934**	**2 167**	**979 508**
Net profit (loss) for the year				86 439			86 439
Profits/ Losses net (financial assets available for sale)						-3 034	-3 034
Distribution of retained earnings			-23 442	-84 825	108 266		-1
Balance as at 30.06.07	**503 135**	**308 814**	**-17 809**	**86 439**	**183 200**	**-867**	**1 062 912**

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

5. Cash Flow Statement

in PLN thousand	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006	01.01.2006 - 30.06.2006
Cash and cash equivalents, opening balance	**2 825 999**	**2 073 719**	**2 073 719**
Gross profit	**103 060**	**104 998**	**59 773**
Adjustments for:	**-1 947 144**	**-788 320**	**-742 839**
- Realised gains (losses) on sales*	-230	1 086	813
- depreciation	5 586	22 242	8 615
- Write-offs for impairment	13 043	54 124	22 608
Changes in operational assets and liabilities	-1 954 227	- 822 156	-744 182
- Financial assets and liabilities held for trading	20 920	- 67 996	-23 127
- Due from banks	19 547	- 32 696	8 138
-Loans to customers	-2 026 252	- 2 772 511	-1 453 043
- Other receivables	-5 025	4 240	-11 488
- Due to banks	208 948	678 746	225 682
- Due to customers	579 173	1 135 075	454 958
- Other assets and liabilities (Note 23)	-751 538	232 986	54 698
Income tax paid	-11 316	- 43 616	-30 693
Net cash provided by operating activities	**-1 844 084**	**- 683 322**	**-683 066**
Purchase of available-for-sale investments	-128 819	- 694 759	-481 837
Purchase of property, plant and equipment	-30 916	- 32 932	-11 114
Purchase of intangible assets	-8 426	- 15 404	-4 940
Proceeds from sales of available-for-sale investments	319 155	354 163	99 690
Proceeds from sales of property, plant and equipment	2 917	1 633	509
Net cash provided by investing activities	**153 911**	**- 387 299**	**-397 692**
Loans and credit facilities taken	677 915	2 427 695	935 599
Proceeds from the issuance of own shares		197 513	-2 111
Repayment of loans and credit facilities	-145 224	- 802 307	-744 945
Net cash provided by (used in) financing activities	**532 691**	**1 822 901**	**188 543**
Cash and cash equivalents, ending balance (Note 11)	**1 668 517**	**2 825 999**	**1 181 504**
Change in cash and cash equivalents	**-1 157 482**	**752 280**	**- 892 215**

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

Cash Flow Statement is prepared using an indirect method.

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

Additional notes to financial statements

6. Information on the Bank

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 6421.

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

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

Issuer's Principal Line of Business:

The scope of the Bank's business covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality. The core business of the Bank according to Polish Classification of Activities is 'other banking activity' (PKD 6512A), whereas according to the classification adopted by the regulated market, the sector is defined as 'Financial institutions and banks'.

The scope of the Bank's business include:

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining the 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 securities, 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.

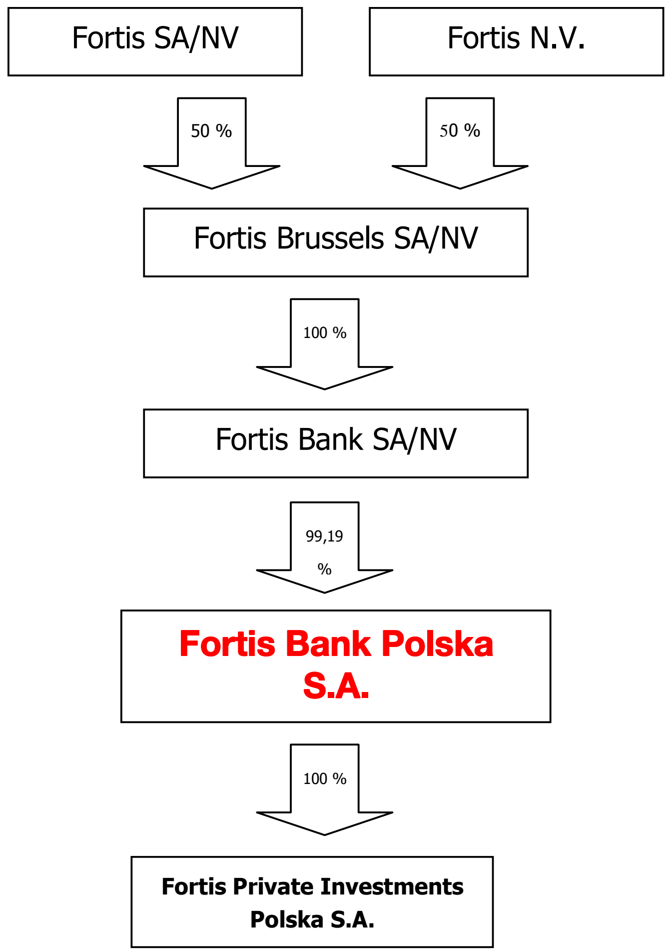
The Bank does not conduct any brokerage activities.

The 2006 financial statements were approved by the Annual General meeting on 15 June 2007.

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. Fortis Bank Polska S.A. is the patent entity of Fortis Private Investments Polska S.A. holding 100% of its shares. Considering no material importance, the aforesaid subsidiary was not consolidated in this financial report.

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



7. Accounting Policies

Basis of presentation

Statement on consistency with the IFRS

These interim financial statements have been prepared pursuant to the International Financial Reporting Standards published in the Commission Regulation (EC) no. 1725/2003 of 29 September 2003 as amended, and in the scope not regulated by the above standards, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 no. 76, item 694, as amended) and administrative acts based thereon, likewise in accordance with requirements set out in the Ministry of Finance Ordinance dated 19 October 2005, regarding current and periodical information submitted by issuers of securities (Journal of Laws of 2005 No. 209, item 1744).

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

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

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

- IFRS 8 Operating Segments; it applies to annual periods starting after 1 January 2009; as at the date of making these financial statements, the IFRS has not been approved by the European Commission;
- Amendment to IFRS 23 Borrowing Costs, effective 1 January 2009; as at the date of making these financial statements, the amendment to IAS 23 has not been approved by the European Commission;
- Interpretation IFRIC 11 Group and Treasury Share Transactions, applies to annual periods starting after 1 March 2007;
- Interpretation IFRIC 12 Service Concession Arrangements; it applies to annual periods starting after 1 January 2008; as at the date of making these financial statements, IFRIC 12 has not been approved by the European Commission;
- Interpretation IFRIC 13 Customer Loyalty Programmes; it applies to annual periods starting after 1 July 2008; as at the date of making these financial statements, IFRIC 13 has not been approved by the European Commission;
- Interpretation IFRIC 14 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction; it applies to annual periods starting after 1 January 2008; as at the date of making these financial statements, IFRIC 14 has not been approved by the European Commission.

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

Transformation of comparative data

The annual financial statements of the Bank for the year ended on 31 December 2006 and the first half of 2006 were prepared pursuant to the relevant Polish accounting principles. The said principles (Polish Accounting Principles, PAP) were described in the Bank's financial statements for 2006. The Bank transformed the data contained in the 2006 report and in the report for the first half of 2006 to obtain relevant comparative data consistent with IFRS. The effects of adopting the IFRS are presented in Note 8 hereof.

Business continuity, historical cost principle

The financial statements of the Bank were prepared assuming the continuation the Bank's business in the foreseeable future. The Bank's Board of Executives is not aware of any circumstances indicating any risk to the business continuation.

The financial statements of the Bank were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets which were measured at fair value.

First-Time Adoption of IFRS

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

Comparative data

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

Accounting Estimates

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

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

Fair value

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

Write-offs for impairment of financial assets

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

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

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

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

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

When there are no indicators of impairment of a receivable, it is included into the portfolio of similar characteristics and takes part in the portfolio analysis of impairment to determine the IBNR reserve.

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

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

Write-offs for non-financial assets' impairment

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

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

Useful lives and residual values

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

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

Other Accounting Estimates

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

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

Foreign Currency

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

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

Rules of Balance Sheet Recognition of Financial Assets and Liabilities

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

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

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

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

Rules of financial asset derecognition from the balance sheet

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

Segment Reporting

Business segments

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

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

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

- Retail Banking Business Line (RB BL)
- Merchant & Private Banking Business Line (M&PB BL)

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

Geographical segments

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

The Bank operates in Poland as the sole geographical segment.

Offsetting

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

Interest Income and Expense

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

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

Net profit/loss on transactions in financial instruments

Net profit/loss on transactions in financial instruments includes:

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

Fees and Transaction Costs

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

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

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

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

Loan syndication fees are recognised as revenue when the syndication has been completed.

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

Current and deferred income tax

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the Bank's tax liability computed on the basis of relevant tax law provisions.
Deferred tax is recognised using the balance sheet method, based on identification of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In order to determine amounts of deferred tax assets and liabilities, statutory tax rates are applied.
Deferred tax assets are recognised to the extent to which they can be utilised to decrease future tax liability.
Deferred tax and current tax related to fair value measurement of available-for-sale assets which are charged or credited directly to the revaluation reserve are also directly recognised in the revaluation reserve and subsequently recognised in the income statement together with the gain or loss on such an investment.

Earnings per share

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

Classification and Measurement of Financial Assets and Liabilities

<u>Loans and receivables.</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- financial assets that the Bank intends to sell immediately or in the near term, and those that upon initial recognition were designated as measured at fair value through profit or loss;
- financial assets that upon initial recognition were designated by the Bank as available for sale.

Loans and receivables upon the initial recognition are measured at fair value including transaction costs.
After the initial recognition, the loans and receivables are measured at amortised cost, using the effective interest rate method, including write-offs for impairment.

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

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

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

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

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

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

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

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

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

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

Available-for-sale financial assets are held at fair value. A gain or loss on an available-for-sale financial asset shall be recognised directly in the revaluation reserve, through the statement of changes in equity, except for impairment losses and FX differences on cash financial assets until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.
Interest income on available-for-sale financial assets is computed using the effective interest rate method and recognised in profit or loss.

Financial liabilities measured to fair value through profit or loss.

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

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

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

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

Other financial liabilities:

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

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

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

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

Fair Value of Financial Instruments

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

Valuation techniques include:

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

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

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

Asset Impairment

<u>Financial assets</u>

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

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

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

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

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

As regards uncollectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Bank writes down such loans and receivables to the related write-offs for their impairment.
Any amounts subsequently recovered adjust the changes to write-offs for impairment in the income statement.

When objective evidence of an available-for-sale financial asset impairment is found, the Bank transfers the cumulated measurement on account of changes to fair value of the asset from the revaluation reserve to the income statement, in the amount equal to the difference between the acquisition price and the present fair value.

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

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

The recoverable value is the higher of the following:

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

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

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

Cash and Cash Equivalents

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

Cash Flow Statement

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

Due from Banks and Loans to Customers

Due from banks and loans to customers include loans originated by the Bank by providing money directly to the 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 in the sub-section above.

Sale and Repurchase Agreements and Lending/Borrowing Securities

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

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

Shares in subsidiaries

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Non-Current Assets Held for Sale and Discontinued Operations

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

- their book value as at the time of being classified to this category, or

- their fair value less cost to sell.

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

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

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

Intangible Assets

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

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

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

Any impairment loss identified is recognised in the income statement.

Derivative instruments

Derivative instruments are financial instruments whose value change in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates or other variable, which require no initial net investment and are settled at a future date.

Derivative instruments in the Bank include the following transactions:

a) IRS Contracts

IRS contracts consist in an exchange of interest payments based on a variable market interest rate for interest accrued at a fixed interest rate agreed upon in the contract. The purpose of IRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.
IRS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

b) FX Forward Contracts

FX Forward Contracts consist in a purchase or sale of a specific currency at a predetermined date in the future at the exchange rate agreed on the transaction date. The purpose of FX Forward contracts is to hedge against FX rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.
FX Forward contracts are measured at 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 the purchase or sale of a specific currency at a spot exchange rate and a simultaneous sale or purchase of the same amount of the currency at a forward rate agreed at the transaction date. Transactions may be concluded as a combination of a transaction with the value date equal to the transaction date and the simultaneous reverse transaction for the value date of the following day. The purpose of FX Swap contracts is to regulate liquidity and hedge against FX rate risk of the Bank’s currency loan portfolio, likewise to obtain gains as a result of short-term price changes.
FX Swap contracts are measured at fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

d) Interest Rate Options

Interest rate options consist in a purchase of a right to receive the settlement amount in exchange for a premium paid (received). Depending on the option type (cap/floor), the counterparty receives on a specified settlement day the settlement amount resulting from the difference between the predetermined transaction rate and the reference rate. The purpose of the contracts is to hedge against interest rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.
Interest rate options are measured to fair value based on the modified Black-Scholes model. The volatility parameter which is required when using the above model is assumed in the form of the so-called implied volatility parameter which ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

e) FX Options

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

FX Options are measured at 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 which ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

f) FRA Contracts

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

g) CIRS Contracts

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

CIRS contracts are measured 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.

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 standardized with respect to amounts and maturities. The purpose of entering into contract is to hedge against the FX rate risk.
The futures contracts are measured to market FX rate provided by the Warsaw Commodity Exchange. At the same time, there are daily flows on account of the contract's marking to market. The daily measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

Derivative instruments that are hedging instruments

On the date a derivative contract is entered into, this contract may be designated as either a fair value hedge of a recognised asset or liability (fair value hedge), a hedge of a net investment in a foreign entity or a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge).

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

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

Embedded derivatives

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

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

Due to Customers

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

Employee Benefits

Long-Term Obligations to Employees

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

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

Short-term Obligations to Employees

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

Provisions

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

The Bank recognizes provisions in the balance sheet, when:

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

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

Contingent liabilities - off-balance sheet commitments

Contingent liabilities are:

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

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

- Contingent liabilities granted on account of credit lines extended by the Bank – in the amount unused by customers;
- Contingent liabilities granted on account of guarantees issued by the Bank in favour of customers – in the amount specified in agreements;
- Contingent liabilities on account of credit lines obtained by the Bank – in the amount available for use by the Bank;
- Contingent liabilities on account of guarantees received the Bank – in the amount specified in agreements.

Equity Capital

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

Share Issue Costs

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

Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders. Dividends paid are classified in the cash flow statement as cash provided by (used in) financing activities. Dividends received are classified in operating cash flow.

Other Equity Capital Components

Other components that are recognized in equity refer to:

- First-time adoption of the IFRS
- Measurement of available-for-sale financial assets to market.

8. Effects of Adopting IFRS

These financial statements of the Bank are the first full interim financial statements prepared pursuant to the International Financial Reporting Standards and comply with the IFRS1 that defines the rules of making reports under the IFRS for the first time.

Accounting policies presented in Note 7 have been applied in the preparation of financial statements for six months ending on 30 June 2007, the presentation of comparative data in the corresponding period of the previous year and in the fiscal year ended on 31 December 2006 as well as in the preparation of the opening balance under the IFRS as at 1 January 2006.

The previously published financial statements of the Bank were prepared pursuant to the Polish Accounting Principles (PAP).

In the preparation of the opening balance according to the IFRS, the Bank adjusted the values disclosed in the previous financial statements, which were prepared pursuant to the Polish Accounting Principles (PAP). The tables below and the accompanying notes present explanation how the movement from the PAP to the IFRS affected balance sheet items, equity capital, including net profit/loss and cash flow of the Bank.

Balance Sheet

The impact of adopting IFRS on the Bank's balance sheet statement as at 1 January 2006:

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

The impact of adopting IFRS on the Bank's balance sheet statement as at 30 June 2006:

As at 30 June 2006 (in PLN thousand)	Note	Pursuant to Polish Accounting Principles	Adjustment	Pursuant to IFRS
Assets				
Cash and cash equivalents	a)	384 248	797 256	1 181 504
Financial assets held for trading	b)	103 612	-8 463	95 149
Due from banks		198 436	-2	198 434
Loans to Customers	c)	5 684 131	-27 916	5 656 215
Investments	d)	691 800	2 226	694 026
Property, Plant and Equipment		48 911		48 911
Intangible Assets		17 156		17 156
Deferred tax assets	e)	34 603	-14 609	19 994
Deferred acquisition cost, accrued interest and other assets	f)	170 038	-113 332	56 706
Total assets		**7 332 935**	**635 160**	**7 968 095**
Liabilities				
Financial liabilities held for trading	g)	62 738	-8 463	54 275
Due to banks	h)	2 539 215	757 323	3 296 538
Due to Customers	i)	3 683 044	36 073	3 719 117
Current tax liabilities		6 600		6 600
Deferred tax liabilities	j)	11 132	-11 132	
Accrued interest and expenses and other liabilities	k)	252 367	-109 256	143 111
Provisions	l)	32 995	-23 449	9 546
Total liabilities		**6 588 091**	**641 096**	**7 229 187**
Total equity		**744 844**	**-5 936**	**738 908**
Total liabilities and equity		**7 332 935**	**635 160**	**7 968 095**

The impact of adopting IFRS on the Bank's balance sheet statement as at 31 December 2006:

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

The tables below present an explanation of the main adjustments between the Bank's financial statements prepared according to the PAP and the statements made pursuant to the IFRS:

a) Cash and cash equivalents

Adjustment	01.01.2006	30.06.2006	31.12.2006
Adjustment on account of recognition of financial assets at the trade date	799 295	797 446	698 568
Incurred But Not Reported loss reserve (IBNR) – financial assets	-328	-190	-277
Total	**798 967**	**797 256**	**698 291**

b) Financial assets held for trading

Adjustment	01.01.2006	30.06.2006	31.12.2006
Change of presentation of interest accrued on held-for-trading derivatives	-6 444	-8 343	-24 210
Others		-120	
Total	**-6 444**	**-8 463**	**-24 210**

c) Loans to Customers

Adjustment	01.01.2006	30.06.2006	31.12.2006
Write-offs for impairment of loans to customers	15 103	-3 349	-15 904
Incurred But Not Reported loss reserve (IBNR)	-22 142	-24 567	-32 798
Others	5 056		
Total	**-1 983**	**-27 916**	**-48 702**

d) Investments

Adjustment	01.01.2006	30.06.2006	31.12.2006
Reversal of a subsidiary valuation by equity method	2 808	2 226	1 565
Adjustment on account of recognition of acquisition/disposal of securities at the trade date			-10 170
Others	28		
Total	**2 836**	**2 226**	**-8 605**

e) Deferred tax assets

Adjustment	01.01.2006	30.06.2006	31.12.2006
Impact of the reversal of a subsidiary valuation by equity method on deferred tax assets	-579	-500	-378
Impact of write-offs for impairment of loans to customers on deferred tax assets	-4 648	-3 054	
Netting of deferred tax	-10 807	-11 055	-15 714
Others	445		
Total	**-15 589**	**-14 609**	**-16 092**

f) Deferred acquisition cost, accrued interest and other assets

Adjustment	01.01.2006	30.06.2006	31.12.2006
Elimination of deferred interest income	-107 963	-109 176	-84 281
Provisions for other assets	165	83	168
Adjustment concerning capital raise costs booked in	-211	-30	

assets			
Settlements on account of recognition of financial assets at the trade date		-3 515	
Change of presentation of interest accrued on hedging derivatives	-778	-694	-730
Others	412		-306
Total	**-108 375**	**-113 332**	**-85 149**

g) Financial liabilities held for trading

Adjustment	01.01.2006	30.06.2006	31.12.2006
Change of presentation of interest accrued on derivatives	-6 445	-8 343	-24 211
Others		-120	
Total	**-6 445**	**-8 463**	**-24 211**

h) Due to banks

Adjustment	01.01.2006	30.06.2006	31.12.2006
Recognition of liabilities on account of FX spot transactions at the trade date	786 546	757 323	566 698
Others	-107		
Total	**786 439**	**757 323**	**566 698**

i) Due to Customers

Adjustment	01.01.2006	30.06.2006	31.12.2006
Recognition of liabilities on account of FX spot transactions at the trade date	12 403	36 073	17 656
Others	4 965		
Total	**17 368**	**36 073**	**17 656**

j) Deferred tax liabilities

Adjustment	01.01.2006	30.06.2006	31.12.2006
Netting of deferred tax	-10 853	-11 055	-15 714
Others		-77	-80
Total	**-10 853**	**-11 132**	**-15 794**

k) Accrued interest and expenses and other liabilities

Adjustment	01.01.2006	30.06.2006	31.12.2006
Removal of deferred interest income	-107 963	-109 176	-84 281
Settlements on account of recognition of financial	346	534	104 044

assets at the trade date			
Unregistered share issue			-199 913
Provisions for other assets	165	83	168
Change of presentation of interest accrued on hedging derivatives	-778	-694	-730
Others	-549	-3	-19
Total	**-108 779**	**-109 256**	**-180 731**

l) Provisions

Adjustment	**01.01.2006**	**30.06.2006**	**31.12.2006**
Provisions for off-balance sheet credit exposures	607	259	-6 486
Recognition of Incurred But Not Reported loss reserve (IBNR) regarding off-balance sheet credit exposures	5 023	6 290	8 082
Elimination of the general risk reserve	-20 910	-29 998	-30 743
Others	1 157		
Total	**-14 123**	**-23 449**	**-29 147**

Explanation of adjustments made

Accounting as at the Trade Date.

In the financial statements pursuant to the PAP, assets and liabilities, settlements on account of standardized FX spot transactions, securities purchase and sale transactions, likewise deposit and placement transactions on the interbank market were recognised at the trade date.

Valuation of shares in a subsidiary.

In the financial statements pursuant to the PAP, shares in a subsidiary were measured by the equity method.
In the financial statements according to the IFRS, shares in a subsidiary were measured at the acquisition cost.

Write-offs for loan impairment and provisions for off-balance sheet lending exposures

In the financial statements under the PAP, provisions were created for receivables and off-balance sheet credit exposures, under Polish accounting laws based on minimum percentage ratios of receivable principal coverage by provisions (depending on receivable risk category), while in the statements under the IFRS write-offs for receivable impairment are made according to the IAS 39 methodology.

Elimination of contractual interest accrued after determination of the receivable impairment

In the financial statements pursuant to the PAP, the contractual interest accrued after the determination of the receivable impairments was accrued in correspondence with deferred interest income (that constitutes a specific item of the liabilities).
In the financial statements pursuant to the IFRS, the Bank reports interest accrued on the net receivable value, and with the impairment recognised, in the income statement.

Impact on deferred tax.

Adjustments on account of adopting the IFRS affected the deferred tax.

Presentation of deferred tax assets and liabilities in net amounts.

In the financial statements pursuant to the PAP, deferred tax assets and deferred tax liabilities were presented separately in assets and liabilities, accordingly.
In the financial statements pursuant to the IFRS, deferred tax assets and liabilities are presented in net amounts

in assets or liabilities.

Cash flow

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

Income Statement

The impact of adopting IFRS on the Bank's income statement for periods ending on 30 June 2006 and 31 December 2006:

01.01.2006 - 31.12.2006 (in PLN thousand)	**Note**	**Pursuant to Polish Accountin g Principles**	**Adjustme nt**	**Pursuant to IFRS**
Net interest profit (loss)		207 671		207 671
Net commission and fee profit (loss)		93 319		93 319
Dividend and other investment income	a)	1 104	-1 104	
Net profit (loss) on transactions in held-for-trading financial instruments	b)	110 680	123	110 803
Net profit (loss) on transactions in available-for-sale financial assets		-1 031		-1 031
Net profit (loss) on hedging transactions		7		7
Other income	c)	10 485	886	11 371
Total income net		**422 235**	**- 95**	**422 140**
Personnel costs		-119 495		-119 495
Depreciation of fixed assets and intangible fixed assets		-22 067		-22 067
Other costs	d)	-122 507	211	-122 296
Write-offs for impairment	e)	-25 321	-27 963	-53 284
Gross profit		**132 845**	**-27 847**	**104 998**
Income tax	f)	-24 579	4 406	-20 173
Net profit		**108 266**	**-23 441**	**84 825**

01.01.2006 - 30.06.2006 (in PLN thousand)	Note	Pursuant to Polish Accounting Principles	Adjustment	Pursuant to IFRS
Net interest profit (loss)		93 951		93 951
Net commission and fee profit (loss)		41 612		41 612
Dividend and other investment income	a)	461	-461	
Net profit (loss) on transactions in held-for-trading financial instruments	b)	54 794	-391	54 403
Net profit (loss) on transactions in available-for-sale financial assets		-1 053		-1 053
Net profit (loss) on hedging transactions		60		60
Other income	c)	3 797	886	4 683
Total income net		**193 622**	**34**	**193 656**
Personnel costs		-53 904		-53 904
Depreciation of fixed assets and intangible fixed assets		-10 972		-10 972
Other costs	d)	-46 736	180	-46 556
Write-offs for impairment	e)	-10 276	-12 175	-22 451
Gross profit		**71 734**	**-11 961**	**59 773**
Income tax	f)	-13 311	1 229	-12 082
Net profit		**58 423**	**-10 732**	**47 691**

Explanation of adjustments made is presented below:

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

Adjustment	01.01.2006 - 31.12.2006	01.01.2006 – 30.06.2006
Reversal of a share in subsidiary valuation by equity method	-1 104	-461
Total	-1 104	-461

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

Adjustment	01.01.2006 - 31.12.2006	01.01.2006 – 30.06.2006
Difference in the net result on FX differences	123	-391
Total	**123**	**-391**

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

c) Other income

Adjustment	01.01.2006 - 31.12.2006	01.01.2006 – 30.06.2006
Other adjustments	886	886

Total	**886**	**886**

d) Other costs

Adjustment	01.01.2006 - 31.12.2006	01.01.2006 – 30.06.2006
Depreciation of capital raise costs	211	180
Total	**211**	**180**

Depreciation of capital raise costs

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

Reversal of a result of a subsidiary valuation by equity method

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

Write-offs for impairment

Adjustment	01.01.2006 - 31.12.2006	01.01.2006 – 30.06.2006
Change in the balance of write-offs for impairment of loans to customers	-24 038	-17 711
Reversal of the general risk reserve	9 833	9 089
Changes to the reserve for Incurred But Not Reported loss (IBNR)	-13 758	-3 553
Total	**-27 963**	**-12 175**

Changes to write-offs for loan impairment

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

e) Adjustments of deferred income tax load

Adjustment	01.01.2006 - 31.12.2006	01.01.2006 – 30.06.2006
The impact of changes to write-offs for credit exposure impairment	4 648	1 594
The impact of elimination of a share in subsidiary valuation by equity method	210	87
Other adjustments	-452	-452
Total	**4 406**	**1 229**

Reconciliation of Equity

The impact of adopting IFRS on the Bank's equity capital as at 1 January 2006, 30 June 2006 and 31 December 2006:

As at:	31.12.2006	30.06.2006	01.01.2006
Equity pursuant to PAP	**798 542**	**744 844**	**691 785**
New share issue – prior to the registration in KRS	199 623	0	0
Write-offs for loan impairment	-15 904	-3 349	15 103
Provisions for off-balance sheet lending commitments	6 486	-259	-607
Elimination of the general risk reserve	30 743	29 998	20 910
Incurred But Not Reported loss reserve (IBNR)	-41 252	-31 047	-27 494
Elimination of a subsidiary valuation	1 566	2 226	2 808
Tax effect (deferred tax)	-298	-3 476	-5 181
Capital raise costs booked in assets		-30	-211
Other differences	2	1	-412
Equity consistent with the IFRS	**979 508**	**738 908**	**696 701**

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

New share issue – prior to the registration in KRS

In the financial statements under the PAP, an issue increased the equity at the registration date.
In the financial statements under the IFRS, an unregistered share issue was recognised at the payment date.

Write-offs for loan impairment and provisions for off-balance sheet lending commitments

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

Elimination of the general risk reserve

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

Incurred But Not Reported loss reserve (IBNR)

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

Capital raise costs

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

Elimination of a subsidiary valuation

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

Tax effect (deferred tax)

Tax effect presented in the above equity reconciliation table comprises the following detailed items:

As at:	31.12.2006	30.06.2006	01.01.2006
Subsidiary valuation – adjustment of retained earnings	-378	-500	-579
Subsidiary valuation – adjustment of revaluation reserve	80	77	46
Write-offs for loan impairment		-3 053	-4 648
Total	**-298**	**-3 476**	**-5 181**

Changes in the presentation

The table below represents changes in the presentation of the income statement between the financial statements layout according to the PAP and according to the IFRS, for periods ended on 30 June 2006 and 31 December 2006:

IFRS: Interest income	31.12.2006	30.06.2006
PAP: Interest income	383 038	165 511
PAP: Interest expense	-961	-479
Total	**382 077**	**165 032**

IFRS: Interest expense	31.12.2006	30.06.2006
PAP: Interest expense	-174 406	-71 081
Total	**-174 406**	**-71 081**

IFRS: Commission and fee income	31.12.2006	30.06.2006
PAP: Commission and fee income	100 248	45 916
PAP: Other operating revenues	2 632	541
Total	**102 880**	**46 457**

IFRS: Commission and fee expense	31.12.2006	30.06.2006
PAP: Commission and fee expense	-9 561	-4 845
Total	**-9 561**	**-4 845**

IFRS: Dividend and other investment income	31.12.2006	30.06.2006
PAP: Share in net profit (loss) of subsidiaries measured by equity method	1 104	461
Total	**1 104**	**461**

IFRS: Net profit (loss) on transactions in held-for-trading financial instruments	31.12.2006	30.06.2006
PAP: Net result on financial operations	6 914	4 817
PAP: Net result on FX differences	103 766	49 977
Total	**110 680**	**54 794**

IFRS: Net profit (loss) on transactions in available-for-sale financial instruments	31.12.2006	30.06.2006
PAP: Net result on financial operations	-1 031	-1 053
Total	**-1 031**	**-1 053**

IFRS: Net profit (loss) on hedging transactions	31.12.2006	30.06.2006
PAP: Net result on financial operations	7	60
Total	**7**	**60**

IFRS: Other income	31.12.2006	30.06.2006
PAP: Other operating revenues	10 485	4 066
PAP: Other operating expenses		-269
Total	**10 485**	**3 797**

IFRS: Personnel costs	31.12.2006	30.06.2006
PAP: General expenses	-119 495	-53 904
Total	**-119 495**	**-53 904**

IFRS: Depreciation of fixed assets and intangible fixed assets	31.12.2006	30.06.2006
PAP: Depreciation of fixed assets and intangible fixed assets	-22 067	-10 972
Total	**-22 067**	**-10 972**

IFRS: Other expenses	31.12.2006	30.06.2006
PAP: Net result on financial operations	-68	
PAP: Other operating revenues	1 802	166
PAP: Other operating expenses	-5 241	-1 292
PAP: General expenses	-115 505	-45 193
PAP: Depreciation of fixed assets and intangible fixed assets	-3 495	-417
Total	**-122 507**	**-46 736**

IFRS: Write-offs for impairment	31.12.2006	30.06.2006
PAP: Other operating revenues	1 313	628
PAP: Other operating expenses	-2 900	
PAP: General expenses	628	271
PAP: Write-offs to specific provisions and the general risk reserve	-52 798	-24 360
PAP: Release of provisions and other decreases in respect of revaluation	28 436	13 185
Total	**-25 321**	**-10 276**

IFRS: Income tax	31.12.2006	30.06.2006
PAP: Income tax	-24 579	-13 311
Total	**-24 579**	**-13 311**

The table below represents changes in the presentation of the balance sheet statement between the financial statements layout according to the PAP and according to the IFRS, as at 1 January 2006, 30 June 2006 and 31 December 2006:

IFRS: Cash and cash equivalents	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Cash and Central Bank balances	375 762	331 380	231 194
PAP: Due from other financial institutions	1 751 497	51 148	1 042 917
PAP: Other securities and other property rights	449	1 720	641
Total	**2 127 708**	**384 248**	**1 274 752**

IFRS: Financial assets held for trading	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Debt securities	87 508	38 820	10 000
PAP: Other securities and other property rights	79 809	64 792	51 371
Total	**167 317**	**103 612**	**61 371**

IFRS: Due from banks	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Due from other financial institutions	200 501	198 436	206 578
Total	**200 501**	**198 436**	**206 578**

IFRS: Loans to Customers	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Due from other financial institutions	102 259	99 990	59 793
PAP: Due from customers	6 921 067	5 583 634	4 168 141
PAP: Due from the budget sector	492	507	528
Total	**7 023 818**	**5 684 131**	**4 228 462**

IFRS: Investments	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Debt securities	646 642	675 785	296 500
PAP: Shares and investments in subsidiaries	16 630	15 970	15 360
PAP: Shares and investments in other entities	43	45	43
Total	**663 315**	**691 800**	**311 903**

IFRS: Property, Plant and Equipment	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Property, Plant and Equipment	60 275	48 911	47 454
Total	**60 275**	**48 911**	**47 454**

IFRS: Intangible Assets	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Intangible fixed assets	23 664	17 156	14 521
Total	**23 664**	**17 156**	**14 521**

IFRS: Deferred tax assets	**31.12.2006**	**30.06.2006**	**01.01.2006**
PAP: Accruals and deferred income	37 381	34 603	29 899
Total	**37 381**	**34 603**	**29 899**

IFRS: Deferred acquisition cost, accrued interest and other assets	31.12.2006	30.06.2006	01.01.2006
PAP: Cash and Central Bank balances	202	7	170
PAP: Due from other financial institutions	4 634	10 490	1 665
PAP: Due from customers	116 524	132 488	125 465
PAP: Due from the budget sector	2	2	3
PAP: Debt securities	7 446	3 684	4 928
PAP: Other securities and other property rights	745	694	778
PAP: Other assets	14 522	16 222	58 851
PAP: Accruals and deferred income	6 657	6 451	3 103
Total	**150 732**	**170 038**	**194 963**

IFRS: Financial liabilities held for trading	31.12.2006	30.06.2006	01.01.2006
PAP: Other liabilities in respect of financial instruments	81 576	62 738	43 625
Total	**81 576**	**62 738**	**43 625**

IFRS: Due to banks	31.12.2006	30.06.2006	01.01.2006
PAP: Due to the central bank	320 000		
PAP: Due to other financial institutions	4 219 894	2 538 175	2 093 493
PAP: Other liabilities in respect of financial instruments	94	1 040	271
Total	**4 539 988**	**2 539 215**	**2 093 764**

IFRS: Due to Customers	31.12.2006	30.06.2006	01.01.2006
PAP: Due to other financial institutions	216 687	112 025	80 684
PAP: Due to customers	4 209 198	3 525 415	3 140 049
PAP: Due to the budget sector	33 202	45 457	26 011
PAP: Other liabilities in respect of financial instruments	140	147	46
Total	**4 459 227**	**3 683 044**	**3 246 790**

IFRS: Current tax liabilities	31.12.2006	30.06.2006	01.01.2006
PAP: Special funds and other liabilities	3 963	6 600	20 318
Total	**3 963**	**6 600**	**20 318**

IFRS: Deferred tax liabilities	31.12.2006	30.06.2006	01.01.2006
PAP: Provisions	15 794	11 132	10 853
Total	**15 794**	**11 132**	**10 853**

IFRS: Accrued interest and expenses and other liabilities	31.12.2006	30.06.2006	01.01.2006
PAP: Due to other financial institutions	14 088	5 711	4 174
PAP: Due to customers	6 268	17 606	4 643
PAP: Due to the budget sector	18	31	31
PAP: Other liabilities in respect of financial instruments	5 865	10 037	7 997
PAP: Special funds and other liabilities	364 011	82 887	88 032
PAP: Accruals and deferred income	123 964	136 095	135 258
Total	**514 214**	**252 367**	**240 135**

IFRS: Provisions	31.12.2006	30.06.2006	01.01.2006
PAP: Provisions	41 407	32 995	22 633
Total	**41 407**	**32 995**	**22 633**

IFRS: Share capital	31.12.2006	30.06.2006	01.01.2006
PAP: Share capital	452 331	30 155	30 155
Total	**452 331**	**30 155**	**30 155**

IFRS: Share premium	31.12.2006	30.06.2006	01.01.2006
PAP: Additional capital	159 995	349 529	349 528
Total	**159 995**	**349 529**	**349 528**

IFRS: Other capital	31.12.2006	30.06.2006	01.01.2006
PAP: Additional capital	4	54 354	11
PAP: Other reserve capital	74 934	253 222	153 834
Total	**74 938**	**307 576**	**153 845**

IFRS: Revaluation reserve	31.12.2006	30.06.2006	01.01.2006
PAP: Revaluation reserve	2 506	-1 350	1 905
Total	**2 506**	**-1 350**	**1 905**

IFRS: Retained earnings and net profit (loss) for the year	31.12.2006	30.06.2006	01.01.2006
PAP: Revaluation reserve	510	510	510
PAP: Retained earnings (uncovered loss) from previous years	-4	1	54 343
PAP: Net profit (loss)	108 266	58 423	101 499
Total	**108 772**	**58 934**	**156 352**

9. Segment Reporting

Information on Segments

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

Primary segmentation

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

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

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

Banking segments:

- **Retail Banking**

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

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

- **Merchant & Private Banking**

Within this segment the following lines exist:

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

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

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

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

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

Income Statement by activity segments (in PLN thousand)	As at the half-year ending on:	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal	Total

functions)

Interest income (external)	**30.06. 2007**	114 725	122 873	14 896	252 494
	30.06. 2006	72 802	75 054	13 814	161 670
Transfer prices expense (internal)	**30.06. 2007**	-73 872	-162 521	-15 951	-252 344
	30.06. 2006	-42 973	-101 429	-10 966	-155 368
Interest expense (external)	**30.06. 2007**	-36 738	-84 548	-1 604	-122 890
	30.06. 2006	-29 923	-36 329	-1 467	-67 719
Transfer prices income (internal)	**30.06. 2007**	59 034	162 490	30 820	252 344
	30.06. 2006	47 142	88 297	19 929	155 368
Net interest profit (loss)	**30.06. 2007**	**63 149**	**38 294**	**28 161**	**129 604**
	30.06. 2006	**47 048**	**25 593**	**21 310**	**93 951**
Other transfer prices (internal)	**30.06. 2007**	48	6 836	-6 884	
	30.06. 2006	564	5 358	-5 922	
Commission and fee income (external)	**30.06. 2007**	38 691	21 248	1 703	61 642
	30.06. 2006	29 302	15 880	1 275	46 457
Commission and fee expense (external)	**30.06. 2007**	-3 007	-459	-1 110	-4 576
	30.06. 2006	-3 421	-488	-936	-4 845
Net commission and fee profit (loss)	**30.06. 2007**	**35 684**	**20 789**	**593**	**57 066**
	30.06. 2006	**25 881**	**15 392**	**339**	**41 612**
Dividend and other investment income (external)	**30.06. 2007**			600	600
	30.06. 2006				
Net profit (loss) on transactions in held-for-trading financial instruments (external)	**30.06. 2007**	26 143	41 833		67 976
	30.06. 2006	22 995	31 408		54 403
Net profit (loss) on transactions in available-for-sale financial assets (external)	**30.06. 2007**		-38	357	319
	30.06. 2006			-1 053	-1 053
Net profit (loss) on hedging transactions (external)	**30.06. 2007**			-113	-113
	30.06. 2006			60	60
Other operating revenues (external)	**30.06. 2007**	6 281	1 440	3	7 724
	30.06. 2006	2 539	982	1 162	4 683
Total income net	**30.06. 2007**	**131 305**	**109 154**	**22 717**	**263 176**
	30.06. 2006	**99 027**	**78 733**	**15 896**	**193 656**
Personnel costs (external)	**30.06. 2007**	-30 494	-21 297	-24 293	-76 084
	30.06. 2006	-23 632	-12 498	-17 774	-53 904
Depreciation of fixed assets and intangible fixed assets* (external)	**30.06. 2007**			-10 195	-10 195
	30.06. 2006	-5 908	-1 333	-3 731	-10 972
Other expenses* (external)	**30.06. 2007**	-12 139	-3 700	-45 601	-61 440
	30.06. 2006	-24 718	-8 097	-13 741	-46 556
Net write-offs for impairment (external)	**30.06. 2007**	-5 051	-7 347	1	-12 397
	30.06. 2006	-13 405	-9 025	-21	-22 451
Costs allocation (rebilling) (internal)	**30.06. 2007**	-69 523	-10 323	79 846	
	30.06. 2006	-31 014	-4 015	35 029	
Gross profit	**30.06. 2007**	**14 098**	**66 487**	**22 475**	**103 060**
	30.06. 2006	**350**	**43 765**	**15 658**	**59 773**
Income tax	**30.06. 2007**	-1 872	-10 998	-3 751	-16 621
	30.06. 2006	-22	-8 860	-3 200	-12 082
Net profit	**30.06. 2007**	**12 226**	**55 489**	**18 724**	**86 439**
	30.06. 2006	**328**	**34 905**	**12 458**	**47 691**

* In 2006, direct costs were recognised in segments according to entries in the general ledger, i.e. according to where they originated (by profitability codes). In 2007, following a change in the rebilling methodology, specific cost groups (e.g. costs related to the management of the property, plant and equipment and intangible assets, depreciation) are recognised in units responsible (with respect to the content) for

the level of such costs. Subsequently, the costs are transferred to where they have originated, i.e. business lines and support units (horizontal functions) through rebilling.

Total assets (in PLN thousand)	As at:	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Assets	30.06. 2007	4 878 928	5 217 063	1 827 237	**11 923 228**
	31.12.2006	4 069 361	6 104 508	796 279	**10 970 148**
	30.06. 2006	**3 259 014**	**3 845 868**	**863 213**	**7 968 095**

	As at:	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Liabilities	30.06. 2007	2 941 005	6 826 982	2 155 241	**11 923 228**
	31.12.2006	2 897 053	6 807 302	1 265 793	**10 970 148**
	30.06. 2006	2 472 253	4 654 867	840 975	**7 968 095**

The table below presents non-monetary expenses other than depreciation for the reporting periods ending on 30 June 2007 and 30 June 2006. The following have been classified into the non-monetary expenses: unrealised profit/loss on financial instruments, write-offs for impairment, provisions.

in PLN thousand	As at:	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Non-monetary costs	30.06. 2007	-27 764	-85 112	-12 604	**-125 480**
	30.06. 2006	-19 808	-58 371	-10 238	**-88 417**

The table below presents costs incurred in a given period to purchase property, plant and equipment and intangible assets as at 30 June 2006, 31 December 2006 and 30 June 2007:

in PLN thousand	As at:	Retail Banking	Merchant & Private Banking	ALM and support units (horizontal functions)	Total
Asset acquisition costs	30.06. 2007	-	-	39 342	**39 342**
	31.12.2006			48 336	**48 336**
	30.06. 2006	**-**	**-**	16 054	**16 054**

Description of Segment Activity

Retail Banking

Customers

Retail Banking is a dynamically developing business line. As at the end of the second quarter of 2007, the number of active customers of this line reached 51,251, which means an increase by 17% as compared to the end of the second quarter of 2006. Private Individuals (69%) and enterprises (20%) prevail among the RB customers, while the remaining 11% are "mass" customers acquired by the end of the first quarter 2007 within the RB dedicated line - Consumer Finance. Portfolios of that line's customers (credit cards, cash loans) continue to be maintained at FBP, however the Bank does not focus on this area any longer.

Distribution channels

Retail Banking customers have at their disposal both a network of branches as well as alternative channels: Pl@net, Multicash systems and Call Centre. The RB BL develops both the above distribution channels. Out of 30 branches that service RB BL Customers, four have been opened in 2007. The FBP statistics show that alternative distribution channels have becoming increasingly popular among Customers. Comparing the Quarter II 2007 data and Quarter II 2006 (YTD), FBP noted the following:

- the number of Customers using the Pl@net banking system increased by 23%,
- the number of Customers using the MultiCash banking system increased by 11%,
- the number of transfers made via the Pl@net increased by 38%,
- the number of transfers made via the MultiCash increased by 20%.

Products

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

- mortgage loans: as at the end of the second quarter of 2007, the balance of such loans reached PLN 2.1 billion, which means an increase by 80% as compared to the end of the second quarter of 2006; in 2007 FBP have already granted 1,636 mortgage loans,
- credit cards: as at the end of the second quarter of 2007, the number of credit cards for Private Individuals stood at 4,965 while the balance of card credits increased by 75% (the end of the second quarter of 2007 versus the end of the second quarter of 2006),
- "asset gathering" products: e.g. foreign investment funds like L-FIX and L-Funds managed by Fortis Investments or Fortis FIO investment portfolios managed by Fortis Private Investments Polska S.A. (former Fortis Securities Polska S.A); their balance (PLN 0.5 billion as at the end of the second quarter 2007) increased by 371% over the balance noted as at the end of the second quarter of 2006.

The following products are largely popular among Enterprises:

- investment loans: as at the end of the second quarter of 2007, the balance of such loans reached PLN 1.4 billion, which means an increase by 50% as compared to the end of the second quarter of 2006,
- negotiated currency exchange instruments: the number of negotiated transactions in six months increased by 17%, and the average monthly volume of such transactions oscillates around PLN 1 billion.

Results

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

- net interest income higher by 34% (this category constitutes the main part of RB BL revenues),
- net commission and fee profit higher by 38%.
- net income on held-for-trading financial instruments higher by 14%, which was attributable both to the net FX income (growth by 7%) and the net income on options (increase by over 400%).

The Retail Banking intensive development also resulted in costs increase. Personnel costs grew by 29%. The increase was however mainly due to the growth in FTEs (by 37%). The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The increase of the costs by 124% in the second quarter of 2007 versus the second quarter of 2006 was affected by the change of a methodology of defining the bank's units' direct costs (details are specified below in the part regarding ALM and support units [horizontal functions]). Having disregarded the costs related to the changed methodology, the other factors affecting the increase of costs transferred were the growth of customers' activity and the increase in products and services sold – support units (horizontal functions) involved in the process of servicing these products and services, transferred to business lines costs proportional to the increasing production.

Merchant & Private Banking

Customers

As at the end of the second quarter of 2007, the number of active customers of this line reached 2,161, which means an increase by 26% as compared to the end of the second quarter of 2006. Large and medium enterprises that form the Commercial Banking Business Line (CB BL), have the biggest share (95%) in the number of Merchant & Private Banking customers. The Private Banking line was separated in 2006.

Distribution channels

M&PB customers have at their disposal both a network of Business Centres (8), which are part of the international Bank network including about 120 centres in 18 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. The FBP statistics show that alternative distribution channels have becoming increasingly popular among Customers. Comparing the Quarter II 2007 data and Quarter II 2006 (YTD), FBP noted the following:

- the number of Customers using the MultiCash home-banking system increased by 27% (the system is installed by 67% of CB BL institutional customers),
- the number of transfers made via the MultiCash increased by 23%.

Products

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

Products offered by FBP to institutional customers include:

- investment loans (including loans to purchase / construction of commercial real properties): as at the end of the second quarter of 2007, the balance of such loans reached PLN 2.1 billion, which means an increase by 72% as compared to the end of the second quarter of 2006,
- working capital loans: as at the end of the second quarter of 2007, the balance of such loans reached PLN 1.2 billion, which means an increase by 30% as compared to the end of the second quarter of 2006,
- overdraft facilities: as at the end of the second quarter of 2007, the balance of such loans exceeded PLN 1.1 billion, which means an increase by 89% as compared to the end of the second quarter of 2006,
- deposits (including O/N deposits): as at the end of the second quarter of 2007, the balance of such deposits reached PLN 2.3 billion, which means an increase by 88% as compared to the end of the second quarter of 2006,
- negotiated currency exchange instruments: the number of negotiated transactions in six months increased by 8%, and the average monthly volume of such transactions oscillates around PLN 1.4 billion.

Private Banking customers gathered approx. PLN 352 million in the second quarter of 2007.

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

Results

The constantly developing base of Merchant & Private Banking customers and growing interest in FBP products is reflected in the Bank's income statement as this line's net revenues increased by 39% in the second quarter of 2007 as compared to the second quarter of 2006. This increase was generated thanks to:

- net interest profit higher by 50%,
- net profit on transactions in held-for-trading financial instruments higher by 33%, including e.g. net FX income (increase by 36%),
- net commission and fee profit higher by 35%.

The Merchant & Private Banking intensive development also resulted in costs increase. Personnel costs increased by 70%. It mainly resulted from the increased employment (by 41%) and adjustment of the remuneration policy to the present situation on the labour market. Moreover, within the presented segment, a new specialised business line (Private Banking) and the back-office units processing credit transactions have dynamically developed. Costs allocation (rebilling) position is the net value of business line costs allocated and transferred from CB to other units. The increase of the costs by 257% in the second quarter of 2007 versus the second quarter of 2006 was affected by the change of a methodology of defining the bank's units' direct costs (details are specified below in the part regarding ALM and support units [horizontal functions]). The second factor affecting the growth of transferred costs was the higher Customer activity, and the resulting growth of products and services sold. The support units (horizontal functions) involved in the service of such products and services, transferred to business lines costs proportional to the increasing production.

ALM and support units (horizontal functions)

Results

This is a particular segment – on one hand, it presents the results of management over an FX, interest rate and liquidity risk (net profit on the activity increased by 43%), and on the other hand, costs of support units reflecting the Bank's development. In 2007, FBP implemented a new methodology of costs allocation, in accordance with the methodology applied in the Fortis Group. The methodology introduces a new definition of a unit's direct costs. A cost for which a given unit is responsible is treated as a direct cost of that 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 rebilled to business units, in a proportion appropriate to the support rendered to a given business line, increasing the unit's allocation costs. According to the methodology applied in 2006, costs of this type were other (direct) costs of business lines.

10. Details of income and expenses

Below there is detailed information on revenues and expenses of the Bank in the first six months of 2007 ended on 30 June 2007 and comparative data for the six-month period ended on 30 June 2006.

Note 10.1

Interest income (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Cash and Cash Equivalents	7 784	6 490
Due from banks	9 303	6 529
Investments	12 611	9 670
Loans to Customers	213 652	134 214
Impaired Financial Assets	6 370	4 215
Securities	2 774	552
Total interest income	**252 494**	**161 670**

Note 10.2

Interest expense (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Due to banks	-61 326	-27 119
Due to Customers	-59 626	-39 134
Derivative instruments	-1 604	-1 466
Others	-334	
Total interest expense	**-122 890**	**-67 719**

Note 10.3

Commission and fee income (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Custody services and securities trading	1 425	1 135
Cash settlements services	30 261	25 457
Guarantees and contingent liabilities	7 328	4 593
Commissions and fees settled using the straight-line method	9 204	8 115
Income on account of agency in customer acquisition	4 708	132
Card transactions income	3 510	4 001
Other income	5 206	3 024
Total commission and fee income	**61 642**	**46 457**

Note 10.4

Commission and fee expense (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Custody services and securities trading	-295	-366
Settlements	-717	-569
Card related expenses	-1 961	- 1 916
Cash transactions expenses	-1 168	-1 615
Other expenses	-435	-379
Total commission and fee expenses	**-4 576**	**-4 845**

The net commission and fee income includes commission and fee earnings (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, in the amount of PLN 2,818 thousand, and similarly for the first half of 2006 - PLN 2,151 thousand.

Note 10.5

Dividend and other investment income	1.01.2007 – 30.06.2007	1.01.2006 – 30.06.2006
Dividend income from the subsidiary	600	
Total dividends and other investment income	**600**	

The dividend income is recognised in the income statement at the acquisition of rights.

Note 10.6

Net profit (loss) on transactions in held-for-trading financial instruments (in PLN thousand)	01.01.2007 – 30.06.2007	01.01.2006 – 30.06.2006
Securities	-1 399	200
Derivative instruments	20 151	13 042
Foreign exchange transactions	49 224	41 161
Total net profit (loss) on transactions in held-for-trading financial instruments	**67 976**	**54 403**

Financial assets and liabilities 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, taking into account acquisition transaction costs of a given security. In this item, a difference between a book value and fair value, realised and unrealised, is 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 10.7

Net profit (loss) on transactions in available-for-sale financial assets (in PLN thousand)	1.01.2007 – 30.06.2007	1.01.2006 – 30.06.2006
Securities	319	-1 053
Total net profit (loss) on transactions in available-for-sale financial assets	**319**	**-1 053**

Note 10.8

Net profit (loss) on hedging transactions (in PLN thousand)	1.01.2007 – 30.06.2007	1.01.2006 – 30.06.2006
change to fair value of the hedged item	-2 319	- 2 728
change to fair value of hedging instruments	2 206	2 788
Total net profit (loss) on hedging transactions	**-113**	**60**

Note 10.9

Personnel costs (in PLN thousand)	1.01.2007 – 30.06.2007	1.01.2006 – 30.06.2006
- remuneration	-64 428	-45 597
- social security contributions	-11 656	-8 307
Total personnel costs	**-76 084**	**-53 904**

Note 10.10

Depreciation (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Fixed assets, including:	-8 122	-8 644
- leasehold improvements	-3 082	-3 438
- computer hardware	-3 036	-3 421
- other fixed assets	-2 004	-1 785
Intangible Assets	-2 073	-2 328
Total depreciation	**-10 195**	**-10 972**

Note 10.11

Other expenses (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
- rents	-11 240	-9 545
- expenditure related to RE use	-9 075	-5 265
-marketing and advertising	-7 619	-6 770
- information technologies and systems	- 8 731	-6 399
- postal and telecommunication services	-5 002	-3 962
- business travels	-3 624	-2 165
- advisory services and consulting	-3 549	-2 652
- training	-2 970	-2 250
- other	-9 630	-7 548
Total other costs	**-61 440**	**-46 556**

The above note presents general expenses and operating costs.

Note 10.12

Write-offs for impairment (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Cash and cash equivalents	68	139
Due from banks	31	-96
Loans to Customers	-11 944	-21 647
Other receivables	-25	8
Off-balance sheet assets	-1 182	-1 743
Other assets	394	-11
Others	261	899
Total write-offs for impairment	**-12 397**	**-22 451**

The major components of the income tax expense:

Note 10.13

Income tax (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Current tax, including:	-24 676	-16 973
- Current tax for the previous year	1 557	
Tax rates in %	19	19
Deferred tax	8 055	4 891
Total income tax	**-16 621**	**-12 082**

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 2006 and were reported in the income tax return for that year. In the current year, such items are considered non-tax-deductible expenses.

Actual income tax expenses as at 30 June 2007 and for comparative data as at 30 June 2006 differ from the estimate computed using the binding tax rate due to the following factors:

Tax load (in PLN thousand)	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Gross profit	103 060	59 773
Binding tax rate in %	19	19
Tax computed at the rate	-19 581	-11 357
Tax increases / decreases on account of:		
- tax-exempt interest	917	917
- non-taxable dividends from subsidiaries	114	
- Other operating and administration expenses that are not tax-deductible	-354	-274
- previous year expenses recognised in the current year	1 557	
- other	726	-1 368
Total tax increases / decreases	2 960	-725
Total tax load	**-16 621**	**-12 082**

Note 10.14

Earnings per share	**1.01.2007 – 30.06.2007**	**1.01.2006 – 30.06.2006**
Number of shares as at 30 June	16 771 180	15 077 700
Weighted average number of ordinary shares	16 771 180	15 077 700
Net profit of the period (annualised) in PLN thousand	86 439	47 691
EPS ratio in PLN	**5,15**	**3,16**
Weighted average diluted number of ordinary shares	16 771 180	15 077 700
Diluted EPS ratio (PLN per share)	**5,15**	**3,16**

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

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

11. Cash and Cash Equivalents

Note 11

Cash and cash equivalents (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Cash at hand	**159 012**	**299 142**	**165 268**
Due from the central bank	**53 340**	**76 620**	**166 111**
Short-term due from banks, gross	**1 399 342**	**2 432 777**	**814 208**
-nostro accounts	41 727	911	54 081
-other short-term receivables	1 357 615	2 431 866	760 127
Write-offs for impairment	**-209**	**-277**	**-190**
- for Incurred But Not Reported losses (IBNR)	-209	-277	-190
Total short-term due from banks, net	**1 399 133**	**2 432 500**	**814 018**
Other short-term loans to customers	**57 032**	**17 737**	**36 107**
Total cash and cash equivalents	**1 668 517**	**2 825 999**	**1 181 504**

"Due from the central bank" includes the balance at the central bank payable at sight and overnight deposits. The account held with the Central Bank comprises funds that constitute the mandatory reserve in the amount determined by a percentage ratio of the cash deposited on customer accounts, and maintained as the minimum balance of the current account held with the Central Bank, computed on the basis of an arithmetic mean of daily balances on accounts in a given month.

Average balance of the mandatory reserve declared as at the end of reporting periods (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
	198 078	**143 288**	**123 758**

12. Financial assets and liabilities held for trading

Note 12.1

Financial assets held for trading (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Trading securities	**81 897**	**87 507**	**38 820**
- treasury bonds	81 897	87 507	38 820
Derivative financial instruments	**93 793**	**55 600**	**56 329**
- not traded on regulated markets	93 793	55 600	56 329
Total financial assets held for trading	**175 690**	**143 107**	**95 149**

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

Note 12.2

Financial liabilities held for trading (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Derivative financial instruments	110 868	57 365	54 275
Total financial liabilities held for trading	**110 868**	**57 365**	**54 275**

13. Receivables

Note 13.1

Due from banks (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Loans and advance payments	25 068	20 086	30 000
Debt securities not traded on an active market	152 803	155 295	154 874
Other	3 082	25 120	13 560
Total due from banks, gross	**180 953**	**200 501**	**198 434**
Write-offs for impairment:	**-65**	**-96**	
- for Incurred But Not Reported losses (IBNR)	-65	-96	
Total net due from banks	**180 888**	**200 405**	**198 434**

Due from banks by maturity (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
up to 1 year	28 081	45 120	43 469
from 1 up to 5 years	152 803	155 295	154 874
Without any maturity determined	69	86	91
Total due from banks, gross	**180 953**	**200 501**	**198 434**
Write-offs for impairment	-65	-96	
Total net due from banks	**180 888**	**200 405**	**198 434**

Note 13.2

Loans to customers (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Loans to budgetary entities	955	489	507
Mortgage loans	2 066 829	1 573 712	1 143 350
Consumer loans and credit facilities	296 885	224 500	197 217
Commercial loans	6 797 418	5 346 778	4 492 223
Other receivables	908	1 296	1 715
Total loans to customers, gross	**9 162 995**	**7 146 775**	**5 835 012**
Write-offs for impairment:	**-171 895**	**-171 659**	**-178 797**
- for credit risk	-134 525	-138 862	-154 230
- for Incurred But Not Reported losses (IBNR)	-37 370	-32 797	-24 567
Total net loans to customers	**8 991 100**	**6 975 116**	**5 656 215**

Loans to customers by maturity (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
up to 1 year	4 236 762	3 269 815	2 811 691
from 1 up to 5 years	2 216 498	1 805 599	1 504 286
above 5 years	2 709 735	2 065 813	1 511 025
Without any maturity determined		5 548	8 010
Total loans to customers, gross	**9 162 995**	**7 146 775**	**5 835 012**
Write-offs for impairment	-171 895	-171 659	-178 797
Total net loans to customers	**8 991 100**	**6 975 116**	**5 656 215**

Write-offs for impairment (in PLN thousand)	Due from banks	Loans to Customers	
	IBNR	Write-off for impairment	IBNR
Balance as at 1 January 2006		**-140 754**	**-22 142**
Increases		-21 221	-8 731
Decreases		1 999	6 306
Write-downs to provisions		7 330	
Other, including FX differences:		-1 584	
Balance as at 30 June 2006		**-154 230**	**-24 567**
Balance as at 1 January 2006		**-140 754**	**-22 142**
Increases	-96	-67 554	-20 475
Decreases		27 997	9 820
Write-downs to provisions		39 466	
Other, including FX differences:		1 983	
Balance as at 31 December 2006	**-96**	**-138 862**	**-32 797**
Balance as at 01 January 2007	**-96**	**-138 862**	**-32 797**
Increases	-37	-21 487	-13 446
Decreases	68	14 116	8 873
Write-downs to provisions		9 778	
Other, including FX differences:		1 930	
Balance as at 30 June 2007	**-65**	**-134 525**	**-37 370**

14. Investments

Note 14

Investments (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Available for sale	465 554	654 710	694 026
Total investments	**465 554**	**654 710**	**694 026**

Investments Available for Sale

Note 14.1

Investments Available for Sale (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
up to 1 year		53 022	99 453
from 1 up to 5 years	436 760	523 181	432 368
above 5 years	10 557	60 269	143 964
Without any maturity determined	18 237	18 238	18 241
Total investments available for sale	**465 554**	**654 710**	**694 026**

Note 14.2

Investments Available for Sale as of 30.06.07 (in PLN thousand)	Balance sheet value	Valuation	Fair value
Treasury bonds	423 411	-1 072	422 339
Shares	18 236		18 236
NBP Bonds	24 979		24 979
Total investments available for sale	**466 626**	**-1 072**	**465 554**

Investments Available for Sale as of 31.12.2006 (in PLN thousand)	Balance sheet value	Valuation	Fair value
Treasury bills	4 999	-2	4 997
Treasury bonds	603 819	2 677	606 496
Shares	18 238		18 238
NBP Bonds	24 979		24 979
Total investments available for sale	**652 035**	**2 675**	**654 710**

Investments Available for Sale as of 30.06.06 (in PLN thousand)	Balance sheet value	Valuation	Fair value
Treasury bills	8 842	7	8 849
Treasury bonds	644 033	-2 076	641 957
Shares	18 241		18 241
NBP Bonds	24 979		24 979
Total investments available for sale	**696 095**	**-2 069**	**694 026**

The tables below present profits and losses on account of available-for-sale financial assets, which in a given period were recognised directly in the equity capital and then were transferred from the equity capital to the net profit/loss of a given period. The data as at 30 June 2007 and comparative periods as at 31 December 2006 and 30 June 2006.

Note 14.3

Investments Available for Sale as of 30.06.07 (in PLN thousand)	Realised gains in the net profit/loss	Realised losses in the net profit/loss
Treasury bonds	1 654	-13
Total investments available for sale	**1 654**	**-13**

Investments Available for Sale as of 31.12.2006 (in PLN thousand)	Realised gains in the net profit/loss	Realised losses in the net profit/loss
Treasury bonds	221	-29
Total investments available for sale	**221**	**-29**

Investments Available for Sale as of 30.06.06 (in PLN thousand)	Realised gains in the net profit/loss	Realised losses in the net profit/loss
Treasury bonds	137	
Total investments available for sale	**137**	

15. Property, Plant and Equipment

The Table below presents the property, plant and equipment broken by groups:
Note 15.1

Property, plant and equipment (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
investments in non-company fixed assets:	33 476	29 142	24 708
Machines and equipment and means of transport:	25 552	17 894	15 771
Computer hardware	25 663	13 239	8 432
Total Property, Plant and Equipment	**84 691**	**60 275**	**48 911**

Statement of changes in the property, plant and equipment in the first half of 2007 and the first half of 2006, and for the year 2006.

Note 15.2

in PLN thousand	investments in non-company fixed assets:	Machines and equipment and means of transport:	Computer hardware	Total
Gross value as at 01.01.2007	**64 085**	**31 307**	**59 667**	**155 059**
- balance increase (incl. purchase)	10 290	10 209	10 417	30 916
- balance decrease (sale, liquidation)	-2 952	-670	-8 266	-11 888
- other	-79	-350	44 403	43 974
Gross value as at 30.06.07	**71 344**	**40 496**	**106 221**	**218 061**
Depreciation as at 01.01.2007	**-34 943**	**-13 412**	**-46 428**	**-94 783**
- depreciation	-3 082	-2 004	-2 998	-8 084
- balance decrease (sale, liquidation)	157	471	8 254	8 882
- other		1	-39 386	-39 385
Depreciation ending balance	**-37 868**	**-14 944**	**-80 558**	**-133 370**
Fixed assets net as at 30.06.2007	**33 476**	**25 552**	**25 663**	**84 691**

in PLN thousand	investments in non-company fixed assets:	Machines and equipment and means of transport:	Computer hardware	Total
Gross value as at 01.01.06	**55 666**	**25 281**	**54 155**	**135 102**
- balance increase (incl. purchase)	10 940	11 306	10 687	32 933
- balance decrease (sale, liquidation)	-2 894	-4 136	-4 191	-11 221
- other	373	-1 145	-984	-1 756
Gross value as at 31.12.06	**64 085**	**31 306**	**59 667**	**155 058**
Depreciation as at 01.01.06	**-30 296**	**-13 154**	**-44 905**	**-88 355**
- depreciation	-6 736	-3 742	-5 696	-16 174
- balance decrease (sale, liquidation)	2 089	3 484	4 173	9 746
Depreciation as at 31.12.06	**-34 943**	**-13 412**	**-46 428**	**-94 783**
Fixed assets net as at 31.12.06	**29 142**	**17 894**	**13 239**	**60 275**

in PLN thousand	investments in non-company fixed assets:	Machines and equipment and means of transport:	Computer hardware	Total
Gross value as at 01.01.06	**55 666**	**25 281**	**54 155**	**135 102**
- balance increase (incl. purchase)	2 367	5 414	3 333	11 114
- balance decrease (sale, liquidation)		-1 596	-2 087	-3 683
- other	409	270	-716	-37
Gross value as at 30.06.06	**58 442**	**29 369**	**54 685**	**142 496**
Depreciation as at 01.01.06	**-30 296**	**-13 154**	**-44 905**	**-88 355**
- depreciation	-3 438	-1 785	-3 421	-8 644
- balance decrease (sale, liquidation)		1 340	2 074	3 414
Depreciation as at 30.06.06	**-33 734**	**-13 599**	**-46 252**	**-93 585**
Fixed assets net as at 30.06.06	**24 708**	**15 770**	**8 433**	**48 911**

The Bank does not own any land or buildings kept for its own use. The Bank has not entered into any financial lease agreements.

The Bank reclassified computer software that is an integral part of computer hardware (the so-called operating system) which is recognised as property, plant and equipment.

16. Intangible Assets

Intangible assets include system software and licenses for such software.

Statement of changes to intangible assets:

Note 16

Intangible assets - system software and licenses (in PLN thousand)

	1.01.2007 - 30.06.2007	1.01.2006 - 31.12.2006	1.01.2006 - 30.06.2006
Opening balance gross	**70 129**	**55 131**	**55 131**
- increase (incl. purchase)	8 426	15 404	4 940
- liquidation		-429	
- other	-44 747	23	199
Ending balance gross	**33 808**	**70 129**	**60 270**
Depreciation opening balance	**-46 465**	**-40 786**	**-40 786**
- depreciation costs	-2 073	-5 894	-2 328
- balance decrease (sale and liquidation)		215	
- other	39 350		
Depreciation ending balance	**-9 188**	**- 46 465**	**-43 114**
Total net intangible assets ending balance	**24 620**	**23 664**	**17 156**

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

The Bank reclassified computer software that is an integral part of computer hardware (the so-called operating system) which is recognised as property, plant and equipment.

17. Current and deferred tax liabilities

The table below presents tax assets and liabilities as at 30 June 2007, and comparative data as at 31 December and 30 June 2006:

Note 17.1

in PLN thousand	30.06.2007	31.12.2006	30.06.2006
Deferred tax receivables	30 055	21 289	19 994
Current tax liabilities	17 322	3 963	6 600

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 17.2

Deferred tax assets (in PLN thousand)	Opening balance 01.01.07	Increases / decreases charged to income statement	Increases / decreases charged to equity	Closing balance 30.06.2007
Measurement of financial assets held for trading	3 972	2 602		6 574
Measurement of available-for-sale financial assets	328	-193	203	338
Measurement of instruments purchased form the issuer	25	21		46
Settlement of commissions and fees using the amortised cost method including the effective interest rate	2 129	-435		1 694
Write-offs for impairment	14 042	4 336		18 378
Deferred acquisition cost, accrued interest and other assets	119	168		287
Other liabilities	16 387	32 194		48 581
Total deferred tax assets	**37 002**	**38 693**	**203**	**75 898**
Deferred tax liabilities (in PLN thousand)				
Measurement of financial liabilities held for trading	1 006	6 634		7 640
Measurement of available-for-sale financial assets	2 599	-1 850	-509	240
Difference on depreciation	328	980		1 308
Deferred revenues, accrued interest and other liabilities	11 780	24 875		36 655
Total deferred tax liabilities	**15 713**	**30 639**	**-509**	**45 843**
Net deferred tax	**21 289**	**8 054**	**712**	**30 055**

Deferred tax assets (in PLN thousand)	Opening balance 01.01.06	Increases / decreases charged to income statement	Increases / decreases charged to equity	Closing balance 31.12.06
Measurement of financial assets held for trading	3 797	175		3 972
Measurement of available-for-sale financial assets	183	146	-1	328
Measurement of instruments purchased form the issuer	26	-1		25
Settlement of commissions and fees using the amortised cost method including the effective interest rate	2 118	11		2 129
Write-offs for impairment	9 809	3 139		12 948
Deferred acquisition cost, accrued interest and other assets	101	18		119
Other liabilities	8 629	7 758		16 387
Other provisions	454	640		1 094
Total deferred tax assets	**25 117**	**11 886**	**-1**	**37 002**
Deferred tax liabilities in PLN thousand				
Measurement of financial liabilities held for trading	4 099	-3 093		1 006
Measurement of available-for-sale financial assets	399	2 091	109	2 599
Difference on depreciation	725	-397		328
Deferred revenues, accrued interest and other liabilities	5 584	6 196		11 780
Total deferred tax liabilities	**10 807**	**4 797**	**109**	**15 713**
Net deferred tax	**14 310**	**7 089**	**-110**	**21 289**

Deferred tax assets (in PLN thousand)	Opening balance 01.01.06	Increases / decreases charged to income statement	Increases / decreases charged to equity	Closing balance 30.06.06
Measurement of financial assets held for trading	3 797	1 981		5 778
Measurement of available-for-sale financial assets	183	68	392	643
Measurement of instruments purchased form the issuer	26	-11		15
Settlement of commissions and fees using the amortised cost method including the effective interest rate	2 118	1 087		3 205
Write-offs for impairment	9 809	1 370		11 179
Deferred acquisition cost, accrued interest and other assets	101	1		102
Other liabilities	8 629	1 024		9 653
Other provisions	454	20		474
Total deferred tax assets	**25 117**	**5 540**	**392**	**31 049**

Deferred tax liabilities in PLN thousand				
Measurement of financial liabilities held for trading	4 099	-312		3 787
Measurement of available-for-sale financial assets	399		-399	
Difference on depreciation	725	-63		662
Deferred revenues, accrued interest and other liabilities	5 584	1 022		6 606
Total deferred tax liabilities	**10 807**	**647**	**-399**	**11 055**
Net deferred tax	**14 310**	**4 893**	**791**	**19 994**

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 are charged or credited directly to shareholders' equity.

The total current and deferred tax liabilities on account of items charging or crediting the shareholders' equity stood at, respectively: PLN 712 thousand as at 30 June 2007, PLN (-110) thousand as at 31 December 2006 and PLN 791 thousand as at 30 June 2006.

18. Deferred acquisition cost, accrued interest and other assets

Note 18

Deferred acquisition cost, accrued interest and other assets (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Deferred acquisition cost	6 221	4 865	6 397
Interest to be received	47 269	38 223	31 569
Financial assets recognised at the trade date	218 953		
Interbank settlements	372	805	2 303
Others	30 953	23 707	18 212
Total deferred acquisition cost, accrued interest and other assets	**303 768**	**67 600**	**58 481**
Write-offs for impairment	-1 655	-2 017	-1 775
Total deferred acquisition cost, accrued interest and other assets, net	**302 113**	**65 583**	**56 706**

19. Liabilities

Note 19.1

Due to banks (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Banks' deposits	1 763 917	1 863 727	1 255 996
-Current	7 089	3 482	42 894
- Term	1 350 980	1 359 052	1 213 102
- Other	405 848	501 193	
Loans and credit facilities received	2 724 800	2 591 117	1 271 720
Other	960 600	651 842	768 822
Total due to banks	**5 449 317**	**5 106 686**	**3 296 538**

Due to banks by maturity (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
up to 1 year	3 142 313	2 267 479	1 989 882
from 1 up to 5 years	1 434 780	1 946 608	799 098
above 5 years	801 632	804 067	452 404
Without any maturity determined	70 592	88 532	55 154
Total due to banks	**5 449 317**	**5 106 686**	**3 296 538**

Note 19.2

Due to Customers (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Current deposits	1 535 250	1 092 948	1 014 137
Term deposits	3 520 806	3 383 935	2 704 980
Total due to customers	**5 056 056**	**4 476 883**	**3 719 117**

Due to customers by maturity (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
up to 1 year	2 459 763	3 369 005	1 931 576
from 1 up to 5 years	21 179	24 582	7 796
above 5 years		678	19 462
Without any maturity determined	2 575 114	1 082 618	1 760 283
Total due to customers	**5 056 056**	**4 476 883**	**3 719 117**

20. Accrued interest and expenses and other liabilities

Note 20

Accrued interest and expenses and other liabilities (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Accrued interest and expenses	14 407	12 819	12 563
Interest to be paid	24 551	23 786	14 248
Expenses to be paid	131 262	159 096	77 857
Taxes to be paid	6 499	4 234	3 205
Employee Benefits	21 108	23 751	10 748
Derivative instruments - hedging	7 710	5 129	9 343
Others	7 586	104 668	15 147
Total accrued interest and expenses and other liabilities	**213 123**	**333 483**	**143 111**

21. Provisions

Note 21.1

Provisions by titles (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Provisions for off-balance sheet commitments	990	735	2 528
IBNR reserve – off-balance sheet commitments	8 811	8 081	6 115
Legal risk provisions	2 916	2 916	16
Provisions for office sub-lease	913	528	887
Total provisions	**13 630**	**12 260**	**9 546**

The largest item reported in legal risk provisions is 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 note below presents changes in provisions:

Note 21.2

Changes in provisions (in PLN thousand)	01.01.2007 – 30.06.2007	01.01.2006 – 31.12.2006	01.01.2006 – 30.06.2006
Opening balance	**12 260**	**8 510**	**8 510**
Increases	2 369	6 882	3 026
- Off-balance sheet commitments	1 834	3 982	3 026
- other	535	2 900	
Decreases	-801	-3 111	-2 003
- Off-balance sheet commitments	-651	-2 009	-1 261
- other	-150	-1 102	-742
FX rate differences	-198	-21	13
Ending balance	**13 630**	**12 260**	**9 546**

22. Equity

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

Note 22.1

Equity (in PLN thousand)	30.06.2007	31.12.2006	30.06.2006
Share capital	503 135	503 135	30 155
Share premium	308 814	308 814	349 528
Other reserve capital	183 200	74 934	307 578
Revaluation reserve	-867	2 167	-1 677
Retained earnings	-17 809	5 633	5 633
Net profit (loss) for the year	86 439	84 825	47 691
Total equity	**1 062 912**	**979 508**	**738 908**

The Bank holds 16,771,180 ordinary shares admitted to public trading (nominal value of one share is PLN 30). The issue price of the share capital as at 30 June 2007 stood at PLN 503,135,400.

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 related to any group of shares.

Note 22.2

SHARE CAPITAL (STRUCTURE)

Series / Issue	Share type	Type of preference	Type of restriction of rights to shares	Number of shares	Value of series / issue at nominal value	Capital coverage method	Registration date	Right to dividend (from the date of)
A	ordinary	non-preference	none	634 060	19 021 800	Cash	19.12.1990	full payment for shares
B	ordinary	non-preference	none	1 115 940	33 478 200	Cash	30.04.1991	full payment for shares
C	ordinary	non-preference	none	2 000 000	60 000 000	Cash	14.07.1994	01.01.1994
D	ordinary	non-preference	none	1 250 000	37 500 000	Cash	11.07.1996	01.01.1995
E	ordinary	non-preference	none	1 250 000	37 500 000	Cash	11.04.1997	01.01.1996
F	ordinary	non-preference	none	625 000	18 750 000	Cash	04.06.1998	01.01.1997
G	ordinary	non-preference	none	740 000	22 200 000	Cash	04.06.1998	01.01.1997
H	ordinary	non-preference	none	761 500	22 845 000	Cash	08.10.1999	01.01.1999
I	ordinary	non-preference	none	1 675 300	50 259 000	Cash	03.07.2000	01.01.1999
J	ordinary	non-preference	none	5 025 900	150 777 000	Cash	28.06.2001	01.01.2000
K	ordinary	non-preference	none	1 693 480	50 804 400	Cash	02.01.2007	01.01.2006
Total number of shares				**16 771 180**				
Total share capital					**503 135 400**			

Structure of shareholders as at 30 June 2007.

Note 22.3

	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%

Another shareholder's equity component is the issue premium, which is the difference between the share nominal price and the issue price.

The other capital types are basically established from annual net profit deductions approved by the General Meeting of Shareholders.

Note 22.4

Other capital (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
General risk fund	117 045	67 045	85 546
Reserve capital	66 155	7 889	167 677
Additional capital established from the net profit			54 355
Total other capital	**183 200**	**74 934**	**307 578**

Revaluation reserve as at 30 June 2007, 31 December 2006 and 30 June 2006:

Note 22.5

Revaluation reserve (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Measurement of available-for-sale financial assets, including:	-1 072	2 677	-2 070
- Treasury bills		-2	7
- Treasury bonds	-1 072	2 679	-2 077
Deferred tax	205	-510	393
Total revaluation reserve	**- 867**	**2 167**	**-1 677**

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 2007 net profit to increase the Bank's equity funds.

23. Additional Notes to Cash Flow Statement

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

Note 23

Other operating assets and liabilities (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Change in the other assets	-220 153	40 155	44 028
Change in the other liabilities	- 122 711	265 116	6 801
Change on account of FX rate differences	-400 880	-103 610	15 342
Change in interest to be received	-10 991	-9 825	-2 936
Change in interest to be paid	2 353	3 011	-6 784
IBNR - short-term financial assets	68	51	139
Others	776	38 088	-1 892
Total other operating assets and liabilities	**-751 538**	**232 986**	**54 698**

24. 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 2007 the Bank's books contained Treasury bonds, which were separated from assets, to secure the BGF in the nominal value of PLN 12 000 000. 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 24.1

Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund			
(in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
- Treasury bills at nominal value		5 000	8 920
- Treasury bills at balance sheet value		4 997	8 770
- Treasury bonds at nominal value	12 000	3 000	
- Treasury bonds at balance sheet value	11 375	2 795	
Total available for sale securities at balance sheet value	**11 375**	**7 792**	**8 770**
Value of cash deposited at the Bank and guaranteed by the system	**5 869 914**	**4 485 463**	**3 786 456**

A lombard loan is taken based on the *Regulations of Refinancing Banks by the NBP through a Lombard Loan* published in Resolution no. 42/2003 of the NBP Management Board dated 3 October 2003 (Official Journal of the NBP no. 18 of 2003) 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.

Note 24.2

Securities pledged in the KDPW against the lombard loan			
(in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
- Treasury bonds at nominal value	382 300	711 000	243 000
- Treasury bonds at balance sheet value	384 654	688 969	242 948
of which used against the loan taken:	185 000	400 000	
Total securities pledged in the KDPW against the lombard loan, balance sheet value	384 654	688 969	242 948

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.*" 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.

25. Derivative financial instruments

Note 25.1

The table below shows the breakdown of hedging derivative instruments by nominal value as at 30 June 2007, 31 December 2006 and 30 June 2006.

Hedging derivative instruments (in PLN thousand)	30.06.2007					
	Fair value		Nominal value by maturity			
	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		**7 710**		**150 000**		**150 000**
Not traded on regulated markets		7 710		150 000		150 000
Total		**7 710**		**150 000**		**150 000**

Hedging derivative instruments (in PLN thousand)	31.12.2006					
	Fair value		Denomination			
	positive	negative	up to 1 year	1-5 years	> 5 years	Total
Interest Rate contracts		**5 129**		**150 000**		**150 000**
- Swaps		5 129		150 000		150 000
Total trading derivative instruments		**5 129**		**150 000**		**150 000**
Not traded on regulated markets		5 129		150 000		150 000
Total		**5 129**		**150 000**		**150 000**

Hedging derivative instruments (in PLN thousand)	30.06.2006					
	Fair value		Denomination			
	positive	negative	up to 1 year	1-5 years	> 5 years	Total
Interest Rate contracts		**9 343**		**150 000**		**150 000**
- Swaps		9 343		150 000		150 000
Total trading derivative instruments		**9 343**		**150 000**		**150 000**
Not traded on regulated markets		9 343		150 000		150 000
Total		**9 343**		**150 000**		**150 000**

Note 25.2

The table below shows the breakdown of held-for-trading derivative instruments by nominal value as at 30 June 2007, 31 December 2006 and 30 June 2006.

Derivative instruments held for trading (in PLN thousand)	30.06.2007						
	Fair value		Nominal value by maturity				
	positive	negative	up to 3 months	from 3 months – 1 year	from 1 up to 5 years	above 5 years	Total
Foreign currency contracts:	**54 448**	**49 595**	**4 301 922**	**2 189 632**	**110 692**		**6 602 246**
- Forward (including the forward leg of a FX swap contract)	33 095	28 240	2 842 648	641 551	63 023		3 547 222
- Options	21 353	21 355	1 459 274	1 548 081	47 669		3 055 024
Interest Rate contracts	**39 345**	**61 273**	**905 000**	**12 844 229**	**887 221**	**899 352**	**15 535 802**
- FRA	171	599	900 000	600 000			1 500 000
- Swaps	35 088	56 588		12 222 400	794 189	677 855	13 694 444
- Options	4 086	4086	5 000	21 829	93 032	221 497	341 358
Total derivative instruments held for trading	**93 793**	**110 868**	**5 085 639**	**15 155 144**	**997 913**	**899 352**	**22 138 048**
Not traded on regulated markets	93 793	110 868	5 085 639	15 155 144	997 913	899 352	22 138 048
Total	**93 793**	**110 868**	**5 085 639**	**15 155 144**	**997 913**	**899 352**	**22 138 048**

Derivative instruments held for trading (in PLN thousand)	31.12.2006						
	Fair value		Nominal value by maturity				
	positive	negative	up to 3 months	from 3 months – 1 year	from 1 up to 5 years	above 5 years	Total
Foreign currency contracts:	**44 420**	**46 152**	**2 069 188**	**1 356 950**	**21 369**		**3 447 507**
- Forward (including the forward leg of a FX swap contract)	28 640	30 372	1 358 235	880 887			2 239 122
- Options	15 780	15 780	710 953	476 063	21 369		1 208 385
Interest Rate contracts	**11 180**	**11 213**	**2 157 160**	**8 055 218**	**2 297 665**	**527 316**	**13 037 359**
- FRA	985	671		2 500 000			2 500 000
- Swaps	9 667	10 014	2 157 160	5 543 724	2 247 714	481 822	10 430 420
- Options	528	528		11 494	49 951	45 494	106 939
Total derivative instruments held for trading	**55 600**	**57 365**	**4 226 348**	**9 412 168**	**2 319 034**	**527 316**	**16 484 866**
Not traded on regulated markets	55 600	57 365	4 226 348	9 412 168	2 319 034	527 316	16 484 866
Total	**55 600**	**57 365**	**4 226 348**	**9 412 168**	**2 319 034**	**527 316**	**16 484 866**

Derivative instruments held for trading (in PLN thousand)	30.06.2006						
	Fair value		Nominal value by maturity				
	positive	negative	up to 3 months	from 3 months – 1 year	from 1 up to 5 years	above 5 years	Total
Foreign currency contracts:	**45 900**	**46 341**	**1 106 618**	**2 799 978**	**237 233**		**4 143 829**
- Forward (including the forward leg of a FX swap contract)	21 123	21 564	637 352	1 043 838	106 758		1 787 948
- Options	24 777	24777	469 266	1 756 140	130 475		2 355 881
Interest Rate contracts	**10 429**	**7 934**		**600 000**	**1 019 153**	**210 846**	**1 829 999**
- FRA	324	464		600 000	402 170		1 002 170
- Swaps	9 812	7 177			608 742	176 846	785 588
- Options	293	293			8 241	34 000	42 241
Total derivative instruments held for trading	**56 329**	**54 275**	**1 106 618**	**3 399 978**	**1 256 386**	**210 846**	**5 973 828**
Not traded on regulated markets	56 329	54 275	1 106 618	3 399 978	1 256 386	210 846	5 973 828
Total	**56 329**	**54 275**	**1 106 618**	**3 399 978**	**1 256 386**	**210 846**	**5 973 828**

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 fair value hedging.

As at 30 June 2007, to hedge interest rate risk of bonds of Credit Suisse First Boston, Singapore branch in the nominal value of PLN 150,000 thousand and fair value of PLN 152,803 thousand, an IRS contract was concluded in the nominal value of PLN 150,000 thousand and a change in fair value of PLN 2,559 thousand. For the above transaction, the Bank applies hedge accounting rules. Interest rate based hedging transactions were measured by the Bank to fair value. Adjustments to fair value were recognized in the profit and loss statement of the Bank.

Hedging for bonds of Credit Suisse First Boston Singapore Branch:

Instrument hedged: Bonds of Credit Suisse First Boston (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
nominal value	150 000	150 000	150 000
fair value change	2 803	5 295	4 874

Hedging instrument: IRS contract (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
nominal value	150 000	150 000	150 000
fair value change	- 2 559	4 765	4 114

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

26. 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 June 2007 and for comparative periods.

in PLN thousand	**30.06.2007**	**31.12.2006**	**30.06.2006**
Guarantees and sureties	**637 282**	**557 124**	**442 588**
- banks	21 242	29 861	32 145
- Customers	616 040	527 263	410 443
Import letters of credit	**311 772**	**164 916**	**131 429**
- Customers	311 772	164 916	131 429
Export letters of credit	**86 153**	**113 452**	**94 561**
- banks	86 153	113 452	94 561
Commitments to extend loans	**3 298 157**	**2 592 323**	**2 082 577**
- banks	50 049	55 049	120 046
- Customers	3 248 108	2 537 274	1 962 531
Total off-balance sheet commitments granted	**4 333 364**	**3 427 815**	**2 751 155**

Bank's off-balance-sheet commitments granted include:

- Guarantees and sureties
- Import letters of credit
- Export letters of credit
- Commitments to extend loans.

Commitments to extend loans constitute the major item of off-balance sheet commitments granted. In June 2007, the amount of PLN 3,298,157 thousand constituted 76% of the Bank's off-balance sheet commitments, which comprised approved loans, credit card limits and unused overdraft credit limits.

in PLN thousand	**30.06.2007**	**31.12.2006**	**30.06.2006**
Financial liabilities received	1 531 560	330 194	925 603
Guarantee liabilities received	177 955	192 463	130 777
Total off-balance sheet commitments received	**1 709 515**	**522 657**	**1 056 380**

27. Custody Activity

Comprehensive scope of services

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

- maintenance of accounts used to record securities in public or non-public trading, in particular: shares, bonds, Treasury bills, commercial papers,
- custody of securities in the material form in the Bank's vaults,
- settlement of transactions in securities pursuant to binding rules,
- performing operations on securities (dividend payment, payment of interest on bonds, debt securities redemption),
- acting as an intermediary in package transactions on the interbank market,
- adjustment of reporting and reports to Customer needs,
- providing information on market events,
- representing the Customer at the Annual General Meetings.

Custody of securities

The Bank is a direct member of the KDPW S.A. (National Depository of Securities), the central depository of securities admitted to public trading. The Bank holds a securities account there, dedicated specifically to its Customers. Thus the Bank's assets are separated from Customer assets.

With respect to securities not admitted to public trading, the Bank cooperates with other institutions that provide custody for the capital market securities and money market securities. Furthermore, the Bank, at the Customer request, can provide custody for material form securities in its vault.

Settlement of transactions

All transactions are settled upon the receipt of a settlement instruction from the Customer. The instruction should be delivered to the Custody Services Group on the settlement date of the transaction made by the Customer, at the latest. The exception is when the Custody Services Group makes securities purchase or sale instructions at the Warsaw Stock Exchange and CTO (Central Offering Table), 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.

The basic package of reports include:

- statement of securities account,
- confirmations of transaction made,
- reports on interest and dividend payments,
- reports on debt instruments redemption,
- information on pre-emptive rights received,
- information on share divisions, assimilations and conversion.

Depositor

The Bank performs the role of a depositor for Fortis FIO, an investment fund. Pursuant to the binding provisions, its 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:

	30.06.2007	**31.12.2006**	**30.06.2006**
Number of accounts maintained in favour of customers	53	10	11
Funds deposited on such Customer accounts (in PLN thousand)	4 060 939	1 849 246	1 736 855

28. 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 Kraków.
In the first half of 2007, the Bank incurred expenses related to rent for the above real property of PLN 11,240 thousand, as compared to PLN 9,545 thousand as at 30 June 2006. the above fees were recognised in the income statement in Note "Other costs."

Future liabilities on account of lease by maturity

in PLN thousand

	30.06.2007
up to one year	27 501
from 1 to 5 years	72 470
above 5 years	42 005
TOTAL	**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.

Future receivables on account of lease by maturity

in PLN thousand

	30.06.2007
up to one year	5 992
from 1 to 5 years	4 733
above 5 years	4 982
TOTAL	**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.

29. Information on Related Party Transactions

The Bank is part of Fortis, an international banking and insurance group. Fortis Bank 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 S.A. Considering no material importance, the aforesaid subsidiary was not consolidated in this financial report.

Information on transactions with employees, the Board of Executives, Supervisory Board, managers and persons related with them are presented in Note 30.

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

Balance sheet items as of 30.06.2007 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Assets				
Cash and cash equivalents	815 935		509	816 444
Financial assets held for trading	53 451			53 451
Receivables			87 794	87 794
Deferred acquisition cost, accrued interest and other assets	135 351	89	192	135 632
Total	**1 004 737**	**89**	**88 495**	**1 093 321**
Liabilities				
Financial liabilities held for trading	200 185			200 185
Other liabilities	745 311	3 009	2 987 494	3 735 814
Accrued interest and expenses and other liabilities	8 543	11	24 493	33 047
Total	**954 039**	**3 020**	**3 011 987**	**3 969 046**

Balance sheet items as of 31.12.2006 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Assets				
Cash and cash equivalents	1 645 564		2 232	1 647 796
Financial assets held for trading	15 717			15 717
Receivables	1 226		43 210	44 436
Deferred acquisition cost, accrued interest and other assets	18 039	89	91	18 219
Total	**1 680 546**	**89**	**45 533**	**1 726 168**
Liabilities				
Financial liabilities held for trading	16 068			16 068
Other liabilities	227 207	3 005	2 779 197	3 009 409
Accrued interest and expenses and other liabilities	23 158	12	12 923	36 093
Total	**266 433**	**3 017**	**2 792 120**	**3 061 570**

Balance sheet items as of 30.06.06 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Assets				
Cash and cash equivalents	477 311		1	477 312
Financial assets held for trading	17 260			17 260

Receivables			64 956	64 956
Deferred acquisition cost, accrued interest and other assets	1	4	98	103
Total	**494 572**	**4**	**65 055**	**559 631**
Liabilities				
Financial liabilities held for trading	20 693			20 693
Other liabilities	461 179	302	1 298 081	1 759 562
Accrued interest and expenses and other liabilities	9 868	11	4 533	14 412
Total	**491 740**	**313**	**1 302 614**	**1 794 667**

Information on income and expenses regarding transactions of the Bank with its parent company, its subsidiary and entities affiliated by management is presented below.

1.01.2007 – 30.06.2007 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Revenues				
Interest income	9 366		1 401	10 767
Commission and fee income	1 799	10	1 291	3 100
Dividend income		600		600
Net profit on transactions in held-for-trading financial instruments	80 041		4	80 045
Net profit on hedging transactions	4 765			4 765
Other income	3 027	4 930		7 957
Total	**98 998**	**5 540**	**2 696**	**107 234**
Costs				
Interest expense	-5 036	-83	-44 666	-49 785
Commission and fee expense	-967		-1	-968
Net loss on transactions in held-for-trading financial instruments	-41 681			-41 681
Net loss on hedging transactions	-2 559			-2 559
Total	**-50 243**	**-83**	**-44 667**	**-94 993**

1.01.2006 – 30.06.2006 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
	Revenues			
Interest income	5 925		883	6 808
Commission and fee income	1 334	8	415	1 757
Net profit on transactions in held-for-trading financial instruments	44 718		646	45 364
Net profit on hedging transactions	6 903			6 903
Other income		94		94
Total	**58 880**	**102**	**1 944**	**60 926**
	Costs			
Interest expense	-1 551	-361	-10 090	-12 002
Commission and fee expense	-530			-530

Net loss on transactions in held-for-trading financial instruments	-56 128		-488	-56 616
Net loss on hedging transactions	-4 114			-4 114
Other expenses		-90	-242	-332
Total	**-62 323**	**-451**	**-10 820**	**-73 594**

Information on off-balance sheet liabilities between the Bank and related entities is presented below:

Off-balance sheet liabilities as at 30.06.07 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Contingent liabilities granted:		49	104 791	104 840
- related to financing		49	77 076	77 125
- guarantees			27 715	27 715
Transactions in derivative instruments*	15 716 316			15 716 316
Contingent liabilities received	12 049		3 989 535	4 001 584
Total	**15 727 365**	**49**	**4 094 326**	**19 822 740**

Off-balance sheet liabilities as at 31.12.06 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Contingent liabilities granted:		49	89 977	90 026
- related to financing		49	59 026	59 075
- guarantees			30 951	30 951
Transactions in derivative instruments*	9 536 690			9 536 690
Contingent liabilities received	18 914		2 740 625	2 759 539
Total	**9 555 604**	**49**	**2 830 602**	**12 386 255**

Off-balance sheet liabilities as at 30.06.2006 (in PLN thousand)	**Parent entity**	**Subsidiary**	**Entities affiliated by management**	**Total**
Contingent liabilities granted:		46	48 906	48 952
- related to financing		46	35 374	35 420
- guarantees			13 532	13 532
Transactions in derivative instruments*	2 004 899			2 004 899
Contingent liabilities received	18 874		1 696 295	1 715 169
Total	**2 023 773**	**46**	**1 745 201**	**3 769 020**

*In the item "transactions in derivative instruments," the purchase side is presented.

Material agreements with related parties

Cooperation agreement of 2 January 2007 signed between the Bank and Dominet Bank SA based in Lubin. The agreement concerns rules of cooperation between the two banks with respect to agency services in offering the Bank's products to individual customers of Dominet Bank S.A. For the performance of obligations under the agreement, Dominet Bank S.A. will be paid commission on amounts of the loans acquired. The agreement was concluded for an unlimited period of time.

Surety agreement of 28 December 2006 under which the Bank issued a surety to Dominet Bank SA based in

Lubin up to PLN 50 million for borrowers' receivables due to Dominet Bank on account of car loans. The surety was issued for the period ending on 31 December 2007. Under Annex to the Agreement, signed on 23 March 2007, the validity of surety was extended till 1 May 2008.

Cooperation agreement of 1 April 2007 signed between the Bank and Dominet Bank SA based in Lubin. The Agreement concerned the sale of investment outlays and office equipment to Dominet Bank S.A. The sale price was PLN 2.7 million.

Cooperation agreement of 19 March 2007 signed between the Bank and Fortis Commercial Finance Sp. z o.o. based in Warsaw. The agreement governs the rules of cooperation between the entities with respect to agency in offering products of Fortis Commercial Finance Sp. z o.o. by FBP employees. For performing the duties under the contractual provisions, FBP will receive remuneration in the form of commissions on factoring limits granted to customers and on invoice acquired. The agreement was concluded for an unlimited period of time.

On February 5, 2007, the Bank signed another credit agreement with Fortis Bank SA/NV based in Brussels and Fortis Bank (Nederland) N.V. based in Rotterdam, regarding taking a credit line by the Bank from Fortis (Nederland) N.V. with the limit of PLN 1,300 million in order to finance the Bank's current operating activity.

Under this credit line, the Bank can draw down advance payments in EUR, USD, CHF, JPY and PLN within 60 months of June 1, 2007.

30. Transactions with the Board of Executives, Supervisory Board, managers and employees

The remuneration and the values of benefits obtained by the members of the Board of Executives, Supervisory Board and by proxies of the Bank are specified in the table below:

in PLN thousand	01.01.2007 - 30.06.2007	01.01.2006 - 31.12.2006	01.01.2006 - 30.06.2006
Board of Executives, including:	3 525	5 302	3 080
- remuneration	1 645	3 082	1 575
- benefits*	322	768	298
- other**	1 558	1 452	1 207
Supervisory Board	235	452	215
Proxies***	2 538	3 556	2 057

* 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.

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 2007 or in 2006.

Information on unpaid advances as at the end of the period:

As at the end of the reporting period, the Bank recorded 68 unpaid and unsettled advances in its books totalling PLN 65,500, in particular due from:

- Board of Executive Members – 1 advance of PLN 500
- Employees – 67 advances in the total amount of PLN 65,000

Information on loans, credit facilities, guarantees and sureties received by employees, proxies, Members of the Bank's Board of Executives and Supervisory Board.

As at 30 June 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, 2 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 commercial proxies:

- five (5) credit card limits of PLN 32 thousand in total, of which PLN 8 thousand was used,
- 17 loans (of which, 8 in foreign currencies) in the total amount of PLN 3,721 thousand with the original maturity from 3 to 30 years, inclusive;
- three (3) debit limits in the savings and checking account of PLN 16 thousand in total, of which PLN 6 thousand was used,
- six (6) credit lines in credit account, unused balance is PLN 330 thousand;

to persons related to managing and supervising persons:

- three (3) credit card limits of PLN 25 thousand in total, of which PLN 12 thousand was used,
- two (2) loans (of which, 1 in foreign currencies) in the total amount of PLN 179 thousand with the original maturity from 5 to 30 years, inclusive;
- five (5) debit limits in the savings and checking account in the total amount of PLN 91 thousand.

In the corresponding periods, the Bank granted:

As at 31.12.2006

to the Supervisory Board's Members:

- a credit card limit - as at 31.12.2006 the limit granted was PLN 29 thousand, while the debt balance stood at PLN 11 thousand;
- one (1) guarantee issued for the amount of USD 5 thousand with the original maturity from 5 to 10 years;

to the Board of Executives' Members:

- four (4) loans (of which 3 FC loans) with the total debt outstanding balance as at 31 December 2006 of PLN 1,010 thousand, with maturity from 3 to over 20 years and an interest rate corresponding to the applied market rates;
- one debit limit in ROR (a savings and checking account) for PLN 50 thousand; as at 31 December 2006 the total debt outstanding balance was PLN 34 thousand;
- one (1) unused VISA card limit in the amount of PLN 5 thousand as at 31 December 2006;
- five (5) credit card limits with the total debt outstanding balance of PLN 16 thousand on this account as at 31.12.06; the total limits granted was PLN 52 thousand;

to commercial proxies:

- one (1) debit limit in ROR (savings and checking accounts) for PLN 3 thousand; as at 31 December 2006, the total debt outstanding balance was PLN 1 thousand, with interest rates corresponding to the applied market rates;
- 13 loans (of which 6 FC loans) with the total debt outstanding balance as at 31.12.06 of PLN 3,186 thousand, with maturity from 3 months to above 20 years and interest rates corresponding to the applied market rates;
- two (2) credit lines in a loan account; as at 31.12.2006 unused limits amounted to PLN 371 thousand;
- four (4) credit card limits with the total debt outstanding balance of PLN 10 thousand on this account as at 31.12.06; the total limits granted was PLN 32 thousand;

to persons related to managing and supervising persons:

- four (4) debit limits in ROR (savings and checking accounts) for the total of PLN 42 thousand; as at 31.12.1006, the total debt outstanding balance was PLN 37 thousand, with maturity not longer than 1 year and interest rates corresponding to the applied market rates;
- one (1) loan with the total debt outstanding balance as at 31 December 2006 of PLN 89 thousand, with maturity from 5 to 10 years and interest rates corresponding to the applied market rates;
- three (3) VISA card limits with the total debt outstanding balance of PLN 12 thousand on this account as at 31 December 2006; the amount of limits granted was PLN 25 thousand;

As at 30.06.2006

to the Supervisory Board's Members:

- VISA card limit - as at 30 June 2006 the unused limit was PLN 12 thousand;
- a credit card limit - as at 30.06.2006 the limit granted was PLN 22 thousand, while the debt balance stood at PLN 7 thousand;
- one (1) guarantee issued for the amount of USD 5 thousand as at 30 June, 2006 with the original maturity from 5 to 10 years;

to the Board of Executives' Members:

- three (3) loans (of which 2 FC loans) with the total debt outstanding balance as at 30 June, 2006 of PLN 310 thousand, with maturity from 3 to 10 years and an interest rate corresponding to the applied market rates;
- two (2) VISA card limits - as at 30 June, 2006 the unused limits were PLN 20 thousand;
- six (6) credit card limits with the total debt outstanding balance of PLN 20 thousand on this account as at 30.06.06; the total limits granted was PLN 57 thousand;

to commercial proxies:

- two (2) debit limits in ROR (savings and checking accounts) for the total of PLN 13 thousand; as at 30 June 2006, the total debt outstanding balance was PLN 9 thousand, with maturity above 20 years and interest rates corresponding to the applied market rates;
- 10 loans (of which 5 FC loans) with the total debt outstanding balance as at 30.06.06 of PLN 2,201 thousand, with maturity from 3 months to above 20 years and interest rates corresponding to the applied market rates;
- three (3) credit lines in a loan account; as at 30.06.2006 unused limits amounted to PLN 475 thousand;
- VISA card limit - as at 30 June 2006 the unused limit was PLN 12 thousand;
- six (6) credit card limits with the total debt outstanding balance of PLN 12 thousand on this account as at 30.06.06; the total limits granted was PLN 25 thousand;

to persons related to managing and supervising persons:

- five (5) debit limits in ROR (savings and checking accounts) for the total of PLN 89 thousand; as at 31.12.1006, the total debt outstanding balance was PLN 70 thousand, with maturity not longer than 1 year and interest rates corresponding to the applied market rates;
- two (2) loans with the total debt outstanding balance as at 30 June 2006 of PLN 97 thousand, with maturity from 5 to 10 years and interest rates corresponding to the applied market rates;
- four (4) VISA card limits with the total debt outstanding balance of PLN 16 thousand on this account as at 30 June 2006; the amount of limits granted was PLN 30 thousand;

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

Employee loans granted	**30.06.2007**	**31.12.2006**	**30.06.2006**
in PLN thousand	80 489	54 664	41 474
By the number of employees	827	658	770

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

31. Employee Benefits

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

Note 31.1

Employment:	**30.06.2007**	**31.12.2006**	**30.06.2006**
FTEs	1 548	1 410	1 200
of which, having education:			
- Higher	62%	61%	60%
- BA	11%	11%	11%
- Secondary	27%	28%	29%

Employee benefits consist of:

- Short-term employee benefits
- Long-term employee benefits

Details regarding reserves for employee benefits broken by titles:

Note 31.2

Reserves for employee benefits by titles (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Short-term, including:	19 180	21 823	10 748
- reserve for employee bonuses	12 771	16 700	6 000
- reserve for unused vacation leaves	4 674	4 452	3 306
- CSBF (Company Social Benefit Fund)	1 532	666	1 442
- other	203	5	
Long-term, including:	1 928	1 928	
- reserve for pension benefits	796	796	
- reserve for jubilee awards	1 132	1 132	
Total reserves for employee benefits	21 108	23 751	10 748

The Bank does not finance employee pension schemes.

32. Risk Management

The Bank identifies, measures, monitors and manages all risks that occur in its activity.
The Bank divides monitoring and control processes related to the risk control and management into the following categories:

- Credit risk
- Interest rate risk
- FX risk,
- Operational risk

The Bank's Board of Executives defines the risk policy and applies the rule 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 a the Bank is based on an idea of an integrated credit risk 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 other aspects of the Bank's activity, such 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.

The strategic credit risk management is the responsibility of the Risk Management Department, in whose structures there is the Credit Risk Strategic Dimension Management Group.

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 management on the operational level is the main responsibility of the Credit Risk Monitoring Department. In January 2007, within the Credit Risk Monitoring Department three teams were established with the scope of duties covering the existing tasks of the Department and also extending them. The new teams are: Risk Monitoring, Management Support and Real Estate Expert.

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,
- credit exposure mitigation process,
- problem loan management process.

Credit losses absorption strategies

Pursuant to Fortis standards, models used in the credit risk quantification on the individual and portfolio level, fulfil the following assumptions:

- they are calibrated using historical data representative for the Polish market,
- they are subject to validation with a stress test at annual intervals.

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 the IBNR reserve is created,
- Write-offs for credit exposure impairment
- 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	Maintaining adequate level of write-offs for credit exposure impairment and the IBNR reserve
Expected losses	In the credit exposure pricing process, a margin is added to cover standard risk costs generated by a transaction

Unexpected losses	The equity capital buffer is maintained in the value which is the higher of the following: - regulatory capital, - economic 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.

As regards the status default, it 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 has been continued in any account of the customer, or a credit limit granted to the customer has been exceeded.

Credit losses are expected and accounted for in the business activity of credit institutions. However, losses are unpredictable as to the moment of incurring and amount lost. Furthermore, the losses usually refer to transactions made in the previous reporting periods. In order to take into consideration the fact that future credit losses result from the situation in the current credit portfolio, the Bank uses the concept of expected losses.

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 category of risk costs and are used in budgeting of banking products' profitability. From such a perspective, they are the risk premium that the Bank should ensure when setting a credit price. They 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-offs for impairment which are based on losses incurred as at the balance sheet moment, 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.

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 each business entity that is a credit client in relation to which the Bank's 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.

The tables below present the credit portfolio quality (including balance sheet and off-balance sheet items) of customers (without banks) as at:

Mortgage loans for natural persons as at:

30.06.2007

Specific parameters	Total	PLN	FC
Balance sheet value (in PLN thousand)	2 046 689	315 162	1 731 527
Average maturity (years)	24,4	19,3	25,2
Average LTV (%)	88,9%	84,9%	89,6%

31.12.2006

Specific parameters	Total	PLN	FC
Balance sheet value (in PLN thousand)	1 559 085	200 870	1 358 215
Average maturity (years)	23,5	17,0	24,5
Average LTV (%)	88,8%	82,7%	89,1%

30.06.2006

Specific parameters	Total	PLN	FC
Balance sheet value (in PLN thousand)	1 139 417	132 936	1 006 481
Average maturity (years)	22,2	14,9	23,4

30.06.2007

Risk category	**Retail Banking**		**Merchant & Private Banking**	
	Credit exposure value (in PLN thousand)	Structure (%)	Credit exposure value (in PLN thousand)	Structure (%)
.	5 703 558	96,6%	7 019 852	94,4%
Special mention	83 406	1,4%	266 821	3,6%
- impaired and uncertain	20 535	0,4%	122 949	1,7%
- impaired and doubtful	95 807	1,6%	25 987	0,3%
TOTAL	**5 903 306**	**100,0%**	**7 435 609**	**100,0%**

31.12.2006

Risk category	**Retail Banking**		**Merchant & Private Banking**	
	Credit exposure value (in PLN thousand)	Structure (%)	Credit exposure value (in PLN thousand)	Structure (%)
.	4 670 734	96,3%	5 228 782	94,6%
Special mention	56 893	1,2%	160 416	2,9%
- impaired and uncertain	13 553	0,3%	86 489	1,6%
- impaired and doubtful	107 839	2,2%	51 520	0,9%
TOTAL	**4 849 019**	**100,0%**	**5 527 207**	**100,0%**

30.06.2006

Risk category	**Retail Banking**		**Merchant & Private Banking**	
	Credit exposure value in PLN thousand	Structure (%)	Credit exposure value in PLN thousand	Structure (%)
.	3 811 467	95,8%	4 070 030	93,3%
Special mention	35 538	0,9%	108 603	2,5%
- impaired and uncertain	20 872	0,5%	121 148	2,8%
- impaired and doubtful	111 517	2,8%	60 241	1,4%
TOTAL	**3 979 394**	**100,0%**	**4 360 022**	**100,0%**

The tables below present the credit portfolio structure (including balance sheet and off-balance sheet items) of customers (without banks) as at:

30.06.2007

Credit portfolio items	**Retail Banking**		**Merchant & Private Banking**	
	Value in PLN thousand	Structure (%)	Value in PLN thousand	Structure (%)
Balance sheet credit exposures	4 773 732	80,9%	4 389 263	59,0%
Off-balance sheet credit exposures	1 129 574	19,1%	3 046 346	41,0%
Gross credit portfolio	**5 903 306**	**100%**	**7 435 609**	**100%**
Write-offs for impairment	- 75 726		- 58 799	
Provisions for off-balance sheet commitments	- 846		- 144	
Write-offs for impairment of IBNR losses – balance sheet receivables	- 19 156		- 18 214	
Write-offs for impairment of IBNR losses – off-balance sheet receivables	- 2 380		- 6 431	
Net credit portfolio	**5 805 198**		**7 352 021**	

31.12.2006

Credit portfolio items	Retail Banking		Merchant & Private Banking	
	Value in PLN thousand	Structure (%)	Value in PLN thousand	Structure (%)
Balance sheet credit exposures	3 845 766	79,3%	3 301 009	59,7%
Off-balance sheet credit exposures	1 003 253	20,7%	2 226 199	40,3%
Gross credit portfolio	**4 849 019**	**100%**	**5 527 208**	**100%**
Write-offs for impairment	- 82 419		- 56 442	
Provisions for off-balance sheet commitments	- 423		- 312	
Write-offs for impairment of IBNR losses – balance sheet receivables	- 16 341		- 16 456	
Write-offs for impairment of IBNR losses – off-balance sheet receivables	- 2 176		- 5 906	
Net credit portfolio	**4 747 660**		**5 448 092**	

30.06.2006

Credit portfolio items	Retail Banking		Merchant & Private Banking	
	Value (in PLN thousand)	Structure (%)	Value (in PLN thousand)	Structure (%)
Balance sheet credit exposures	3 152 619	79,2%	2 682 394	61,5%
Off-balance sheet credit exposures	826 775	20,8%	1 677 628	38,5%
Gross credit portfolio	**3 979 394**	**100%**	**4 360 022**	**100%**
Write-offs for impairment	- 85 298		- 68 932	
Provisions for off-balance sheet commitments	- 670		- 1 683	
Write-offs for impairment of IBNR losses – balance sheet receivables	- 12 677		- 11 890	
Write-offs for impairment of IBNR losses – off-balance sheet receivables	- 4 516		- 1 774	
Net credit portfolio	**3 876 233**		**4 275 743**	

The table below shows gross portfolio concentrations for loans and off-balance sheet exposure by economy sectors (excluding banks) as at 30 June 2007, 31 December 2006 and 30 June 2006. The data below exclude write-offs for impairment.

Exposure by sectors of economy	**30.06.2007**		**31.12.2006**		**30.06.2006**	
	in PLN thousand	**in %**	**in PLN thousand**	**in %**	**in PLN thousand**	**in %**
Agriculture, forestry and fishing	13 756	0,10	14 818	0,14	35 937	0,43
Power industry and water supply systems	607	0,00	693	0,01	4 016	0,05
Production of metals and nonmetals	45 951	0,34	39 728	0,38	52 189	0,63
Chemicals and plastics	597 049	4,48	383 361	3,69	207 330	2,49

Metallurgy	1 001 830	7,51	887 000	8,55	517 809	6,21
Other production	2 452 936	18,39	1 810 990	17,45	1 841 199	22,08
Construction and engineering	714 335	5,36	561 941	5,42	486 416	5,83
Distribution, hotel industry and catering	3 139 794	23,54	2 534 709	24,43	1 933 861	23,19
Transport	150 837	1,13	143 632	1,38	101 509	1,22
Communications	21 161	0,16	18 566	0,18	10 730	0,13
Real Property	977 858	7,33	782 389	7,54	298 721	3,58
Financial institutions and services for firms	462 443	3,47	421 413	4,06	388 366	4,66
Vessels	258 502	1,94	181 854	1,75	375	0,00
Other services	715 669	5,37	501 414	4,83	816 434	9,79
Natural persons	2 699 498	20,24	2 075 041	20,00	1 607 842	19,28
Unclassified	86 690	0,65	18 678	0,18	36 682	0,44
Total exposure, gross	**13 338 916**	**100,00**	**10 376 227**	**100,00**	**8 339 416**	**100,00**

Analysis of gross loans to customer portfolio

	30.06.2007	31.12.2006	30.06.2006
Performing receivables without impairment	8 837 302	6 840 930	5 544 130
Past-due receivables without impairment	94 924	71 784	8 759
Receivables with individually determined impairment	199 231	202 064	243 526
Receivables with collectively determined impairment	31 538	31 996	38 561

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

Past-due period of receivables, without impairment	30.06.2007	31.12.2006	30.06.2006
from 1 to 30 days	85 342	65 659	6 042
from 31 to 60 days	528	4 949	519
from 61 to 90 days	9 054	1 176	2 198

The table below presents the fair value of collateral, established in favour of the entity, that result in better credit conditions

	30.06.2007	31.12.2006	30.06.2006
Financial collateral - cash and cash equivalents	456 489	301 617	188 086
Financial collateral - other	13 323 917	10 985 322	6 732 795
Non-financial collateral - tangible	15 224 120	11 586 372	7 535 793
Non-financial collateral - other	294 139	285 377	398 464
Guarantees and sureties	5 632 610	4 862 536	3 690 686

As at 30 June 2007, the Bank did not exceed the maximum exposure limit towards any customer or capital group as stipulated under the Banking Law.

The table below presents information on the exposure quality of financial assets and off-balance sheet liabilities as at 30 June 2007, and comparative data as at 31 December and 30 June 2006.

Information on exposure quality (in PLN thousand)	**30.06.2007**	**31.12.2006**	**30.06.2006**
Cash and cash equivalents	**1 668 517**	**2 825 999**	**1 181 504**
- performing	1 668 517	2 825 999	1 181 504
Financial assets held for trading	**175 690**	**143 107**	**95 149**
- performing	175 690	143 107	95 149
Due from banks	**180 953**	**200 501**	**198 434**
- performing	180 953	200 501	198 434
Loans to Customers	**9 162 995**	**7 146 774**	**5 835 013**
- performing	8 711 911	6 792 488	5 461 253
- special mention	220 315	120 226	91 636
- impaired and uncertain	110 935	85 890	113 297
- impaired and doubtful	119 834	148 170	168 827
Investments Available for Sale	**465 554**	**654 710**	**694 026**
- performing	465 554	654 710	694 026
Guarantees and sureties	**637 282**	**557 124**	**442 588**
- performing	617 425	535 320	435 575
- special mention	11 300	11 798	5 893
- impaired and uncertain	7 537	193	12
- impaired and doubtful	1 020	9 813	1 108
Export letters of credit	**86 153**	**113 452**	**94 561**
- performing	86 153	113 452	94 561
Import letters of credit	**311 772**	**164 916**	**131 429**
- performing	299 886	158 556	119 138
- special mention	2 241	6 181	10 366
- impaired and uncertain	9 645		1 925
- impaired and doubtful		179	
Credit lines, general agreements and credit commitment letters	**3 298 157**	**2 592 323**	**2 082 577**
- performing	3 165 479	2 498 062	2 017 723
- special mention	116 370	79 104	36 245
- impaired and uncertain	15 368	13 960	26 786
- impaired and doubtful	940	1 197	1 823

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

performing – no risk is observed, 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.

In the first half of 2007 and in 2006, the Bank did not obtain any financial or non-financial assets by taking over collateral established to improve the credit terms and conditions.

Liquidity, interest rate and FX 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 equity amount, which arises from one of the following reasons: i) a different way of making dependent interest rate of the Bank's assets and liabilities financing such assets on market rates (mismatch risk); ii) changes in market interest rates that have influence on fair value of the Bank's open positions (interest rate volatility risk) or iii) effecting by customers options built in the bank product which may be made 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.

With the development of a more integrated risk management structure in view, in the beginning of 2006 the Bank Board of Executives took a decision on transforming the Assets and Liabilities Management Committee (ALCO) into the Risk and Assets and Liabilities Management Committee (Risk & ALM Committee) and on appointing Chief Risk Officer, who reports directly to the President of the Board of Executives.

The Risk and ALM Committee plays a vital role as regards liquidity risk management, market risk and assets and liabilities management risk, and as far as strategic aspects of credit risk management and operational risk are concerned. In particular, the Committee determines risk management strategies and controls, on a regular basis, how such strategies are pursued. In 2007 the Committee amended the strategy and policy of liquidity management. The Risk and ALM Committee, which is authorised to appoint committees to support its work, appointed the Liquidity, Market and ALM Risk Management Committee.

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 Fortis Bank Polska within the limits, if any, determined for the same portfolios and risk types by Fortis Bank Brussels.

Any cases of exceeding risk limits by the Treasury Department are reported by the Risk Management Department to the Treasury Department and the Risk and ALM Committee.

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.

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, 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 sources of financing are loans extended by FBB. The Bank is provided with a permanent source of financing through long-term loans.

As at 30 June 2007, the structure of loans disbursed was as follows:

CHF 90 mln – maturity in June 2012;

CHF 210 mln – maturity in June 2012;

EUR 60 mln – maturity in June 2012;

CHF 100 mln – maturity in July 2011;

PLN 800 mln – maturity in July 2011;

EUR 20 mln – maturity in July 2011;

EUR 40 mln – maturity in April 2008;

CHF 248 mln – maturity in April 2008.

Pursuant to the agreement signed, loans that mature in April 2008 can be renewed for the subsequent two years, if the Bank reports such a need six months prior to the maturity, i.e. in October 2007 at the latest. The Bank intends to do so.

A loan equivalent to PLN 1,300 million with maturity in June 2012 is available to the Bank in USD, EUR, CHF and PLN. The loan is at present utilised in part only, in the amount of CHF 90 million (i.e. the equivalent of PLN 205 million). The Bank intends to draw down the remaining part of the loan by the end of 2007.

The table below shows the liquidity gap as at 30 June 2006, 31 December 2006 and 30 June 2007 (in PLN million)

Data as at	**Liquidity gap**	**Liquidity gap value**	**Unused limit**	**Limit**	**% of the limit used**	**Limit has been exceeded**
2006-06-30	10D	813	634	1 446	56%	0
	3M	1 221	153	1 374	89%	0
	1Y	529	844	1 373	38%	0
2006-12-31	10D	472	693	1 165	41%	0
	3M	50	1 102	1 152	4%	0
	1Y	-372	1 491	1 119	-33%	0
2007-06-30	10D	1 057	1 065	2 122	50%	0
	3M	1 039	1 083	2 122	49%	0
	1Y	3 457	-1 368	2 089	165%	Exceeding

The annual gap limit was exceeded as at 30 June 2007 because the loan of EUR 200 million from FBB was recognised as maturing in April 2008. Assuming the renewal of that loan, the limit would not have been exceeded.

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.
The Bank's strategy with respect to exposures to market currency risk consists in the Bank's making operations resulting 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 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. 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.
The Risk Management Department ensures correctness of information on foreign exchange positions in the system used by the Treasury Department and verifies the model used in the VaR computation.
Information on the FX position and VAR limit utilisation is presented in the table below (data in PLN thousand):

Data regarding FX risk concentration, as at:	**30.06.2007**		**31.12.2006**		**30.06.2006**	
Position limit utilization	13%	19 954	23%	16 240	22%	15 379
VAR limit utilization	13%	156	8%	35	26%	157

Effective 1 February 2007, new limits were introduced for the FX risk portfolio managed by the Treasury Department. Taking into account the new limits, their utilisation since the beginning of 2007 was as follows:

- minimum utilisation 2%
- average utilisation 11%

- maximum utilisation 37%

The table below presents a currency structure of the Bank's assets and liabilities payables as at 30 June 2006 (in PLN thousand)

	FX position components				FX position	
	Balance sheet		Off-balance sheet			
	Assets (+)	Liabilities (-)	Amounts to be received (+)	Amounts to be given (-)	Long (+)	Short (-)
HUF	278		0	0	109	0
CZK	1	1 838	0	0	0	546
EEK	0	1	0	0	0	1
AUD	570	304		0	266	0
JPY	22 279	23 449	19 582	18 852	0	440
USD	933 410	1 163 390	1 370 712	1 142 175	0	1 443
CAD	2 694	2 847	0	0	0	153
GBP	64 822	49 874	39 024	52 258	1 714	0
DKK	13 423	7 736	152	5 464	375	0
NOK	20 516	13 622	3 457	10 903	0	552
CHF	2 348 160	2 049 078	193 056	493 300	0	1 162
SEK	9 714	5 132	232	2 292	2 522	0
EUR	2 255 802	2 452 121	2 052 699	1 848 796	7 584	0
RUB	81	94	431	434	0	16
SKK	66	1 013	0	0	0	947
LTL	0	2	0	0	0	2
LTV	0	2	0	0	0	2
Other convertible currencies	0	99	0	0	0	99
Total	**5 673 107**	**5 770 771**	**3 679 345**	**3 574 474**	**12 570**	**5 363**

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 a market crisis, on any day of a calendar year: the cumulated financial profit/loss amount (generated on account of transactions subject to the exposure to the market interest rate risk), together with the cumulated change of the capital value' does not reach a negative value exceeding 10% of the capital,

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

The Bank's policy determines three basic analysis types for the Banking Portfolio and the ALM Portfolio.
The analyses constitute an integral part of the interest rate risk mitigation system in the Bank and are carried out monthly or quarterly – as described below.

1. Value at Risk (VAR) analysis for the Banking portfolio and ALM portfolio

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.

[1] In the sense: cumulated year-to-date, from the beginning of the calendar year until the given year 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 (-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 100bp. 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 (below) 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 the first half of 2007 and in the comparative period of 2006, Fortis Bank Polska S.A. interest rate change risk was the following:

2-month VaR in the banking book, in PLN million		
30.06.2007	**31.12.2006**	**30.06.2006**
9,93	17,5	19,01

Bp sensitivity (+1bp) in PLN thousand as at 30.06.2007:

	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HUF	JPY	NOK	PLN	SEK	USD	całość
D7	-	- 0,0	- 0,3	- 0,0	- 0,0	- 0,7	0,0	-	-	- 0,0	0,5	- 0,0	0,2	- 0,3
M1	0,0	0,0	0,9	0,0	0,0	3,3	0,0	0,0	0,0	0,0	- 4,2	0,0	1,0	1,1
M3	-	- 0,0	- 4,1	-	-	2,1	0,0	-	-	-	- 3,0	-	0,1	- 4,9
M6	-	- 0,0	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	- 29,1
Y2	-	-	-	-	-	- 0,7	-	-	-	-	- 26,9	-	0,0	- 27,6
Y3	-	-	-	-	-	- 1,4	-	-	-	-	- 13,3	-	0,0	- 14,7
Y5	-	-	-	-	-	- 1,5	-	-	-	-	- 22,0	-	-	- 23,5
Y10	-	-	-	-	-	0,0	-	-	-	-	- 4,0	-	-	- 4,0
Total	0,0	0,0	8,0	0,0	- 0,0	5,0	0,0	0,0	0,0	0,0	- 93,9	0,0	1,6	

Bp sensitivity (+1bp) in PLN thousand as at 31.12.06:

	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HUF	JPY	NOK	PLN	SEK	USD	całość
D7	- 0,0	- 0,0	- 0,2	-	- 0,0	- 0,6	-	-	-	- 0,0	0,1	- 0,0	- 0,3	- 1,0
M1	0,0	0,0	0,6	0,0	0,0	3,1	0,1	0,0	0,0	0,0	- 1,8	0,0	1,2	3,2
M3	-	- 0,0	- 2,8	-	-	1,2	-	-	-	-	- 12,5	-	0,1	- 14
M6	-	- 0,0	- 1,8	-	-	3,1	-	-	-	-	- 19,0	-	0,1	- 17,6
M9	-	-	- 0,0	-	-	0,2	-	-	-	-	- 6,2	-	0,2	- 5,8
M12	-	-	- 0,0	-	-	0,1	-	-	-	-	- 36,9	-	0,2	- 36,6
Y2	-	-	- 0,0	-	-	- 0,7	-	-	-	-	- 35,4	-	0,1	- 36,0
Y3	-	-	-	-	-	- 1,2	-	-	-	-	- 15,7	-	0,0	- 16,9
Y5	-	-	-	-	-	- 1,3	-	-	-	-	- 31,5	-	-	- 32,8
Y10	-	-	-	-	-	0,0	-	-	-	-	- 9,5	-	-	- 9,5
Total	0,0	0,0	- 4,2	0,0	0,0	3,9	0,1	0,0	0,0	0,0	- 168,4	0,0	1,6	

Bp sensitivity (+1bp) in PLN thousand as at 30.06.06:

	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HUF	JPY	NOK	PLN	SEK	USD	całość
D7	-	-	- 0,0	-	-	- 0,5	- 0,0	-	- 0,0	- 0,0	0,4	- 0,0	0,3	0,2
M1	0,0	0,0	- 0,4	0,0	0,0	4,2	0,0	0,0	0,0	0,0	- 2,4	0,0	0,9	2,3
M3	-	- 0,0	- 0,6	-	-	2,3	0,0	-	-	-	- 7,0	-	0,7	- 4,6
M6	-	- 0,0	4,5	-	-	- 0,5	0,0	-	-	-	- 6,4	-	0,0	- 2,4
M9	-	-	0,1	-	-	0,1	-	-	-	-	- 1,0	-	0,1	- 0,7
M12	-	-	- 0,0	-	-	- 0,2	-	-	-	-	- 7,3	-	0,1	- 7,4
Y2	-	-	- 0,0	-	-	- 0,7	-	-	-	-	- 68,2	-	0,1	- 68,8
Y3	-	-	-	-	-	- 1,3	-	-	-	-	- 21,7	-	0,0	- 23,0
Y5	-	-	-	-	-	- 1,5	-	-	-	-	- 30,3	-	-	- 31,8
Y10	-	-	-	-	-	- 0,1	-	-	-	-	- 11,2	-	-	- 11,3
Total	0,0	-	3,6	0,0	0,0	1,8	0,0	0,0	0,0	0,0	- 155,1	0,0	2,2	

Effective 1 February 2007, new limits were introduced for the interest rate risk portfolio managed by the Treasury Department. Taking into account the new limits, their utilisation since the beginning of 2007 was as follows:

- minimum utilisation 15%;
- average utilisation 30%;
- maximum utilisation 53%.

Fair value table

in PLN thousand	30.06.2007		31.12.2006		30.06.2006	
	Balance sheet value	Fair value	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	1 668 517	1 668 395	2 825 999	2 825 387	1 181 504	1 181 504
Due from banks	180 888	182 330	200 405	198 684	198 434	198 558
Loans to Customers	8 991 100	8 837 034	6 975 116	6 932 740	5 656 215	5 382 887
Due to banks	5 449 317	5 338 614	5 106 686	5 019 267	3 296 538	3 213 201
Due to Customers	5 056 056	5 053 144	4 476 883	4 474 187	3 719 117	3 715 406

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

Operational risk

For the needs of the operational risk management, the Bank has adopted an operational risk definition recommended by the Basle Committee for Banking Supervision, according to which it is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The scope of operational risk includes legal risk, whereas reputation and strategic risks are excluded. Operational risk management is a basic risk inherent in the Bank's business activity.

Under the Bank's operational risk management strategy, objectives are defined with respect to:

- quality of operational risk management,
- the manner in which the Bank is adjusted to the New Capital Accord requirements and the legal requirements resulting from Recommendation M issued by the Banking Supervision Commission.

The operational risk is a fundamental risk, which due to its complexity is characteristic of any organization, including banks. The operational risk management consists in continuous operational risk identification, analysis, monitoring, control and mitigation processes, considering determination of relevant scopes of responsibility for the above processes on different organisational levels.

The Bank has established a special organizational unit within the Risk Management Department, responsible for on-going operational risk analysis, development and improvement of adequate operational risk control techniques in the Bank.

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

The Bank's operational risk monitoring systems use databases that contain information on operational losses incurred. The databases that record operational losses have been used in analyzing operational risk and mitigating this risk in the Bank.

The Bank is particularly committed to identification and assessment of reasons of current exposure to operational risk related to banking products, reducing operational risk by improving internal processes and mitigating operational risk, which accompanies the introduction of new products and services.

The Bank develops also a Business Continuity Plan, covering all the Bank's key business functions.

Capital management

Capital adequacy

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

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

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

The consistent policy of building the core capital, applied in recent years, has provided the Bank with a foundation that now ensures a greater flexibility in looking for alternative sources of financing its business activity. In the opinion of the Bank's management, FBP has currently reached the ability to manage the equity funds that goes beyond the simple additional financing provided by the parent company.

Capital adequacy and financial liquidity (in PLN thousand)	30 June 2007	31 December 2006	30 June 2006
Share capital	503 135	503 135	30 155
Share premium	308 814	308 814	349 528
Other reserve capital	183 200	74 934	307 578
Other elements of the equity capital included in the capital adequacy ratio calculation	-18 676	66 223	3 956
Gross equity capital, total	**976 473**	**953 106**	**691 217**
Deductions			
Capital shares in financial entities	9 098	18 196	18 196
Net intangible assets	24 620	23 664	17 156
Total deductions	**33 718**	**41 860**	**35 352**
Net equity capital	**942 755**	**911 246**	**655 865**
Short-term capital	10 290		6 131
including current profit on the Trading Portfolio	10 290		6 131
Total equity capital plus short-term capital	**953 045**	**911 246**	**661 996**
Credit risk	791 764	618 133	475 692
Market risk	10 290	9 533	6 131
Total capital requirement	**802 054**	**627 666**	**481 823**
Capital adequacy ratio	**9,51%**	**11,61%**	**10,99%**

As at 30 June 2007 the capital adequacy ratio was 9.51% in comparison to 10.99% as at the end of June 2006. The ratio expresses the proportion between the Bank's capital and its exposure on account of specific risks.
The Bank's equity (as a category computed for calculation of capital adequacy ratio) increased by 44.0% versus June 2006, while risk-weighted assets and off-balance sheet items increased by 66.4% in the corresponding period.

Capital requirements for specific risks have been calculated pursuant to rules defined in Resolution no. 1/2007 of the Banking Supervision Commission dated 13 March 2007, regarding the scope and detailed rules of setting out capital requirements for specific risks, including the extent of use of statistical methods and conditions whose fulfilment results in obtaining the approval for their use, the manner and detailed rules of calculation of the banks' capital adequacy ratio, the scope and manner of taking bank's business in holdings into account in the calculation of capital requirements and the capital adequacy ratio likewise the determination of additional items in the bank's balance sheet statement recognized jointly with the equity in the capital adequacy computation and the scope, manner and terms of their setting out (Official Journal of the NBP No. 2 item 2). The table below presents minimum capital requirements for the period ended on 30 June 2007 and for comparative periods ended on 30 June 2006 and 31 December 2006:

Minimal capital requirements (in PLN thousand)	**30 June 2007**	**31 December 2006**	**30 June 2006**
Credit risk	791 764	618 133	475 692
Interest rate general risk	6 711	6 768	3 496
Delivery settlement and counterparty risk	3 579	2 765	2 635
Total capital requirement	**802 054**	**627 666**	**481 823**

33. Events after the Balance Sheet Date

On 28 September 2007, the Bank signed a credit agreement with Fortis Bank (Nederland) N.V. based in Rotterdam, for EUR 100 million to secure the required level of the Bank's capital adequacy ratio.

The loan was taken for the period until 28 September 2017.

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

34. Other Material Information

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

Structure of shareholders as at 30 June 2007.

	number of shares owned	share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank S.A./N.V.	16.635.287	99,19%	16 635 287	99,19%
Others	135.893	0,81%	135.893	0,81%
Total:	16.771.180	100%	16.771.180	100%

Upon registration of the Bank's share capital on January 2, 2007, the share capital is divided into 16,771,180 shares of PLN 30 nominal value each, which entitle to 16,771,180 votes at the Bank's General Meeting.

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

As of30 June 2007 like in the comparable period of the previous year, none of the Board of Executives Members owned any shares issued by Fortis Bank Polska S.A.

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

Other members of the Supervisory Board, as at 30 June 2007, held neither shares of the Bank nor rights to them.

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

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

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

28.09.2007	Jan Bujak President of the Board of Executives Chief Financial Officer Responsible for accounting books	.... signature
28.09.2007	Alexander Paklons Senior Vice-President	.... signature
28.09.2007	Bartosz Chytła Vice-President	.... signature
28.09.2007	Jean – Luc Deguel Vice-President	.... signature
28.09.2007	Jaromir Pelczarski Vice-President	.... signature
28.09.2007 r.	Thierry Lechien Vice-President from 1 September 2007	.... signature
28.09.2007	Koen Verhoeven Vice-President until 31 August 2007	.... signature