

The Board of Executives' Report on Fortis Bank Polska SA Capital Group's business activity in 2009



BNP PARIBAS
FORTIS

| Bank zmieniającego się świata



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1. SUMMARY OF FORTIS BANK POLSKA SA CAPITAL GROUP ACTIVITY IN 2009

1.1. Introduction

For Fortis Bank Polska SA (hereinafter "the Bank") Capital Group (hereinafter "the Group"), the year 2009 was a period of changes and challenges combined with a time of gradual overcoming of the crisis. The past year was also dominated by the merger of Fortis Bank Polska SA and Dominet Bank S.A. The Banks completed their integration tasks concluded by the operational and legal merger on July 31, 2009.

As a result of the merger, the position of Fortis Bank Polska SA on the Polish market has changed – from a bank providing services mainly to corporate customers and affluent individuals, it has become a universal bank with a broad range of business activities.

Due to the difficult macroeconomic situation on world markets and the economic slowdown in Poland, the Capital Group of Fortis Bank Polska SA has experienced a worsening of financial performance. The Group's results were adversely affected mainly by deterioration of the credit portfolio quality. Faced with this situation, the Bank's authorities decided to act with the view to mitigate risks, credit and market risks in particular, and to reduce costs. In 2010, taking into account the improving macroeconomic situation and the Bank's maintaining of selective approach to risk, the Bank is carrying on a new business strategy with the view to return to growth in all business segments.

The raising of additional capital of PLN 440 million by Fortis Bank SA/NV, majority shareholder of the Bank, have allowed the Bank to maintain a strong capital base. At the end of 2009, the Group's capital adequacy ratio reached 13.40%.

In May 2009, the takeover of Fortis Bank SA/NV majority stake by BNP Paribas SA was finalised. Thus, the Fortis Bank Polska SA Group has become a part of the BNP Paribas international financial organisation.

Fortis Bank Polska SA closed this difficult year as an organization with a strong capital base, supported by a stable group of global scope and experience. Poland is considered a market with great growth potential for BNP Paribas S.A. In September 2009 as a consequence of ownership changes, the Bank started to offer its products and services under BNP Paribas Fortis brand.

The global integration of BNP Paribas and Fortis Bank SA/NV provides the opportunity to strengthen the cooperation and synergy between numerous entities representing the Group in Poland, Fortis Bank Polska SA and BNP Paribas SA Warsaw Branch in particular. Both entities, in spite of preserving a separate legal status, will cooperate closely to offer a full range of services to enterprises in Poland.

1.2. Key factors and events that most affected the Group's financial performance in 2009

After the merger with Dominet Bank SA, Fortis Bank Polska SA, does not present financial statements retrospectively, i.e. with taking into account relevant items of Dominet Bank SA in comparative data. For 2008, consolidated data of Fortis Bank Polska SA are presented.

The performance of Dominet Bank SA for the reporting period from 1 January 2009 through 31 July 2009 is not included in the result of the integrated Bank for 2009. The data of the combined Bank are presented since August 2009.

The lack of retrospective data presentation of the both merged banks has influenced the amount of comparisons and the calculated indices.

The Group's total assets as at 31 December 2009 were PLN 20,294,483 thousand and were higher than total assets as at the end of December 2008 by PLN 425,479 thousand, or by 2%.

The Group's total income in 2009 stood at PLN 570,317 thousand, which represents a 7%-growth in comparison to 2008.



The Group's net interest income grew up by 7%, while the net fee and commission income dropped by 16% as compared to the previous year. Net trading loss decreased by 37%. At the same time, net provisions for impaired loans increased by PLN 518,402 thousand.

Interest income in 2009 stood at PLN 911,091 thousand and was lower by 9% if compared to the result of 2008 (i.e. PLN 1,005,093 thousand).

Interest expense decreased by 20% from PLN 609,171 thousand as at the end of December 2008 down to PLN 489,228 thousand as at the end of December 2009.

ROE decreased from 6.2% as at 31 December 2008 to -34.1% as at 31 December 2009. ROA stood at -2.1% (whereas it was 0.4% as at 31 December 2008). Loss per share was of PLN 21.92.

Loans to customers decreased by 7% in comparison to the previous year; at the end of December 2009 they totalled PLN 13,811,556 thousand, and accounted for 68% of assets in the assets structure. Commercial loans were the major item in the structure of net loans to customers. Their share in the total net loans to customers accounted for 57% as at the end of December 2009 and decreased in comparison to 67% recorded at the end of 2008. However, the value of commercial loans decreased by 21% as compared to the end of 2008, i.e. by PLN 2,083,140 thousand.

The decrease in volume of loans granted related mainly to institutional customers. Investment loans (including loans to purchase / construct commercial real estate) went down by 12% as compared to the volume as at 31 December 2008.

As at the end of December 2009, mortgage loans stood at PLN 4,532,934 thousand and were by 1% higher than as at the end of December 2008.

As at the end of December 2009, liabilities due to customers increased up to PLN 9,226,316 thousand in comparison to PLN 6,368,464 thousand noted at the end of 2008. This significant growth (by 45%) was mainly the result of the merger with Dominet Bank S.A. The Dominet Bank clients' deposit base amounted to PLN 2,182,242 thousand. Liabilities due to banks decreased by 12%. Term deposits absolutely prevail in the structure of liabilities due to customers: PLN 7,120,423 thousand, representing 77% of all due to customers. Sight deposits reached PLN 1,917,638 thousand as at the end of December 2009.

At the end of December 2009, the Group's personnel costs stood at PLN 226,695 thousand and were higher by 25% compared to the end of December 2008, when they amounted to PLN 181,958 thousand. The cost increase resulted mainly from the hiring of new employees in connection with the integration with Dominet Bank S.A.

The Group's other expenses reached PLN 225,228 thousand and were higher by 55% compared to 2008, when they stood at PLN 145,612 thousand. The main items of other expenses are rents (PLN 47,114 thousand), information systems and technologies (PLN 30,445 thousand) and marketing and advertising (PLN 19,901 thousand).

In 2009, net impairment losses significantly increased, up to PLN -581,178 thousand, and were higher by PLN 518,402 thousand than in the previous year. Increase in net impairment losses related to loans is attributable to deterioration of the credit portfolio. Deteriorating situation on financial markets made a portion of the Group's customers unable to repay their loan debts. The said loss increase was additionally affected by worsening repayment of consumer loans and the assessment of the credit portfolio of the former Dominet Bank S.A. pursuant to IAS. 63% of net impairment losses were attributable to corporate customers of the Merchant Banking Business Line.

The Group's net loss generated in 2009 is the result of net provisions for impaired loans to customer and losses incurred in financial instruments held for trading and also higher costs related among other things to the integration with Dominet Bank S.A. The Group incurred a gross loss of PLN 521,161 thousand, whereas a gross profit of PLN 102,974 thousand was generated in 2008. The Group's net loss amounted to PLN 429,880 thousand as compared to the net profit in the amount of PLN 78,496 thousand generated in 2008.



1.3. Other factors – a description of the integration with Dominet Bank S.A.

In 2007 Fortis Bank SA/NV based in Brussels bought 100% of shares of Dominet S.A. – the owner of Dominet Bank S.A. – the Polish retail bank specialising in consumer loans. In March 2007, the Belgian shareholder committed to merge Fortis Bank Polska SA and Dominet Bank S.A. as one of the conditions set forth by the Polish Financial Supervision Authority to issue a permit to exercise voting rights attached to shares of both the banks.

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

In November 2008 the management boards of the banks accepted the merger plan. At the General Meeting of Fortis Bank Polska SA held on 26 June 2009, the shareholders approved the merger plan and adopted resolutions to increase the share capital of Fortis Bank Polska SA from PLN 503.1 million to PLN 660.4 million by the issue of 5,243,532 Series L ordinary bearer shares with the nominal value of PLN 30 each for the shareholder of Dominet Bank S.A. (i.e. Dominet S.A.).

On 8 July 2009, the Polish Financial Supervision Authority issued permit for the merger of both banks.

On 31 July 2009, the legal and operational merger of Fortis Bank Polska SA and Dominet Bank S.A. was completed. As a result of the merger, Fortis Bank Polska SA has assumed all the rights and obligations of Dominet Bank S.A., while Dominet Bank S.A. has been dissolved without conducting any liquidation proceedings. The transfer of assets of Dominet Bank S.A. over to Fortis Bank Polska SA in exchange for 5,243,532 Series L ordinary bearer shares for the shareholder Dominet Bank S.A. (i.e. Dominet S.A.) took place on the date of entering the merger into the Business Register maintained by the Registration Court in Warsaw. On the same day, the share capital increase resulting from the issuance of Merger Issue Shares was registered.

After the merger date, Fortis Bank Polska SA and Dominet S.A. remain under joint control of Fortis Bank SA/NV whose principal shareholder is BNP Paribas.

1.4. Project of Fortis Bank Polska SA operating activity's optimisation

In connection with the formal and legal merger with Dominet Bank S.A. on 31 July 2009 as well as with simultaneous integration of operating systems of both Banks, Fortis Bank Polska SA continues the project of optimisation of its operation. Integration of the existing functions and operations carried out by the Head Office of Dominet Bank in Lubin with operating structures of Fortis Bank Polska SA will be the next step to increase the operating efficiency of Fortis Bank Polska SA. The integration will result in downsizing of employment, which may cover 361 staff members in the entire Bank and which will be carried out in the period: from the fourth quarter of 2009 to the second quarter of 2010. In October 2009, the Bank's Board of Executives notified district labour offices of employment downsizing plans by way of group lay-offs.

Actions targeted at increasing efficiency of the Bank's operation should improve financial performance of the Capital Group of Fortis Bank Polska SA. Further, they are a part of the Restoration Program prepared in accordance with Article 142 of the Banking Law Act.

On March 9, 2010, the Bank was informed that the Polish Financial Supervision Authority (*the KNF*) had approved the *Restoration Program for Fortis Bank Polska SA*, submitted by the Bank on 16 December 2009 as further supplemented. The Program was approved by the Bank's Supervisory Board at the meeting on 10 December 2009.

The program is implemented in order to mitigate various risks in the continued activity of the Bank as well as to increase the activity effectiveness to result in earning net profits, to improve the main economic indices and to cover the loss in 2010 in full with the additional capital. The program is to be completed by the deadline set i.e. 31 December 2012.



The most important assumptions of the program, whether completed or under implementation, include:

- risk management improvement, including strengthening of the liquidity management and preparation of the Bank to maintaining the liquidity in a crisis situation;
- stable and balanced development of the activity of Fortis Bank Polska SA as a universal bank, in particular, working out a target activity structure after the merger of Fortis Bank Polska SA and Dominet Bank S.A., and also carrying out an effective integration within the BNP Paribas Group in Poland;
- increase in the effectiveness of sales processes;
- strengthening the Bank's capital position;
- ensuring sources for liquidity maintenance, both in the form of a support from the capital group and financing ensured from the Polish interbank market and the European Investment Bank;
- mitigation of risk related to a credit portfolio by strengthening and development of credit analysis, monitoring and debt collection;
- hedging a credit risk and counterparty risk arising from derivatives sale and purchase transactions with its customers.

The KNF positively assessed the Bank's actions performed so far, which resulted in a significant improvement of the Bank's capital and liquidity position. The KNF obliged the Bank's Board of Executives to fully implement the program assumptions and to present quarterly reports on the restoration program implementation.

1.5. Outside Factors which Influence the Operation and Development of the Group

Economy in 2009

GDP – growth rate and components

In 2009, the economic growth rate continued to slow down. In line with the preliminary estimates of the Central Statistical Office, the GDP grew by 1.7% in the period analysed which was a much worse result than the year before, when the GDP went up by 5%. The above poorer performance was affected by the significant slowdown of the individual consumption growth rate (down to 2.3% from 5.9% in 2008) as well as smaller investment activity (in 2009, investments in the Polish economy dropped by 0.3%).

In terms of the sector structure, the best results in 2009 were generated by the construction sector with the gross added value growth of 4.7% and market services (growth by 2.5%). The industrial sector, however, generated much poorer results - the gross added value decreased by -1.1%.

Labour market

In 2009, the situation on the labour market importantly worsened. In this period, employment in the enterprises sector decreased by -1.2% YOY, while average nominal salary grew by 4.4% YOY. In both cases, these results were much poorer than in the previous year (in 2008, average annual employment level grew by 4.8% YOY, and nominal salaries went up by 10.1% YOY). Lower demand for labour translated into the unemployment rate increase. In December 2009, the latter stood at 11.9%, so it grew up by 2.4 percentage points as compared to the corresponding period of the previous year.

Exchange rate and inflation

In the whole year 2009, the inflation rate remained above the target set up by the Monetary Policy Council (2.5%). The main inflation factors included prices of house-related services and goods and of food. At the end of 2009, the pace of growth consumption goods and services stood at 3.5% YOY, and was similar to the December 2008 result (i.e. 3.3% YOY).

The year 2009 was a subsequent year characterised by higher volatility of zloty. After its sharp weakening in the first quarter of 2009, in relation to the crisis on global financial markets, the Polish currency started to gradually recover losses in the later part of the year. At the end of 2009, the EUR/PLN exchange rate was of 4.1082, while USD/PLN rate was 2.8503. In both cases, it showed a slight appreciation of zloty as



compared to the levels recorded at the end of 2008 (PLN strengthened by 1.5% in relation to EUR and by 3.8% in relation to USD).

Foreign trade and balance of payments

The Polish economy's payments situation in 2009 evidently improved. The cumulated current account deficit amounted to -4.96 billion euro and was more than three times smaller than in the previous year (when it amounted to EUR -18.29 billion). Similarly, very good results were recorded in the case of the entire balance of payments: the 12-month cumulated balance in this category showed a surplus of EUR 10.3 billion in 2009. Consequently, the foreign currency reserve improved in 2009. At the end of 2009, foreign currency reserves accounted for an equivalent of EUR 55.2 billion and were by EUR 11 billion higher than the year before.

Public finances

In 2009, the budget deficit plan amounted to PLN -27.2 billion and was similar to the fiscal plans for the previous year. The actual realization of the budget was, however, better than the plans and the annual budget deficit reached PLN -23.79 billion. The result of the State budget was mainly influenced by the improving economic situation. The tax revenues were better than expected, mainly from the indirect taxes.

Financial performance of enterprises

In the first three quarters of 2009, financial results of enterprises deteriorated. At that time, the net profit of the sector stood at PLN 60 billion and was lower by 5.7% than in the similar period of the year before. 72.5% of enterprises generated net profit whereas in the previous year, it was 73.5%.

The banking sector in 2009

Monetary policy of the NBP and interest rates of commercial banks

As a result of the economic slowdown in the first half of 2009, the Polish Monetary Policy Council continued its interest rate cut series. Consequently, till the end of the first half of the year, the reference rate was lowered down to 3.50%. In the second half of 2009, the Polish Monetary Policy Council decided to leave the interest rates unchanged. Another important area that the central bank focused on in 2009 was to ensure the financial system liquidity.

In 2009, the availability of loans to enterprises was clearly smaller. At the end of 2009, the value of loans to enterprises was by 3.5% lower than the year before (to compare, in December 2008, the pace of growth of such loans was +28.4%). Furthermore, the pace of growth of loans to households slowed down (to +11.8% YOY in December 2009, from +44.6% YOY in December 2008); in this particular case, the slowdown resulted from more restrictive credit policy as well as changes in the valuation of loans denominated in a foreign currency.

Financial performance of banks

During the first nine months of 2009, the banking sector recorded considerable deterioration of its financial performance. In this period, the sector costs increased mainly due to provisioning for at-risk loans and the settlement of currency derivative transactions. At the same time, the banking activity income deteriorated. Consequently, net financial profit from the sector dropped by 44.6% in this period.



2. SHAREHOLDERS AND STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

2.1. The shareholder structure

As at 31 December 2008, the share capital of the Bank was PLN 503,135,400 and was divided into 16,771,180 shares with a nominal value of PLN 30 each.

As at 31 December 2009, the share capital of the Bank equalled PLN 1,206,175,300 and was divided into 24,123,506 shares with a nominal value of PLN 50 each.

All the shares of Fortis Bank Polska SA are bearer ones and entail no limits with respect to any ownership transfer or exercise of voting rights. All the shares entitle their holders to the same rights. Any limitations can only be based on specific provisions, e.g. of the Banking Law Act or Public Offering Act.

As at 31 December 2008, shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

Structure of shareholders as at 31 December 2008:

Shareholder	Number of shares held	share (%) in the equity	Number of votes at the GM	Share (%) in the total number of votes at the AGM
Fortis Bank SA/NV	16,651,449	99.29%	16,651,449	99.29%
Others	119,731	0.71%	119,731	0.71%
Total:	16,771,180	100%	16,771,180	100.00%

As a result of the change of the parent entity of Fortis Bank S.A./NV to Société Fédérale de Participations et d'Investissement, as at 31 December 2008, Fortis Bank SA/NV, the majority shareholder of Fortis Bank Polska SA was unable to exercise voting rights attached to shares held until a consent from the Polish Financial Supervision Authority (FSA) was granted, pursuant to Article 25 Para. 1 of the Banking Law Act of 29 August 1997.

As at 31 December 2009 and the report publication date, i.e. 12 March 2010, the shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

Shareholders' structure as at 31 December 2009 and the report publication date, i.e. 12 March 2010:

Shareholder	Number of shares held	Share (%) in the equity	Number of votes at the GM	Share (%) in the total number of votes at the AGM
Fortis Bank SA/NV*	18,848,593	78.13%	18,848,593	78.13%
Dominet S.A.**	5,243,532	21.74%	5,243,532	21.74%
Others	31,381	0.13%	31,381	0.13%
Total:	24,123,506	100.00%	24,123,506	100.00%

* BNP Paribas SA is the parent entity (74.93% shares) of Fortis Bank SA/NV based in Brussels.

**Fortis Bank SA/NV based in Brussels is the parent entity (100% shares) of Dominet SA.

2.2. Changes in the shareholder structure of the Fortis Bank Polska SA Capital Group

At the turn of the second and third quarters of 2008, the Fortis Group assets have been taken over by the Belgian, Dutch and Luxembourgian governments. As a result of this takeover, the government of the Kingdom of Belgium took up 99.93% of shares in Fortis Bank SA/NV through Belgian Federal Participation



and Investment Company (Société Fédérale de Participations et d'Investissement - SFPI). Since October 2008, Fortis Bank Polska SA has not been affiliated by capital with Fortis holding.

Tender announced by Société Fédérale de Participations et d'Investissement

On 10 January 2009, SFPI announced a tender offer to subscribe for shares of Fortis Bank Polska SA. The share price indicated in the tender offer was initially determined at PLN 154.85, and later increased to PLN 222. On 4 March 2009, as a result of conducting the tender offer, transactions of acquisition of 87,263 shares were concluded. In consequence of the aforesaid transaction, Fortis Bank SA/NV held 16,738,712 shares of Fortis Bank Polska SA, which represented 99.81% of all the shares of Fortis Bank Polska SA.

Acquisition of shares by BNP Paribas SA and FSA approval for exercising voting rights

In October 2008, the Belgian government reached an agreement with BNP Paribas, a financial and banking group registered in France that agreed to acquire a 75% interest in Fortis Bank SA/NV and 100% of Fortis Insurance Belgium from the Belgian State Treasury and purchase a 16% share of Fortis Banque Luxembourg (thus increasing its controlling stake up to 67%) from the Luxembourgian State Treasury. The aforementioned agreement with the changed conditions was approved by the General Meetings of Fortis Shareholders in Gandava and Utrecht in April 2009. In May 2009, the transaction was finalized - the Belgian government transferred 74.93% of shares in Fortis Bank SA/NV based in Brussels to BNP Paribas, the Luxembourg State transferred 15.96% of shares in Fortis Banque Luxembourg (currently BGL BNP Paribas) and Fortis Bank SA/NV acquired 25% of shares in Fortis Insurance Belgium (currently AG Insurance).

Owing to the acquisition of the majority stake in Fortis Bank SA/NV, BNP Paribas SA indirectly took up 16,738,712 shares in Fortis Bank Polska SA, representing 99.81% of the Bank's share capital.

On 20 May 2009, the Financial Supervision Authority granted the permit to BNP Paribas SA based in Paris to exercise via Fortis Bank SA/NV based in Brussels i) more than 75% of the voting rights at the General Meeting of Shareholders of Fortis Bank Polska SA and ii) more than 75% of the voting rights at the General Meeting of Shareholders of Dominet Bank SA based in Lubin. The permit has been granted provided that the following commitments are met:

- commitment to refrain from taking any actions towards the change of the business activity pursued currently in Poland by Fortis Bank Polska SA into a branch until 2017; Should a new branch of BNP Paribas be opened in Poland, it will conduct an activity other than the banking activity pursued currently by Fortis Bank Polska SA and Dominet Bank S.A.
- commitment to refrain from taking any actions leading to withdrawal of the shares of Fortis Bank Polska SA from the regulated trading on the Warsaw Stock Exchange until 2017 and increasing and maintaining the liquidity of the Bank's shares quoted on the Warsaw Stock Exchange to the level of at least 15% within 2 years of issuance of the aforesaid permits.

Tender announced by BNP Paribas SA

On 4 June 2009, BNP Paribas SA announced a tender offer to subscribe for shares of Fortis Bank Polska SA. The subscriptions for shares, under the tender offer, were made between 25 June 2009 and 24 July 2009. On 29 July 2009, as a result of conducting the tender offer, transactions of acquisition of 1,087 shares were closed at PLN 196 per share. The acquiring entity was Fortis Bank SA/NV, which took up 16,739,799 shares of Fortis Bank Polska SA, accounting for 99.81% of all shares of the Bank. Upon announcement of the tender offer, Fortis Bank S.A./NV, having been granted the FSA permit, acquired the right to exercise voting rights attached to all the shares held.

Merger issue of L series shares

On 31 July 2009 the legal merger of Fortis Bank Polska SA and Dominet Bank S.A. was entered into the National Court Register (KRS). As a result of the merger, the share capital of Fortis Bank Polska SA increased from PLN 503,135,400 up to PLN 660,441,360 through the issue of 5,243,532 ordinary bearer Series L shares of PLN 30 nominal value each. The merger issue was addressed to Dominet SA, a shareholder of Dominet Bank SA. The net assets of Dominet Bank SA were transferred in exchange for



shares of Fortis Bank Polska SA. The issue of shares increased the share capital of the Bank by PLN 157,305,960 on 31 July 2009.

Increase of the nominal value of shares from PLN 30 to PLN 50

The General Meeting held on 26 June 2009 resolved to increase the Bank's share capital through raising the nominal value of all Bank's shares, including the merger issue shares, from PLN 30 to PLN 50. The capital increase was entered into the National Court Register on 14 September 2009.

Private placement with exclusion of pre-emptive right to M series shares

The works on direct injection of capital into the Bank through issue of M series shares were completed in September. The issue of M series shares was offered in a private placement with pre-emptive rights excluded. The series M share subscription offer was addressed to the Bank's majority shareholder, i.e. Fortis Bank SA/NV. Under the Share Subscription Agreement signed on 6 August 2009, Fortis Bank SA/NV took up 2,108,794 ordinary bearer series M shares at the issue price of PLN 209 each. The issue value was PLN 440,737,946. The shares were covered in full by cash contribution.

On 14 September 2009, the share capital increased from PLN 660,441,360 to PLN 1,206,175,300, including PLN 440,294,240 as a result of increasing the share nominal value and PLN 105,439,700 as a result of the series M share issue.

Shareholders' structure as at 31 December 2009 and the report publication date, i.e. 12 March 2010

As at 31 July 2009 and the report publication date, i.e. 12 March 2010, BNP Paribas holds, via Fortis Bank SA/NV, 24,092,125 shares constituting 99.87% of share capital of Fortis Bank Polska SA that entitle to 24,092,125 votes, constituting 99.87% of the total number of votes at the General Meeting of Fortis Bank Polska SA.

Fortis Bank SA/NV based in Brussels holds directly 18,848,593 shares in the Bank representing a 78.13% stake in the share capital and giving the right to exercise 18,848,593 of total votes at the general meeting. Dominet S.A. (a subsidiary of Fortis Bank SA/NV) holds 5,243,532, i.e. 21.74% of the share capital.

The Bank has not been informed of any agreements that may lead to changes in the proportions of shares held by the present shareholders in the future.

2.3. Stock performance on the Warsaw Stock Exchange

The Bank's shares have been quoted on the primary market of the Warsaw Stock Exchange since November 7, 1994. Since the year 2004, the Bank's shares have been quoted in the continuous trading system.

Since 1999, i.e. after Brussels-based Fortis Bank took over 98% of the Bank's shares, the liquidity of shares stood at a low level. As at 31 December 2009, the free float included 31,381 shares held by other shareholders, i.e. 0.13% of all the Bank's shares. In October 2008, the Bank joined the Liquidity Support Program implemented by GPW SA to increase the liquidity of stock trading on the WSE.

At the first session in January 2009, the Bank's shares were traded at PLN 141.70. As at December 31, 2009, the Bank's share price increased to PLN 164.50, i.e. by 16%. In 2008, the share price dropped by 36.5%.

An average turnover in the Bank's shares was 32 shares per session in 2009 and was lower in comparison to the average turnover recorded in 2008 (207 shares per session).

The highest Bank's share price in 2009 was recorded on 5 May, when it stood at PLN 230.00. The lowest Bank's share price was recorded on January 5, 2009, when it was PLN 141.70. The average share price in 2009 was PLN 196.60 compared to the average price of PLN 179.90 in 2008.



An average turnover in the Bank's shares was 32 shares per session in 2009 compared to 207 shares per session in 2008.

Quotations of the Bank shares from 5 January 2009 to 29 December 2009



Source: <http://www.money.pl>

WIG, a stock exchange index, rose from 28,331.88 points noted on 5 January 2009 to 39,985.99 points recorded on 31 December 2009 (increase by over 41%). The lowest level of WIG index was recorded on 17 February 2009 when the index reached a historic low of 21,274.28 points.

WIG-Banks, a sector sub-index rose from 4,594.52 points noted on 5 January 2009 to 5,869.10 points recorded on 31 December 2009 (change by nearly 28%).

Minor liquidity of the Bank's shares prevents them from being classified to any of the indexes.

Below there are market indices for the Bank's shares.

Ratio	31.12.2009	31.12.2008
Return on assets (ROA)*	-2.1	0.4
Return on equity (ROE)*	-34.1	6.2
Earnings (loss) per share	-21.92	4.68
Book value per share	56.73	72.62

The book value per share is PLN 56.73. For proper calculation, the share capital, additional capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the net profit (loss) for the fiscal year were included in equity capital.

*These ratios were calculated per annum as follows:

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



3. BANK PRODUCTS AND SERVICES AND DEVELOPMENT OF BANKING BUSINESS IN 2009

3.1. Retail Banking

Products and services offered to Retail Banking customers

At the end of 2009, after the merger of Fortis Bank Polska with Dominet Bank, retail banking customers gained access to a considerably wider range of products and services on offer. Retail Banking which entails now small enterprises, individual and private banking customers offers comprehensive services to the following customer groups: individual customers and enterprises which meet the criterion of annual turnover of less than PLN 25 million. In particular the Bank targets its offering at the following segments:

1. Mass Retail segment – customers with the monthly net income below PLN 7,500.
2. Mass Affluent segment – customers earning the minimum net monthly income of PLN 7,500 and/or investing assets through Fortis Bank Polska SA in the amount ranging from PLN 100 thousand to PLN 1 million.
3. Affluent Banking (HNWI) segment – customers who invest assets through Fortis Bank Polska SA in the minimum amount of PLN 1 million, including the Ultra-HNWI group of customers holding assets above PLN 5 million.
4. Micro enterprises – business entities generating annual revenues below PLN 500 thousand.
5. Small and Medium Enterprises – business entities with annual revenues ranging from PLN 500 thousand to PLN 25 million.

Mass Retail and Mass Affluent – segments of individual customers

After the merger with Dominet Bank, Fortis Bank Polska SA has a comprehensive offer of products and services responding to various customer needs. The offer is based on four core packages of personal accounts for customers:

1. S Package – dedicated to the customers for their first contact with a bank, i.e. for the minor, first jobbers and the elderly,
2. M Package – its core is a standard bank account giving access to a full range of banking transactions,
3. L Package – for more aware and demanding customers,
4. XL Package – mainly for Mass Affluent customers.

All packages enable an effective and safe management of funds deposited on savings and checking accounts. Additionally, Packages M, L, XL give access to a wide range of assistance services, helpful in everyday life of customers. The packages offered by the Bank also include saving and investment products, loan products, payment cards and e-banking services.

The following products and services are available for holders of Packages:

- Overdraft within current account and Authorized Debit Balance,
- Savings Account with the interest capitalization on each business day,
- Settlement services: standing orders, direct debits, domestic and international transfers,
- Debit cards: Visa and MasterCard,
- PI@net internet banking system,
- Call Centre,
- Assistance insurance (with the exception of S Package),

Furthermore, holders of packages are offered:

- Foreign currency accounts: in EUR and USD;
- Stock Investor's Accounts earmarked for the service of investment portfolios (asset management service). The Bank maintains such accounts for customers using the services of Fortis Private Investment Polska SA.
- Term deposits with various maturity terms, bearing fixed or variable interest rate, standard and



negotiated deposits in PLN, USD and EUR,

- overnight deposits (a surplus of funds is automatically deposited on an overnight deposit),
- "Pure Profit" insurance policy that is a savings product in nature. It is an insurance which aims at financial security of: a policyholder – in the event of living until the end of the insurance period, or a beneficiary – in the event of death of the policyholder.

1. Investment products

The Bank offers both Polish and international investment funds, including:

- Open-End Investment Fund Fortis FIO. It is an umbrella fund comprising two sub-funds: Fortis Stock Subfund and Fortis Stable Growth Subfund.
- Investment funds including TFI DWS Polska, TFI BPH, TFI Skarbiec, TFI PKO, Superfund TFI and TFI Opera, TFI Union Investment,
- Foreign funds of HSBC, one of the largest asset management firms in the world. Under HSBC Global Investment Funds (HGIF) umbrella fund, 40 sub-funds were offered.

In addition to Fortis L foreign funds offered on an on-going basis and HSBC funds, the Bank has periodical subscriptions for Fortis L Fix – foreign investment funds. They are term funds, mainly with the principal amount protection, and their profits are related to stock markets or other instrument markets.

2. Asset Management

In cooperation with Fortis Private Investments Polska S.A. (FPIP S.A.), the Bank offers asset management services for its Customers.

3. Treasury bills transactions

The Bank provides an option to make Treasury bills transactions for minimum PLN 100 thousand. T-bills are financial instruments issued for a period of up to 52 weeks.

4. Insurance products

The following insurance products are offered by the Bank in cooperation with insurance companies:

- property insurance (insurance covering real estate, insurance linked to payment cards),
- financial insurance (insurance coverage for LTV exceeding the accepted standards, bridge insurance for mortgage products, insurance against job loss, insurance "Guarantee of Income"),
- personal insurance – mainly linked to credit products (inability to work, accidents and personal injury),
- life insurance – mainly linked to credit products or standalone – insurance "Safe Decade",
- assistance services – mainly linked to packages, but also available as a standalone offer,
- investment and insurance - Fortis DuoProfit, Multiportfolios.

5. Card products

The Bank's customers are offered payment cards of two international payment organisations - Visa and MasterCard. The Bank offers the following card products to individual customers served by Retail Banking BL :

- Credit cards: Standard, Classic, Gold, Platinum and Photo card,
- Debit cards,
- Pre-paid cards (MasterCard).

These cards are accompanied by an insurance package, including (depending on the card type) e.g.: insurance against an unauthorised credit card use, insurance of cash withdrawn from an ATM, insurance of goods purchased with a card, lower price guarantee insurance, medical treatment and medical transport costs, immediate assistance costs, and many others.

In addition, credit cards are covered by a discount plan which enables customers to get discounts when paying by a card in selected sales outlets.

6. Credit products

The Bank offers the following credit products to individual customers:



- Mortgage loans. The loans are earmarked for housing purposes, including: purchase of an apartment/house on the secondary or primary market, construction, redecoration, refinancing housing loans in other banks and refinancing costs incurred for purchase/construction/redecoration of real estate.
- Any purpose cash loans.
- Car loans (both for the purchase of new and used cars).
- Overdraft within current account and Authorized Debit Balance. A decision to grant a loan or ADB, including the loan or ADB amount, is based on an analysis of fund inflows into an account.

7. Electronic Banking

The Bank offers two remote access channels for individual customers: PI@net Internet banking system and the Call Centre. PI@net is a comprehensive platform to manage accounts and other banking products such as payment cards, loans, savings and investment products.

The Call Centre provides information on the current scope of the Bank's offering and specific nature of its products, executes payment orders and provides technical service as regards Internet banking.

Affluent Banking (Private Banking)

In addition to all products and services available to individual customers of the Bank, Private Banking provides integrated services and solutions in terms of asset management for affluent Private Individuals. The services offered include:

- Deposit and investment products,
- Credit products,
- Daily Banking products;
- Special legal and tax structures
- Fortis Club.

Private Banking customers are also given access to services and products offered by the international BNP Paribas network.

1. Deposit and investment products,

The Bank offers the following savings and investment products:

- Deposits (in PLN and in foreign currencies, for various terms, overnight deposits with negotiated interest rates), including structured deposits,
- A wide selection of domestic and international investment funds (280 funds);

Table: Specification of the number of funds offered by specific Investment Fund Companies to Private Banking Customers broken by fund type

No.	Name of Investment Fund Company	FUND TYPE						TOTAL
		Stocks	Balanced	Bonds	Stable growth	Money Market	Others	
1	BPH TFI S.A.	4	1	3	1	1	1	11
2	DWS Polska TFI S.A.	8	2	1	-	3	9	23
3	SKARBIEC TFI S.A.	5	3	2	3	2	5	20
4	HSBC Global Asset Management	58	-	16	-	-	6	80
5	ING TFI S.A.	3	2	2	2	2	9	20
6	QERCUS TFI S.A.	1	-	-	1	-	2	4
7	PKO TFI S.A.	6	3	7	2	2	3	23
8	OPERA TFI S.A.	1	1	1	1	-	3	7
9	UNION INVESTMENT TFI SA	4	3	1	3	1	7	19
10	SUPERFUND TFI S.A.	-	-	-	-	-	14	14
11	Fortis Investments	30	5	4	-	5	17	61



- The offer of assets management by Fortis Private Investments Polska S.A. includes:
 - model portfolios and investment strategies tailored to individual customer needs as regards acceptable risk, expected yield and investment horizon;
 - investment fund portfolios actively managed by investment advisors who customize the portfolio structure by selecting the funds they view as the best investments. To offer fund portfolios, the Bank cooperates with the following investment companies: Franklin Templeton International Services S.A., HSBC Trinkaus & Burchardt AG, BlackRock Merrill Lynch Investment Managers, AIG Towarzystwo Funduszy Inwestycyjnych S.A.;
 - Individual pension accounts;
 - Umbrella fund FORTIS FIO;
 - Fortis FIO deposit which is a combination of a 6-month term deposit with a selected Fortis FIO sub-fund: Fortis FIO Stocks or Fortis Stable Growth.
- Structured products prepared within and outside the Bank, including instruments that are custom-built for customers.

In addition to investment products, the Bank offers also products combining insurance and investment (actively managed portfolios of selected investment funds sold on the Polish market linked to insurance).

2. Credit products

The following loans are available to customers:

- mortgage and mortgage and construction loans- long-term loans in PLN, EUR, CHF and USD for purchase of an apartment or a house on the primary or secondary market, for construction or refurbishment of real estate and land plot purchase;
- cash loans – short or medium-term loans for any purpose in PLN, EUR, CHF and USD;
- credit lines available in a current account – the maximum financing term for a credit line is 1 year with the possibility to extend it;
- other types of loans tailored to customer needs, e.g. purchase of real estate in another country, financing of a yacht purchase.

3. Daily Banking products

Private Banking customers have access to, among others, the following:

- accounts in PLN and main convertible currencies,
- foreign exchange transactions executed at negotiated rates,
- Savings account with daily interest capitalisation,
- Pl@net internet banking system,
- Payment cards - Visa and MasterCard
- Credit cards (Visa, MasterCard), in particular Gold and Platinum cards which give access to insurance services, assistance and concierge services and Traveller Package,
- Charge cards (American Express) - best customers may apply for a titanium card "Centurion". Holders of Centurion may use such services as: round-the-clock concierge services, Fast Track service that allows to avoid check-in queues at the airport, insurance, likewise various privileges offered during stays at hotel chains including: Hilton, Starwood, Intercontinental, Sofitel, Radisson SAS, Kempinski and many others.

4. Special legal and tax structures

Such structures, offered in cooperation with external business partners, serve to protect assets, optimise taxes and regulate inheritance issues.

5. Fortis Club

Private Banking customers may use Fortis Club offer and take part in various events and workshops organised for Fortis Club members. Members of Fortis Club are offered invitations for cultural events (theatre, opera, concerts etc.).



SME and Micro Enterprises

A share of micro-companies and small and medium enterprises in generating the Polish GDP amounts to 50% and keeps growing. Therefore these are significant segments of the enterprise market in Poland. As regards BNP Paribas Fortis, the SME segment is of strategic nature which means that the needs of customers from this segment come under particular scrutiny of the Bank. As a consequence, the Bank's offering addressed to the SME customers is successively developed and modified.

RB BL targets at Mikro and SME corporate customers with an annual turnover below PLN 25 million. Product offering of the Bank for these entities includes:

1. Accounts and packages
2. Deposits
3. Payment cards
4. Credit products
5. Internet Banking
6. Trade finance
7. Risk Management
8. Other financial services (API, lease facilities, cash collection, financing agreement, purchase/sale of foreign currencies)
9. EU offering

1. Accounts and packages

Companies that are looking for an efficient finance management are offered the following packages:

1.1. Biznes Profit Moja Firma

Biznes Profit Moja Firma Package is addressed to individuals conducting a business activity and to civil law partnerships. In particular it is addressed to start-ups with an annual turnover of up to PLN 500 thousand that apply a simplified accounting system.

The package comprises of a current account in PLN, term deposit account and overnight deposits, placement account, debit card along with insurance, access to the basic version of the BiznesPI@net internet banking system, access to the Call Centre and assistance services package.

1.2. Biznes Profit Class

Biznes Profit Class Package is addressed to companies with an annual turnover from PLN 500 thousand to 3 million that apply a full or simplified accounting system, members of liberal professions, farmers who conduct business activity.

The package comprises of a current account in PLN, term deposit account and overnight deposits, debit card along with insurance, access to the basic version of the BiznesPI@net internet banking system, access to the Call Centre and assistance services package in a variant adequate for the needs of such companies.

1.3. Biznes Profit Premium

Biznes Profit Premium Package is addressed to companies with an annual turnover from PLN 3 million to 25 million that apply a full accounting system, actively use electronic channels and make FX transactions.

The package comprises of a current account in PLN, term deposit account and overnight deposits, debit card along with insurance, access to the extended version of the BiznesPI@net internet banking system, access to the Call Centre, foreign currency account, FX limit, extensive package of assistance services (office assistance, car assistance, travel assistance) and financial consulting provided by a dedicated Relationship Manager.



1.4. Biznes Profit Organizacja

Biznes Profit Organizacja Package is addressed to non-profit organizations, foundations, regional governments, housing cooperatives, universities and schools.

The package comprises of a current account in PLN, term deposit account and overnight deposits, debit card along with insurance, access to the basic version of the BiznesPI@net internet banking system, access to the Call Centre and a financial consulting provided by a dedicated Relationship Manager.

2. Deposits

Fortis Bank Polska SA has on its offer an array of deposits allowing effective management of financial surpluses.

We also offer various deposit types, both in PLN and in foreign currency, with attractive interest rates and in terms adjusted to company's needs.

Deposits offered by the Bank to micro and SME companies include:

- 21-day deposit
- e-deposits
- deposits in PLN opened through the Internet or Call Centre
- deposits in PLN with fixed and variable interest rates,
- deposits in USD and EUR with fixed and variable interest rates
- overnight deposit – automated depositing of a surplus of funds while keeping access to these funds

3. Payment cards

Cards for micro and SME companies

Fortis Bank Polska SA offers to micro-companies and SME companies debit cards (VISA Business, MasterCard Business) and charge cards (VISA Business, VISA Business Gold).

Debit card users can use it to pay for goods and services in service facilities and shops and withdraw cash at branches of banks and in ATMs displaying the VISA Electron logo, both in Poland and abroad.

Charge cards enable payments for goods and services in service facilities and shops in Poland and abroad, and making payments via the Internet or on the phone.

4. Credit products

Credit products offered by Fortis Bank Polska SA enable its customers to choose the best financing method adjusted to their current operational activity and investment activity.

4.1. Financing of the current business activity:

For financing of the current business activity, Fortis Bank Polska SA offers:

- Debit Limit
- Overdraft facility
- Revolving working capital loan
- Non-revolving working capital loan
- Multipurpose credit line

4.2. Financing investment projects:

Credit products for financing investment projects that enable a dynamic development of companies through purchase and modernisation of production means or real estates are an essential component of the offering of Fortis Bank Polska SA for small enterprises. Enterprises that look for investment project financing the Bank offers:



- Investment loan
- EIB (European Investment Bank) investment loan – this product has by principle lower interest rates and relatively longer financing term (up to 10 years) as compared to a standard offer. Lower interest rates for a customer result from the application of so-called EIB bonus that is a percentage discount guaranteed under the agreement between Fortis Bank Polska SA and EIB.
- Loan backed by EU subsidy
- mortgage loan – investment loan earmarked for a purchase or construction of real estates for commercial purposes.
- Home equity – earmarked for financing any purposes related to pursued business activity.
- Lease facility
- Commercial Car Loan

Within the cooperation with Fortis Lease Polska Sp. z o.o., the Bank offers lease services: financial lease, operating lease and sale-and-leaseback. The lease can include means of transport, machines and equipment as well as real estate.

5. Internet Banking

Offerings of internet banks continuously evolve. Implementation of alternative – electronic communication and distribution channels is an indispensable condition to maintain high competitiveness of offering and the Bank itself. In the era of universal access to the Internet and increasing mobility of society, unrestrained access to the offering of the Bank is a “to be or not to be” issue.

Security systems are the basic challenge of the Internet banking. They are of great importance in building confidence between a customer and a bank.

Fortis Bank Polska SA offers a functional and secure internet banking system - BiznesPI@net.

The system functionality is tailored to the needs of business Customers. For example, it enables differentiation of rights assigned to system users and integration with the financial and accounting system of the company (file import/export).

BiznesPI@net:

- allows users to effectively manage all banking products: accounts, cards, loans, deposits, letters of credit, transaction hedging against foreign exchange and interest rate risks;
- presents data transparently and allows for an intuitive usage, so even those who have not previously used the Internet banking system have no troubles using it;
- is secure thanks to the application of multiple complementary security mechanisms;
- provides an integrated access to all accounts and banking products;
- ensures access to always updated data and always current banking services.

6. Trade finance

An essential part of enterprise’s activity is purchase of goods, raw materials, materials and services and subsequent sale of products or services on domestic or foreign markets. To ensure adequate sources of financing is a key role in this process likewise is the need to make secure purchase and sale transactions.

6.1. Trade transaction risk mitigation

Fortis Bank Polska SA offers a comprehensive range of instruments that minimise risk inherent in trade cooperation with suppliers and customers, including:

- documentary collection,
- import letters of credit,
- service of export letters of credit,
- guarantees.

These are traditional banking products, yet the advantage of the offering of Fortis Bank Polska SA over offers available on the market consists in swift response, efficient operational service, individual advisory



services and assistance in choosing appropriate solution – taking into account both, costs and minimising commercial transactions risk.

6.2. Trade finance – micro companies

Micro companies that need support in trade finance can use the following products:

- Documentary collection - a conditional form of payment in which the bank collects a given sum from the buyer for the account of the seller upon delivery of documents received from the seller, according to agreed conditions.
- Bank guarantees – securing the company against situations in which partners to transactions fail to meet their obligations arising under the contract.

6.3. Trade finance - SME

Trade finance products available to small and medium companies include:

- documentary collection
- A documentary letter of credit - a conditional, written obligation of the issuing bank to transfer a fixed amount to the seller, against presentation of documents. The type of documents and their presentation period are precisely defined in the letter of credit.
- Bank guarantees
- foreign bank guarantees – the most effective form of collateral for payments under international contractual obligations.
- pre-export financing – a solution earmarked mainly for financing export contracts in progress, i.e. before the subject of a contract has been manufactured or sent abroad.

7. Financial Risk Management

Offering of Fortis Bank Polska SA is an ideal solution for companies looking for possibilities to reduce financial risks in pursued business. On its offering the Bank has products that enable exporters/importers to manage FX risk and interest rate risk.

7.1. FX risk management – exporters / importers

- Spot / outright transaction

Spot transaction is an agreement between Fortis Bank Polska SA and a customer in which parties to the transaction commit to buy or sell currency on a second business day after concluding the transaction.

- Forward Transaction.

Forward transaction is an agreement between Fortis Bank Polska SA and a customer in which parties to the transaction commit to buy or sell currency in the future at the previously determined rate.

- FX Swap

Swap transaction consists of two operations of which the first is usually a spot transaction and the second is forward transaction.

7.2. Interest rate risk management

Interest Rate Swap (IRS) – an agreement between Fortis Bank Polska SA and a customer on a future swap of credit or investment interest rate from variable to fixed (or vice versa).

8. Other financial services

Other services of Fortis Bank Polska SA addressed to micro and SME companies include:

- Cash collection – a service consisting in depositing described cash to the Bank without its counting at the moment of making the deposit.



- The Automatic Payment Identification (API) – a product for companies that have a lot of crediting transactions and want to automate accounting processes and reduce unit costs related to the service of mass payments.
- general financing agreement
- Currency purchase/sale

9. EU offering

In years 2007-2013, basing on various estimates, Polish companies may directly procure from the EU funds even EUR 9 billion for the realisation of their projects. The EU counts on small and medium companies as they generate a significant part of GDP and employ the majority of professionally active Europeans. Therefore, the SME are to be the main beneficiary of funds sent to the private sector, however big companies are not passed over in nationwide programmes. Money for enterprises will be available primarily under the following operational programmes co-financed with structural funds and the Cohesion Fund:

- 16 regional operational programmes (R OP)
- Human Capital (OP HC)
- Innovative Economy (OP IE)
- Environment and Infrastructure (OP EI)

Entrepreneurs operating in the food processing, farming and fishery sector can use separate programmes:

- Rural Development Programme
- "Sustainable Development of the Fisheries Sector and Coastal Fishing Areas" Operational Programme

Development of banking services for the Retail Banking Customers

In the first half of 2009, the Retail Banking developed their offering of savings and investment products. At the beginning of the year, the Bank organised a subscription of structured products and introduced new TFI (investment fund companies) into the investment fund offering available through the PI@net internet banking system. In this period, the Bank also added new sub-funds to the offering of international Fortis L Funds. Deposits were promoted.

As regards offering for enterprises, the Retail Banking BL considerably simplified credit processes for credit products. In the first half of 2009, the Bank extended the functionality of the Internet banking system. Corporate customers received two new services: Trade on PI@net and Automatic Payment Identification (API). The Trade on PI@net enables servicing letters of credit. Automatic Payment Identification let the companies with many – not necessarily regular – customers fully control payment of receivables.

The Bank also modified the mortgages product offering. In June 2009, the existing offering was replaced by four new products: Housing Loan, Re-mortgage, MULTI-mortgage and Mortgage Credit. Therefore, the current range of financing purposes has been expanded to include, for example, a consolidation of consumer credits and financing of any needs.

After merger the activities of the Bank focused on providing the customers of the integrated bank with top quality service of products held and on presenting extended product offering that met the needs of customers of all segments serviced by the Bank.

In December 2009 the bank launched 4 new current account (ROR) packages for individual customers which started changes to the offering of the bank aimed at the realisation of strategy adopted for 2010. The objective of these changes is to implement the unique product offering in which, apart from standard bank services, the bank will offer products to grant its customers security, convenience and assistance on a daily basis (including medical insurance, extended assistance packages). These changes are supposed to build long-lasting relations with customers based on transparent offering and friendly service processes.

In the second half of 2009 and at the beginning of 2010 Fortis Bank Polska SA modified its package offering for Micro and SME customers. Six packages previously offered have been replaced by four new packages under common name of Biznes Profit:



- Biznes Profit Moja Firma,
- Biznes Profit Class
- Biznes Profit Premium
- Biznes Profit Organizacja

Additionally the package offering has included assistance services and placement account for companies.

In January 2010, the Bank introduced investment loan based on EIB credit line.

Currently the following works are in progress: implementation of a Stock Financing loan (for car dealers who report increased demand for working capital), launching of a credit guarantee system in cooperation with Bank Gospodarstwa Krajowego and development of an offering for the local government units.

Also the issue of cooperation within the system of guarantees for SME is currently under negotiation with the European Investment Fund.

3.2. Commercial Banking – since 1 January 2010 Enterprise and Transaction Banking

Products and services offered to Commercial Banking Customers

Since 1 January 2010, Commercial Banking Business Line, the business line providing services to medium size and large companies, was transformed into Enterprise and Transaction Banking Business Line (ETB). The ETB provides services through the network of its Business Centres. It targets at medium corporate customers with an annual turnover over PLN 25 million. It focuses also on companies that are part of international capital groups, irrespective of their annual turnover.

The Bank offers a wide variety of financial solutions for this market segment. They include:

- financing working capital,
- financing investment projects,
- FX risk and interest rate risk management,
- liquidity management,
- international trade,
- European Union funds,
- energy markets.

1. Financing working capital

The business of the Bank is characterised by readiness to provide services tailored to individual Customer needs based on a thorough analysis of his expectations using an international network of partners. The available financing are a multi-purpose credit line, an overdraft facility, a revolving working capital loan, a surety or letter of credit lines.

2. Financing investment projects

Enterprises that look for investment project financing the Bank offers:

- investment loans,
- lease, including lease of real estate and a wide range of fixed assets, including means of transport, construction equipment, typesetting machines and other equipment;
- performance bonds,
- advance return guarantees,
- bid bonds.

3. FX risk and interest rate risk management

Solutions in FX risk and interest rate risk management are offered to commercial banking companies by Traders Group of the Treasury Department.



Commercial Banking companies have direct phone connection to Treasury Department traders in order to effect transactions, obtain information on situation on the FX market or preliminary valuation of a hedging strategy.

Within the FX risk management, the Bank offers:

- FX Forward transactions,
- FX Swap,
- Foreign currency options.

In addition to FX risk management services, the Bank offers also interest rate risk management, including:

- Forward Rate Agreement (FRA),
- Interest Rate Swap (IRS) – a swap transaction of variable interest rate of liabilities or assets into a fixed interest rate or vice versa,
- interest rate options (CAP, FLOOR),
- Cross Currency Swap (CCS) – a swap of currency of liabilities or assets along with a change from a variable interest rate into a fixed interest rate or vice versa.

The following products are available for the Bank's Customers who wish to invest surplus of funds:

- term deposits in PLN and foreign currencies (e.g. USD, EUR); free funds can be invested on overnight deposits or long-term deposits (up to one year);
- treasury bills on the primary and secondary markets; "buy sell back" and "sell buy back" transactions,
- State Treasury bonds.

4. Liquidity management

Liquidity management or cash management include products that enable the company to streamline the management of funds accumulated on its bank accounts.

With the use of the full range of cash management products, the Bank's Customers can effectively accelerate the cash flow process and reduce their administrative and financial costs by:

- current control over receivables collection,
- current control over payables balance,
- efficient management of information and liquidity.

Thanks to solutions that are used in the Bank, Customers can control, effectively and on an ongoing basis, the collection of their receivables from a big number of their counterparties in a given period. Under the Automated Identification of Payments (API), a settlement between the counterparty and the Customer takes place through an individual account number assigned. The counterparty can make the payment at any place (post office, branches of the Bank or branches of other banks).

The Bank offers also necessary tools to enable easy, fast and safe method of an effective management of company's payables.

MultiCash, an electronic banking system, is one of the basic tools of access to accounts. A corporate customer does not need to visit a branch to get information on turnover on the company's accounts, he can initiate transfers taking into consideration various levels of authorisations to administer the accounts. Furthermore, there is an option of cooperation between the Bank's software applications with Customer's financial and accounting systems.

Within the efficient information and liquidity management, the Bank offers products that enable not only forwarding information to the Customer but also remote management of accounts in other banks, as well as management of liquidity on specific accounts in the Customer's capital group.

- Multi Bank Reporting (MBR),
- Remote Payment Initiation (RPI),



- Notional Cash Pooling,
- Cash Collection.

Within the liquidity management, the Bank offers also a non-resident collecting account which is maintained for a business entity (legal person having its registered office abroad). The account can be opened in the following currencies: PLN, USD, EUR, CHF, GBP or JPY. The account is earmarked for making settlements in the form of transfers and cheques. Instructions are performed on the basis of SWIFT orders sent by the Customer's foreign bank, and also within standing payment orders and cheque settlements. Funds deposits on the collective account in foreign currencies bear no interest.

5. International trade

5.1. Trade transaction risk mitigation

The Bank offers a comprehensive range of international trade instruments that minimise risk inherent in trade cooperation with suppliers and customers and also facilitate settlements in international trade. The product portfolio includes: documentary collection, letters of credit (import and export), stand-by letters of credit and foreign guarantees.

5.2. Accounts receivable financing

Acquisition of financial resources through the sale of trade receivables provides a flexible source of financial liquidity. In case of forfaiting solutions the Bank also offers financing without recourse to the seller. The Bank finances both short-term and long-term receivables (invoices, bills of exchange, receivables resulting from export documentary letters of credit). Financing of long-term export contracts can serve as an example. Attractiveness of the Bank's offering is further improved by cooperation with insurance companies (including primarily Export Credit Insurance Corporation, KUKE S.A.) and also Bank Gospodarstwa Krajowego (BGK).

5.3. Foreign bank guarantees

The Bank offers foreign guarantees – it issues both, own guarantees by the order of its Customers and counter guarantees of other foreign banks, and also the Bank services guarantees received in favour of its Customers. The Bank serves various guarantee types: bid bonds, advance return guarantees, performance bonds, payment guarantees.

5.4. Pre-export finance

The service is convenient in a situation when an exporter looks for funds to buy raw materials needed to produce the goods exported or to finance its inventory stock, prior to finishing the production or delivery of supplies.

The collateral for and source of repayment of such loans can be future export receivables arising under a contract signed, while the contractual payments can be secured by a documentary letter of credit, bank payment guarantee, insurance policy or receivables due to the exporter under the export contract signed.

5.5. Export finance: Buyer Credit

Thanks to the Bank's cooperation with specialised institutions dedicated to support Polish exports such as KUKE S.A. and BGK, the Bank can offer its Customers comprehensive solutions in the area of medium- and long-term financing for export contracts related to the sale of goods and investment services.

They include buyer credit granted to a foreign importer or its bank.

Export finance under DOKE program (Interest-Rate Support for Fixed-Rate Export Credits)

Thanks to cooperation with BGK, the Bank carries out a government project of supporting Polish export of goods and investment services under the DOKE program. Financing under the DOKE program consists in granting a medium- or long-term credit facility to a foreign buyer (or its bank) of investment goods or services originating in Poland.



6. European Union funds

Since 2004, the Bank conducts an information project for Customers called "In the European Union with Fortis Bank," aimed at providing advice to Polish entrepreneurs on how to acquire EU funds. Money for enterprises is available primarily under operating programmes co-financed with structural funds and the Cohesion Fund. Under the project, the Bank finances investment projects subsidised with the European Union funds and conducts training and advice actions for entrepreneurs.

In 2008, in cooperation with the "Gazeta Prawna" daily, the Bank prepared an educational project "The European Union Funds in the years 2007-2013." The project is to provide practical knowledge about options, requirements and obstacles related to using the EU funds. The project was divided into 19 regional seminars to enable interested entrepreneurs from all parts of Poland to participate.

7. Energy markets

Solutions offered by the Bank for energy markets include an optimum management of price fluctuation risk with respect to energy raw materials markets. Price fluctuation risk concerns all energy types: crude oil and oil products (diesel oil, fuel oil, jet fuel), natural gas, coal, power and CO₂ emission allowances.

The Bank uses in this area financial instruments serviced by the Treasury Department such as Fixed-for-floating contracts, Caps/ Floors/ Collars/ Three-ways/ Extendable Swaps, index-based formulas (including the FX market) and weather derivatives - hedging against weather changes.

Development of banking services for the Commercial Banking Customers

In 2009 the Bank developed its services in transaction banking. The new Notional Pooling facility was extended. The new improved service enables more effective management of funds accumulated on bank accounts. The main point of Notional Pooling is that interest received (or paid) by the customer using the service is always more favourable than if accrued in a standard way.

In the first half of 2009, within the development of the Internet banking system, the Bank implemented the Trade on PI@net service. Using the L/C Module in BiznesPI@net considerably shortens the time needed to deliver orders to the bank, but also supports the application process on the part of customer and eliminates possible errors in documentation. The module services import, export and domestic letters of credit.

3.3. Personal Finance

In 2009, a new business line – Personal Finance was launched, following the integration with BNP Paribas. Personal Finance Business Line provides complex services consisting in sale and processing of car loans, cash loans and credit cards targeted at Mass Retail customers.

Products and services offered by Personal Finance

The main products offered by Personal Finance will include:

- Car loans (both for the purchase of new and used cars)
- cash loans (sold through cross-selling both to own customers and Retail Banking and Enterprise and Transaction Banking customers),
- credit cards unrelated to the current account (sold through cross-selling to own products, i.e. car loans and cash loans, likewise as a supplement to the product offering of the Retail Banking and Enterprise and Transaction Banking business lines).

The products of Personal Finance BL will be mainly sold through the Bank's branches. Other distribution channels used by the line include:

- Internet
- Call Centre
- Insurance institutions
- Financial brokers



3.4. Global Markets

Products and services offered by the Global Markets segment

Global Markets (GMK) business line offers financial markets products to Commercial Banking, Retail Banking and Private Banking Customers. The GMK BL is also responsible for relations with other banks and financial institutions likewise the management of the Bank's liquidity.

Furthermore, the Bank's GMK BL offers its Customers FX transactions and transactions designed to hedge FX risk and interest rate risk.

FX transactions include, in particular:

- spot transactions,
- forward transaction,
- foreign currency options,
- zero-cost structures.

Interest rate risk currency transactions include:

- Forward Rate Agreement (FRA),
- Interest Rate Swap (IRS) – a swap of variable interest rate of liabilities or assets into a fixed interest rate or vice versa,
- Interest rate options (CAP, FLOOR),
- Currency Interest Rate Swap (CIRS) – a swap of currency of liabilities or assets along with a change from a variable interest rate into a fixed interest rate or vice versa.

The following products are available for the Bank's Customers who wish to invest a surplus of funds:

- treasury bills on the primary and secondary markets; "buy sell back" and "sell buy back" transactions,
- State Treasury bonds.

GMK BL has started offering agency in trading in CO₂ emission allowances. The transactions are carried out in cooperation with the Belgian Fortis Bank Brussels. The offer of trading in allowances is addressed to firms that have a surplus or shortage of CO₂ emission allowances and wish to balance the actual emission size with the current production output. The Bank offers also a comprehensive service with respect to trading in emissions, by providing assistance in finding a counterparty and advice on how to perform the transaction, supplemented with market analyses related to such instruments.

Due to the loss on transactions in financial instruments, resulting mainly from the adjustment of fair value on account of credit risk of derivative instruments (FX options), in the first half of 2009, the Global Markets BL implemented restriction on the sale of financial instruments that generate counterparty or market risk until more efficient risk management procedures are introduced. Considering the significant write-offs made in the past on credit risk related to financial market instruments, changes have been introduced or are planned to be introduced in order to ensure much higher security of such transactions in the future.

The Bank takes actions with a view to decrease the risk related to derivative transactions by:

- introducing necessary modifications to the credit methodology;
- modification of legal aspects of the master agreements on financial instruments so as to enhance the applied security measures;
- introduction of rules compliant with the Markets in Financial Instruments Directive (MiFID) within the Global Market products offering that would differentiate between professional and non-professional customers and adoption of an appropriate approach towards each group. Additionally, model offers for customers including simulations of effects of the purchase of given transactions will be implemented,
- modification of the product offering and the new product acceptance process at the Bank;
- training provided to the Bank's employees;
- changes in the IT systems that support the sales and customer service processes.



3.5. Average interest rate of deposits and loans

Basic variable interest rates applied to loans by the Bank are based on LIBOR/EURIBOR rates for foreign currency loans, and WIBOR rate for PLN loans. Fixed interest rates, which are not subject to change before expiry of the loan agreement, are also applied.

In the first half of 2009, the Monetary Policy Council decreased the level of official NBP interest rates by 150 base points. The NBP reference interest rate fell to 3.50% base points and remained at this level until the end of the year.

In response to the situation on the money market and product offer of its competitors (deposit war), likewise with a view to implementing its strategic goals set for deposit base and credit portfolio, the Bank modified interest rates on deposits and loans accordingly. In the first half of 2009, deposit interest rates on offer rose, whereas a successive drop in interest rates was recorded in the second half. Drop in loan interest rates was triggered by falling interbank reference rates.

In 2009, the average nominal interest rate of current and term deposits stood at:

- PLN deposits – 4.68%;
- foreign currency deposits – 1.77%.

Average nominal interest rates for loans in total, both performing and non-performing ones, broken by currency, were the following:

- PLN loans – 7.32%;
- EUR loans – 3.63%;
- USD loans – 2.81%;
- CHF loans – 2.02%.

To compare, in 2008, the average nominal interest rate of current and term deposits assumed the following values:

- PLN deposits – 4.69%;
- foreign currency deposits – 2.45%.

Average nominal interest rates for total loans, both performing and non-performing ones, broken by currency, were the following:

- PLN loans – 7.57%;
- EUR loans – 5.77%;
- USD loans – 4.68%;
- CHF loans – 3.98%.

3.6. Custody services

The Bank offers custody services related to maintenance of securities accounts, safekeeping customer assets and settlement of transactions concluded on domestic and international markets. Under the Decision issued by the Securities and Exchange Commission of July 14, 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure.

Since 2005, the Bank has been acting as a Depositary for two sub-funds under open investment fund, FORTIS FIO, set up by Towarzystwo Funduszy Inwestycyjnych Skarbiec S.A. The function of a Depositary is performed in the Bank by the Custody Services Group. The main tasks of the Depositary include: maintaining a register of Fortis FIO assets, controlling the valuation of sub-funds net asset value and the value of a participation unit and controlling real and legal activities undertaken by Fortis FIO with respect to their compliance with Fortis FIO Statute and legal regulations.

In connection with the Bank's obligations of a Service Agent and Paying Agent in favour of foreign investment funds - Fortis L Fix and Fortis L Fund, managed by Fortis Investment Management in



Luxembourg, the Custody Services Group coordinates the distribution of participation units in Poland. At the end of December 2009, there were 33 sub-funds offered under Fortis L Fund.

3.7. Money market and debt securities operations

The Bank's activities on the money market and the market of debt securities may be grouped into three categories:

- activity related to liquidity management,
- activity related to the management of interest rate risk,
- activity related to the Bank's investment policy concerning equity funds.

The Treasury Department (Global Markets BL) is responsible for the Bank's liquidity and interest rate risk on the operational level. This involves ensuring funding sources for the Bank's assets and investment of financial surpluses. To this end, the Treasury Department makes placements and deposits on the interbank market, FX swap transactions and investments in State Treasury bills and bonds and NBP bills.

Foreign exchange transactions concluded by the Treasury Department makes it an active player in forex market. The Treasury Department manages the Bank's FX risk occurring in relation to the Bank's FX positions and FX transactions concluded by customers.

The Bank's investment policy is established by the Risk and Asset and Liability Committee. Capital is first of all invested in debt securities issued by the State Treasury or NBP.

3.8. Clearing activity

With regard to domestic and foreign settlements, the Bank's business customers are offered the following services:

- cross-border transfers: handling incoming and outgoing payment orders in convertible currencies and PLN,
- domestic transfers,
- direct debit,
- day-to-day foreign exchange transactions,
- forward transactions,
- securities accounts,
- documentary import and export letters of credit,
- discount of export letters of credit,
- collection of checks of other banks,
- collection of checks drawn on foreign banks,
- documentary collection.

Outgoing PLN payments to domestic banks are now settled electronically only through the ELIXIR and SORBNET systems.

From the beginning i.e. since March 2005, the Bank has participated in EuroELIXIR system for handling domestic transfer orders. The Bank handles incoming orders via SORBNET-Euro system, while to clear cross-border transactions the Bank participates in the STEP2 system since August 2004.

Effective February 2008, Fortis Bank Polska SA provides its customers with SEPA credit transfers (both incoming and outgoing ones).

Since July 2005, there is a shared service centre (Payment Shared Service Group) which has been operating as a back-office for foreign outlets of Fortis Bank SA/NV in the Central and Eastern Europe. The Center carries out the following services:

- clearing of incoming and outgoing domestic transfers ("domestic" from the viewpoint of a serviced Business Centre – BC) in local currencies using local clearing systems,
- clearing of incoming and outgoing foreign transfers using the SWIFT system,



- clearing of transactions of any type concluded by local treasury departments, including customers' and interbank transactions;
- disbursing loans granted by local credit departments,
- supporting BC in operational work with customers, e.g. handling customer complaints, posting fees and commissions, reporting and support in processes of ensuring liquidity on nostro accounts of particular branches.

At present, the shared service centre clears payments of customers of Business Centers - branches in the Czech Republic (Prague), Austria (Vienna), Hungary (Budapest), Denmark (Copenhagen), Sweden (Stockholm), France (Paris), Romania (Bucharest) and Switzerland (Zurich).

For these services the Bank is paid remuneration to cover operating costs of the Payment Shared Service Group, increased by a margin determined in the agreements. The total remuneration paid to the Bank in 2009 equalled PLN 2,261,771.62 compared to PLN 2,249,298.88 in 2008.

3.9. Cooperation with international financial institutions

The Bank cooperates with foreign banks in the area of foreign exchange, placement/deposit transactions, securities and banknote transactions. The Bank holds accounts in renowned banks operating in the major world financial centres, and maintains PLN *Loro* accounts for foreign banks. Cooperation with BNP Paribas group and other leading banks enables the Bank to effectively handle payments made by its customers and to carry out instructions received from abroad.

The Bank is a member of the SWIFT international interbank network, which enables faster payment processing, facilitates contacts with foreign banks and enables the implementation of new products related to international transactions. Furthermore, the Bank established cooperation with the EBA (European Banking Association) by joining the European clearing system (STEP 2) in 2004.

The Bank joined the TARGET2 system – trans European automated real time gross settlement express transfer for large amounts. The Bank became an indirect member using the agency of the National Bank of Poland.



4. CHARITY

Fortis Bank Polska (the Bank) applies the principle of social responsibility to its undertakings, which demonstrates in a support provided to local communities through Fortis Foundation Polska established in 2006, implementation of employee projects engaging the Bank's employees, cooperation with the United Way Poland Foundation within a scheme of voluntary remuneration deductions, or through enabling local leaders to expand their competences under the Third Sector Academy supported by the Bank.

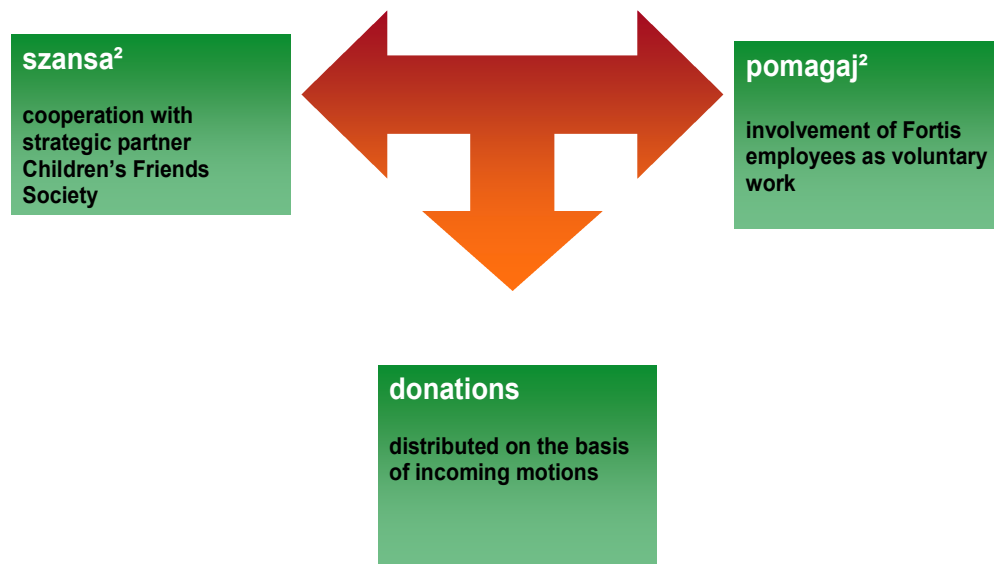
Fortis Foundation Poland

1. Basic information and objectives of the Foundation actions

The Foundation's aim is to prevent social exclusion especially among children, the youth and the elderly. The objectives are accomplished through initiation, support and performance of social programs, providing financial and non-cash support for institutions of similar goals, support for social activity of Fortis employees and involving them in the Foundation actions on a volunteer basis, likewise promoting charity ideas.

2. Pillars of the Foundation actions

Fortis Foundation Polska



3. Help²

It is just with the Bank's employees in mind that the **Pomagaj² (Help²)** programme has been developed. Thanks to this programme, employees are sensitised to social problems and encouraged to undertake steps to provide support and assistance to people at risk of social exclusion. Employees are engaged in educational and integration projects. The Foundation offers grant contests for the best social projects whose winners carry out their projects by themselves using the Foundation's funds. Furthermore, the Foundation's daily activity was supported by employees who recommended applications for additional financing submitted by institutions operating in their local environments.

In 2009, under the Help² programme, the following actions were carried out:

- informative action addressed to the Bank's employees, regarding the possibility to donate 1% of income tax to Public Benefit Organisations (January 2009);
- voluntary involvement of the Bank's employees in the organisation of the final grand gala of the "Release the power of your passion" contest (May 2009);



- a gift gathering action - organised among the Bank's employees. The donated items were provided to the most neglected children covered by assistance of the Society of the Friends of Children in the Suwałki region (local project - June 2009).

4. opportunity² - strategic cooperation with the Society of the Friends of Children (TPD)

In 2009, under the agreement signed, the Foundation continued implementation of projects supporting local childcare centres and TPD day rooms (Środowiskowe Ogniska Wychowawcze and Świetlice TPD) as regards improvement of the centres infrastructure and performance of educational actions for the TPD charges:

- "Football TorPeDoes" 2008/2009 event - on 3-5 April 2009, the semi-finals and finals of the football tournament announced in September 2008 were held in the Spała Olympic Centre. Twelve winning regional teams from the whole country, selected from among 120 teams that called for the competition, contested the finals. The winning team - KS Potulicka from the TPD community day room in Szczecin - was awarded a trip to Holland in July 2009 (nationwide project, September 2008-July 2009).
- "Release the power of your passion" - the contest, ended in December 2008, and the best 10 ideas on how to develop interests and acquire new skills were selected; its culmination was the grand final gala in the "Groteska" theatre in Krakow where the winners presented their skills gained thanks to the grants (nationwide project, September 2008 - May 2009);
- "Holidays on the Isle of Grant" - a project consisted in selection and financing of the most interesting ideas for the upcoming holidays. Out of over 50 contesting centres from all over Poland 10 the most interesting projects were selected. They were awarded PLN 5 thousand grants each for the organisation of activities (nationwide project, May - August 2009).
- "school starting packages" - over one thousand of school backpacks, 2 thousand of artist sets and over 14 thousand pencil cases were handed over to the TPD charges all over Poland - they were passed by Euro-Trade in cooperation with the Fortis Foundation (local project, September 2009).
- "Release the power of your passion" - 2nd contest edition; 33 projects submitted, out of which the contest jury chose the best 5 projects that received grants of PLN 5 thousand each (nationwide project, September 2009 - May 2010);
- cultural workshops - during activities devoted to Christmas traditions, organised in Warsaw, Kraków and Poznań, participants learnt how to prepare traditional Christmas tree decorations; the workshops were attended by almost 60 children, TPD charges (local project, November/ December 2009);
- support to caring and educational centres by direct subsidies with a view to increasing their operating standard or by additional financing allocated for the purchase of equipment. In 2009, the Fortis Foundation helped to remodel and equip the TPD locations for the total amount of over PLN 63 thousand.

Altogether, the Foundation spent over PLN 220 thousand for all the TPD support activities in 2009.

Additionally, the TPD was also supported by Fortis Bank Polska, which provided assistance passing computer equipment.

5. Additional funding

Within its scope of activity, the Foundation provides funds earmarked for carrying out social projects prepared by other institutions. In 2009, at meetings of the Foundation's Management Board, held in January, March, May, July, September and December, the Foundation donated over PLN 67 thousand.

6. Summary of expenses in 2009

The Foundation allocated over PLN 290 thousand in total for its statutory tasks in 2009. Funds spent for operating and current activity equalled almost PLN 83 thousand.

Third Sector Academy



The Bank assumed patronage over the "Third Sector Academy" (TSA), the project of the Foundation for the Jagiellonian University aimed at improvement of qualifications of people who either work or wish to act in support of the third sector.

The Project was inaugurated in October 2008 and its 1st edition lasted until May 2009. The 2nd edition was inaugurated in December 2009 and would continue until May 2010.

It is a project targeted at improving and complementing the competences of employees and volunteers of non-governmental organisations. In the 1st edition of the Third Sector Academy, more than 470 people, representatives of non-governmental organizations from the entire country have been trained. The TSA attendees had the opportunity to participate in training sessions in 6 thematic modules: project management, procurement of funds for the activities of NGOs, law and finance in NGOs, interpersonal skills, PR in NGOs and partnership building. Thanks to the participation in training sessions, the attendees not only acquired new skills but also networked and had a chance to share experiences from working in the non-governmental sector.

The 2nd edition's training schedule is even better tailored to the needs of employees and NGO volunteers as it takes into account comments made in the evaluation questionnaire by participants of the TSA 1st edition. The training courses will include: organisation image building with a particular focus on cooperation with the media, human resources management in a non-governmental organisation including cooperation with volunteers, time management, development personal skills in terms of public speaking, assertiveness and development of leadership skills and interpersonal skills.

1% tax deduction – information to Bank's customers

In the period from January to March 2009, customers visiting the Bank's Branches in Poland had the possibility of getting familiarised with three Public Benefit Organisations – the Children's Friends Association (Towarzystwo Przyjaciół Dzieci), United Way Poland Foundation and Itaka Foundation – by reading their promotional materials (leaflets, posters and newsletters) and they could decide whether they would like to allocate 1% of their personal income tax for 2008 to public benefit organisations.



5. ANALYSIS OF PERFORMANCE OF FORTIS BANK POLSKA SA CAPITAL GROUP IN 2009

After the merger with Dominet Bank SA, Fortis Bank Polska SA, does not present financial statements retrospectively, i.e. with taking into account relevant items of Dominet Bank SA in comparative data. For 2008, consolidated data of Fortis Bank Polska SA are presented.

The performance of Dominet Bank SA for the reporting period from 1 January 2009 through 31 July 2009 is not included in the result of the integrated Bank for 2009. The data of the combined Bank are presented since August 2009.

The lack of retrospective data presentation of the both merged banks has influenced the amount of comparisons and the calculated indices.

5.1. Consolidated Income Statement

Dynamics of selected Consolidated Income Statement items (in PLN thousand)

Consolidated Income Statement in PLN thousand	Dynamics (%)		
	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008	31.12.2009 - 31.12.2008
Net interest income	421 863	395 922	7%
Net fee and commission income	149 586	178 471	-16%
Net trading income	-34 412	-54 541	-37%
Net gain/loss on available-for-sale financial assets	6 300	-3 233	-
Net profit (loss) on hedging transactions	0	257	-
Other revenues	26 980	14 914	81%
Total income, net	570 317	531 790	7%
Personnel expenses	-226 695	-181 958	25%
Depreciation of fixed assets and intangible fixed assets	-58 377	-38 470	52%
Other expenses	-225 228	-145 612	55%
Net impairment losses	-581 178	-62 776	826%
Gross profit/loss	-521 161	102 974	-606%
Income tax expense	91 281	-24 478	-473%
Net profit/loss	-429 880	78 496	-648%

The main item of the income statement is the net interest income, which as at 31 December 2009 reached PLN 421,863 thousand and was higher by 7% or PLN 25,941 thousand than in 2008. Average credit volumes grew by 16% in the analysed period, which is mainly attributable to rise in foreign exchange rates. Average deposit volumes increased in that period by 22%. After a slump recorded in the last quarter of 2008, average monthly balances maintained an upward trend since December 2008 to October 2009. A 7% growth of net interest income combined with a 16% increase of average credit volumes is due, on the one hand, to high costs of deposits and on the other, to lower base rates for loans in 2009. It should be, however, taken into account that the results are affected by the changes resulting from the merger of Fortis Bank Polska SA and Dominet Bank S.A.

A major income item was the fee and commission income. As at the end of December 2009, the Group generated the net commission and fee income of PLN 149,586 thousand, which represents a fall by 16% compared to the previous year. The income took a downturn due to a smaller number of derivative instrument buy/sell transactions, and lower income earned on one-time settled fees and commissions related to granting loans.



The number of active customers of business lines increased from 57,352 at the end of 2008 to 388,606 at the end of December 2009. The customer number went up following the merger of Fortis Bank Polska SA and Dominet Bank S.A.

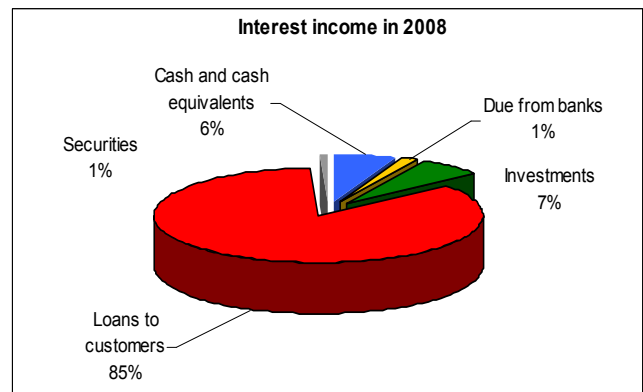
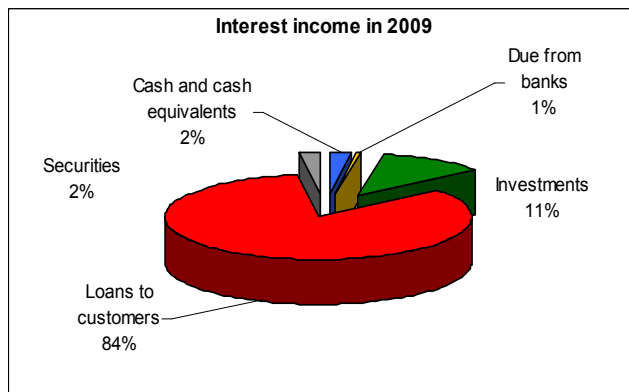
At the end of December 2009, the Group suffered a PLN 34,412 thousand loss on held-for-trading financial instruments (in comparison to the result recorded as at the end of December 2008, the loss was smaller by PLN 20,129 thousand or 37%). Net trading loss resulted from the following: option transaction fair value adjustment on account of credit risk entered into with customers of the Group, and a negative measurement to fair value of options bought to mitigate risk related to the FX rates increase with respect to EUR and CHF. The total result on derivative instruments stood at PLN (-) 138,544 thousand as at the end of December 2009. The loss was lower in comparison to the previous year by PLN 25,523 thousand. The net FX income of PLN 101,965 thousand fell by 8% (i.e. PLN 9,367 thousand) compared to the corresponding period of the previous year. Result on valuation of securities held for trading grew by PLN 3,973 thousand and reached PLN 2,167 thousand at the end of December 2009.

Net income

The Group's net revenues increased by 7% from PLN 531,790 thousand as at the end of December 2008 up to PLN 570,317 thousand as at the end of December 2009.

Interest income slumped by 9%. This item stood at PLN 911,091 thousand as at the end of December 2009 as compared to PLN 1,005,093 thousand in 2008. The main source of interest income included loans and credit facilities, investments and cash. The interest income consists mainly of interest on account of:

- Loans to Customers: PLN 766,125 thousand versus PLN 854,400 thousand in 2008,
- Investments: PLN 100,070 thousand versus PLN 65,746 thousand in 2008
- Cash and cash equivalents: PLN 20,306 thousand versus PLN 62,393 thousand in 2008.



Interest expenses decreased by 20% from PLN 609,171 thousand recorded as at the end of December 2008 down to PLN 489,228 thousand as at the end of December 2009. The interest expenses mainly include interest on account of:

- Due to Customers: PLN -343,523 thousand versus PLN -287,266 thousand in 2008,
- Loans and credit facilities received: PLN -86,098 thousand versus PLN -208,917 thousand in 2008,
- Due to banks: PLN -30,138 thousand versus PLN -91,619 thousand in 2008.

Fee and commission income slumped by 7%. This item stood at PLN 177,704 thousand in 2009 as compared to PLN 190,847 thousand in 2008.

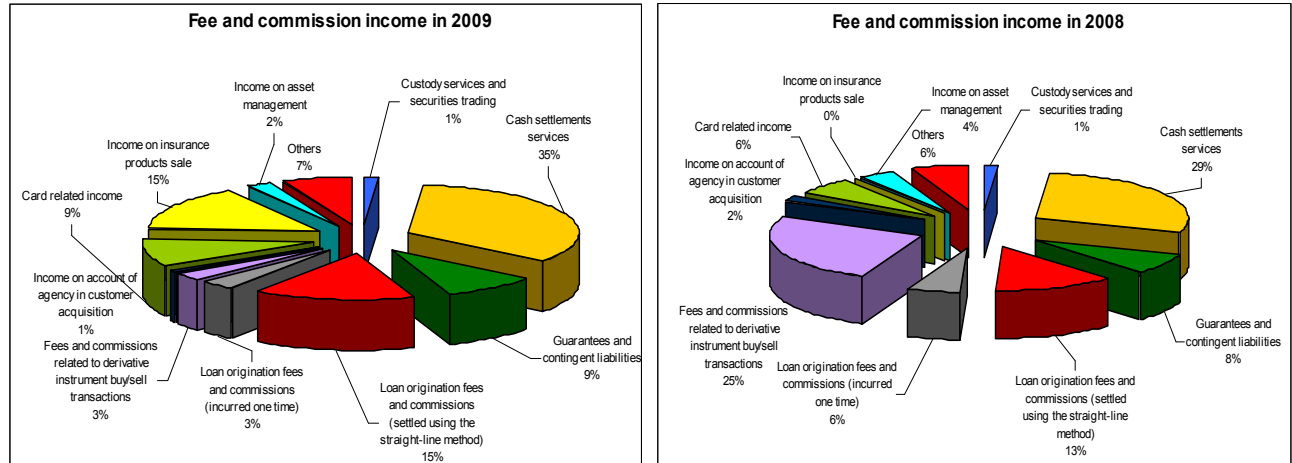
The main source of the commission and fee income were fees and commissions for cash settlements services, and fees and commissions related to granting loans and guarantees, likewise card fees and commissions.

The commission and fee income consists mainly of the following items:

- fees and commissions for cash settlements services: PLN 60,676 thousand versus PLN 55,488 thousand in 2008 (9% growth),



- commissions related to granting loans: PLN 32,814 thousand versus PLN 34,898 thousand in 2008 (decrease by 6%),
- card transactions income: PLN 16,203 thousand versus PLN 11,687 thousand in 2008 (39% growth),
- Fees and commissions related to derivative instrument buy/sell transactions: PLN 4,816 thousand versus PLN 48,395 thousand in 2008 (slump by 90% due to a dramatic decrease of the number of transactions).



In 2009, commission and fee expenses amounted to PLN 28,118 thousand and grew by 127% compared to the previous year when they equalled PLN 12,376 thousand.

The fee and commission expenses include in particular the following items:

- card-related expenses: PLN -9,871 thousand versus PLN -4,975 thousand in 2008 (98% growth);
- cash transaction commission expenses: PLN -1,057 thousand versus PLN -3,193 thousand in 2008 (decrease by 67%);
- settlement commission expenses: PLN -1,537 thousand versus PLN -1,135 thousand in 2008 (35% growth);
- expenses related to franchisee commissions and fees: PLN -9,441 thousand (in 2008, there were no such costs as they entirely concern costs of the franchisee network of the former Dominet Bank S.A.).

Personnel costs and other administration expenses

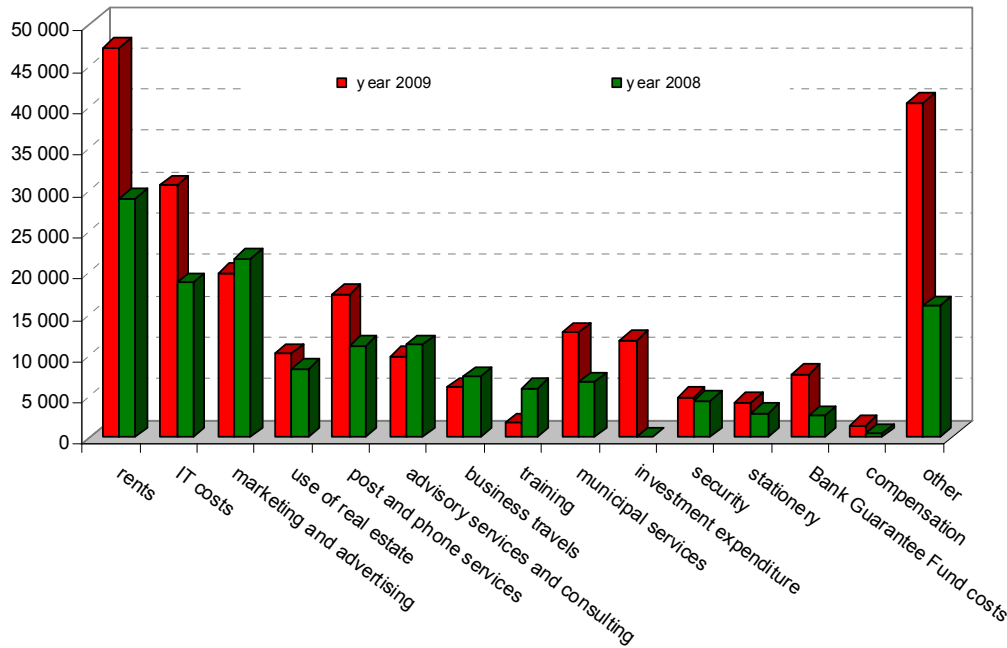
At the end of December 2009, the Group's personnel costs stood at PLN 226,695 thousand and were higher by 25% compared to the end of December 2008, when they amounted to PLN 181,958 thousand. The cost increase resulted mainly from the hiring of new employees in connection with the integration with Dominet Bank S.A. and the creation of a restructuring reserve in connection with the bank operating activity optimisation project. The Bank incurred smaller costs of reserves for employee bonuses in 2009 and lower expenses incurred for bonuses and awards paid in 2008, in relation to the income generated from the release of provisions.

The depreciation of fixed and intangible assets amounted to PLN 58,377 thousand and was higher by 52% than in 2008.

The Group's other expenses reached PLN 225,228 thousand and were higher by 55% compared to 2008, when they stood at PLN 145,612 thousand. The main items of other expenses are rents (PLN 47,114 thousand), information systems and technologies (PLN 30,445 thousand) and marketing and advertising (PLN 19,901 thousand).



Other costs in 2009 and 2008



Net impairment losses

In 2009, net impairment losses significantly increased, up to PLN -581,178 thousand, and were higher by PLN 518,402 thousand than in the previous year. Increase in net impairment losses related to loans is attributable to deterioration of the credit portfolio. Deteriorating situation on financial markets made a portion of the Group's customers unable to repay their loan debts. The said loss increase was additionally affected by the assessment of the credit portfolio of the former Dominet Bank S.A. pursuant to IAS. 63% of net impairment losses were attributable to corporate customers of the Merchant Banking Business Line. The remaining 37% refer to Retail Banking Business Line customers.

Result

The Group's net loss generated in 2009 is the result of net provisions for impaired loans to customer and losses incurred in financial instruments held for trading and also higher costs related among other things to the integration with Dominet Bank S.A. In consequence of deteriorating situation on financial markets and depreciating zloty, some customers that the Group entered into foreign currency hedging contracts with, will not be able to meet the obligations resulting from transactions in derivative instruments. Some customers, due to deteriorating economic and financial situation, will not be able to repay their loan debts.

In 2009, the Group incurred a gross loss of PLN 521,161 thousand, whereas a gross profit of PLN 102,974 thousand was generated in 2008.

The Group's net loss amounted to PLN 429,880 thousand as compared to the net profit in the amount of PLN 78,496 thousand generated in 2008.

5.2. Balance Sheet

Consolidated balance sheet statement

The Group's total assets as at 31 December 2009 were PLN 20,294,483 thousand and were higher than total assets as at the end of December 2008 by PLN 425,479 thousand, i.e. 2%.

Loans to customers, which were the major item in the asset structure, decreased by PLN 1,011,561 thousand or 7%, in comparison to the end of 2008. The share of loans to customers in the structure of total assets represented 68% as at the end of December 2009 and 75% at the end of 2008 respectively.



Customer deposits and loans and credit facilities received continue to be the main source of asset financing. Customer deposits grew up by 45%. At the same time, the volume of loans and credit facilities received were by 20% lower than at the end of 2008.

Structure and pace of growth of selected balance-sheet items (in PLN thousand)

Balance sheet items	31.12.2009	Structure	31.12.2008	Structure	Dynamics
					31.12.2009-31.12.2008 (in %)
ASSETS					
Cash and cash equivalents	832 724	4%	1 494 888	8%	-44%
Financial assets held for trading	664 305	3%	1 372 145	7%	-52%
Due from banks	1 573 242	8%	606 373	3%	159%
Loans to customers	13 811 556	68%	14 823 117	75%	-7%
Investments - Available for Sale	2 785 854	14%	1 200 836	6%	132%
Property, Plant and Equipment	188 372	1%	113 258	1%	66%
Intangible Assets	42 229	0%	26 000	0%	62%
Settlements on account of income tax	48 554	0%			
Deferred tax assets	227 819	1%	96 717	0%	136%
Other assets	119 828	1%	135 670	1%	-12%
	20 294 483	100%	19 869 004	100%	2%
LIABILITIES					
Financial liabilities held for trading	171 474	1%	961 601	5%	-82%
Due to banks	2 011 154	10%	2 276 963	11%	-12%
Due to customers	9 226 316	45%	6 368 464	32%	45%
Loans and credit facilities received	6 560 893	32%	8 198 200	41%	-20%
Liabilities related to issuance of debt securities	30 000	0%			
Subordinated liabilities	582 984	3%	417 240	2%	40%
Current tax liabilities	107	0%	57 061	0%	-100%
Other obligations	265 910	1%	354 679	2%	-25%
Provisions	77 011	0%	16 874	0%	356%
Total equity	1 368 634	7%	1 217 922	6%	12%
	20 294 483	100%	19 869 004	100%	2%

As at the end of December 2009, due from banks increased by PLN 966,869 thousand in comparison to the balance at the end of the previous year (i.e. from PLN 606,373 thousand up to PLN 1,573,242 thousand). The share of due from banks in the structure of total assets grew from 3% recorded as at the end of December 2008 up to 8% noted at the end of December 2009.

Financial assets held-for-trading decreased by 52%, i.e. PLN 707,840 thousand in comparison to the balance as at the end of December 2008.

Cash and cash equivalents slumped in comparison to December 2008 by 44% and their share in total assets went down from 8% in December 2008 to 4% in December 2009.

Other assets dropped compared to the end of December 2008 by PLN 15,482 thousand (12%).

In comparison to the end of December 2008, the value of property, plant and equipment rose by 66% (by PLN 75,114 thousand).

Investments available for sale recorded a growth by 132% (PLN 1,585,018 thousand) in comparison to the end of 2008. Their share in total assets likewise increased from 6% to 14% as at the end of December 2009.



As at the end of December 2009 the Group's securities portfolio included securities issued by the Polish State Treasury and the National Bank of Poland.

Investments available for sale comprised:

- Treasury bonds: PLN 809,139 thousand;
- Treasury bills: PLN 957,408 thousand;
- NBP cash bills PLN 999,320 thousand;
- Shares and stock PLN 19,987 thousand.

As at the end of December 2009, intangible fixed assets stood at PLN 42,229 thousand and were higher by 62% than at the end of 2008.

Customer credit portfolio profile

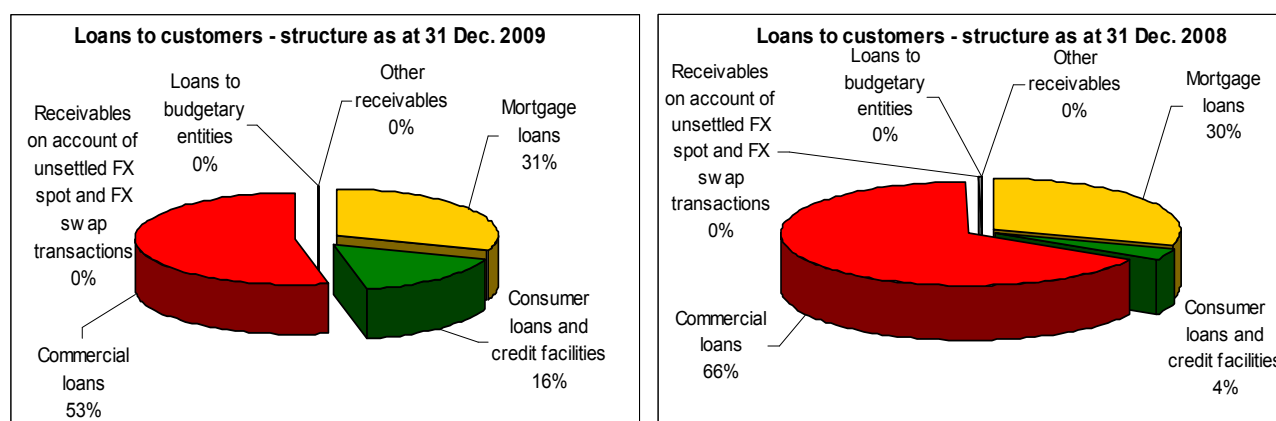
Net loans to customers decreased by PLN 1,011,561 thousand, i.e. 7%, in comparison to the end of 2008.

Commercial loans were the major item in the structure of net loans to customers. As at the end of December 2009, they represented 57% of total net loans to customers, so they decreased in comparison to the share recorded at the end of 2008 (67%). In terms of loan value, commercial loans decreased by 21% as compared to the end of 2008, i.e. by PLN 2,083,140.

The loan volume decrease referred mainly to institutional customers: investment loans (including loans for the purchase or construction of commercial real estate) decreased by 12% as compared to 31 December 2008, working capital loans decreased by 34% as compared to the end of 2008, and overdraft credit facilities dropped by 38%. The balance of mortgage loans granted to individual customers increased by 1% in comparison to the level noted as at 31 December 2008.

As at the end of December 2009, mortgage loans stood at PLN 4,532,934 thousand and were by 1% higher than as at the end of December 2008 (PLN 4,501,796 thousand). Their share in the structure of gross loans to customers increased from 30% at the end of 2008 up to 31% at the end of December 2009.

Value of impairment losses and IBNR totalled PLN 1,015,426 thousand as at the end of December 2009, as compared to PLN 259,673 thousand recorded at the end of December 2008. An increase in impairment losses and IBNR is mainly triggered by the deteriorating situation on financial markets which made a portion of the Group's customers unable to repay their debts. The said loss increase was additionally affected by the assessment of the credit portfolio of the former Dominet Bank S.A. pursuant to IAS.



As at 31 December 2009, gross loans stood at PLN 14,826,982 thousand, which means a slump by PLN 255,808 thousand as compared to the end of 2008.

PLN loans hold the biggest share in the loan volume and constitute 52% of the total volume. As at the end of December 2009, their value stood at PLN 7,215,331 thousand, which represents a decline by PLN 620,798 thousand, or by 8%, as compared to 31 December 2008.



The loans granted in CHF (in PLN equivalent) as at the end of December 2008 reached PLN 4,195,058 thousand and went down by 3% to PLN 4,070,521 thousand at the end of December 2009. The share of such loans in net loan balances accounted for 29% as at the end of December 2009.

The portfolio of loans in EUR (in PLN equivalent) decreased from PLN 2,642,787 thousand at the end of December 2008 down to PLN 2,462,844 thousand.

Structure and dynamics of loans to customers (in PLN thousand)

Loans to customers	31.12.2009		31.12.2008		Dynamics
	Structure	Structure	Structure	Structure	31.12.2009-31.12.2008 (in %)
Loans to budgetary entities	429	0%	420	0%	2%
Mortgage loans	4 532 934	31%	4 501 796	30%	1%
Consumer loans and credit facilities	2 394 363	16%	562 868	4%	325%
Commercial loans	7 886 776	53%	9 969 916	66%	-21%
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	2 054	0%	44 534	0%	-95%
Other receivables	10 426	0%	3 256	0%	220%
Total loans to customers, gross	14 826 982	100%	15 082 790	100%	-2%
Provisions for impaired loans and IBNR	-1 015 426		-259 673		291%
Total net loans to customers	13 811 556		14 823 117		-7%

As at the end of 2009, the Group's exposure focused mainly on the following sectors: individuals, wholesale trade, education – medical care, commercial construction and engineering, machines.

Credit portfolio	31.12.2009		31.12.2008	
	in PLN thousand	in %	in PLN thousand	in %
by sectors				
Natural persons	7 118 971	39.1	5 331 892	26.76
Wholesale	1 876 822	10.31	2 700 460	13.55
Education, medical care	1 503 933	8.26	1 747 423	8.77
Commercial construction and engineering	1 243 866	6.83	1 572 791	7.89
Machines	832 588	4.57	1 173 341	5.89
Other services	751 197	4.13	31 798	0.16
Retail trade	701 459	3.85	918 984	4.61
Food, tobacco, beverages	548 547	3.01	721 967	3.62
Chemicals and plastics	516 503	2.84	698 473	3.51
Vessels	448 446	2.46	423 956	2.13
Wood, woodwork	377 601	2.07	411 340	2.06
Sports, tourism, culture and arts	342 590	1.88	384 174	1.93
Motor vehicles	273 060	1.5	333 997	1.68
Financial institutions	194 773	1.07	245 759	1.23
Ceramics and glass	180 572	0.99	244 798	1.23
Furniture and electrical industry	171 628	0.94	179 288	0.9
Transport	143 675	0.79	430 460	2.16
Administration services	133 237	0.73	236 298	1.19
Textiles, leather articles	120 223	0.66	155 536	0.78
Other means of transport	105 185	0.58	151 898	0.76
Production of metals and non-metals	101 106	0.56	115 653	0.58
Paper and stationery	101 218	0.56	131 818	0.66
Print shops and publishers	59 925	0.33	122 866	0.62
Residential construction	30 135	0.17	43 706	0.22
Communications	16 087	0.09	25 901	0.13
Other production	63 335	0.35	1 118 227	5.61
Others	248 105	1.37	272 157	1.37
Total credit portfolio by sectors	18 204 787	100	19 924 961	100



As at the end of December 2009, the share of individuals' credit portfolio in the total credit portfolio stood at PLN 39%, which means that it increased by 34% as compared to December 2008.

As at 31 December 2008, the exposure in wholesale trade accounted for 14% and decreased to 10% as at December 31, 2009.

Enforcement titles

In 2008, Fortis Bank Polska SA issued 71 enforcement titles for the total amount of PLN 64,915,500. The number of enforcement titles issued for enterprises and affluent individuals in 2009 amounted to 315 with the total value of PLN 97,551 thousand. Moreover, there were issued 4,927 enforcement titles in the Mass Retail segment in the 4th Quarter of 2009 for the total amount of PLN 36,583 thousand as of December 31, 2009.

Liabilities

Liabilities to customers on account of funds deposited on current accounts and term deposits make up the main item in the structure of liabilities. As at the end of December 2009, due to customers stood at PLN 9,226,316 thousand and were higher than as at the end of December 2008 by PLN 2,857,852 thousand (by 45%). The share of liabilities due to customers represented 45% of total liabilities and increased by 13 p.p. as compared to the end of 2008.

Term deposits absolutely prevail in the structure of liabilities due to customers: PLN 7,120,423 thousand accounting for 77% of all due to customers. Sight deposits reached PLN 1,917,638 thousand as at the end of December 2009 (which accounted for 21% in total liabilities due to customers).

As at the end of December 2009, received loans and credit facilities stood at PLN 6,560,893 thousand and accounted for 32% of total liabilities, compared to PLN 8,198,200 thousand at the end of December 2008 (41% of total liabilities).

Loans and credit facilities granted by banks from Fortis Bank SA/NV group, which grew by 8% (PLN 408,768 thousand) compared to the balance as at the end of 2008, represent 87% of received loans and facilities. As at the end of December 2009, the outstanding balance of such loans was PLN 5,686,288 thousand.

A loan received from Fortis Finance Belgium SCRL constitutes a major item in the structure of received loans and credit facilities. As at the end of December 2008, its value stood at PLN 2,920,680 thousand (the equivalent of EUR 700 million). At the end of December 2009, a portion of the loan of EUR 500,000 thousand was repaid and the outstanding value is PLN 821,640 thousand.

The share of due to banks in total liabilities decreased from 11% in 2008 to 10% in 2009.

As at December 31, 2009, other liabilities made up 1% of total assets.

The share of financial liabilities held-for-trading in total liabilities recorded a slump from 5% at the end of December 2008 to 1% as at the end of December 2009. Their value decreased by 82% compared to the end of 2008. All the financial liabilities held for trading consisted of financial derivative instruments. The balance sheet value of derivatives held for trading decreased from PLN 961,601 thousand as at end of 2008 to PLN 171,474 thousand as at December 31, 2009.

Provisions

The balance sheet provision amount increased from PLN 16,874 thousand as at the end of December 2008 up to PLN 77,011 thousand as at the end of December 2009; the provisions concern the following: contingent liabilities provision of PLN 42,258 thousand, IBNR provision on account of contingent liabilities of PLN 6,137 thousand, legal risk provision of PLN 4,886 thousand, sub-lease of office space provision of PLN 3,492 thousand and provisions for future commitments of PLN 20,238 thousand (this is a restructuring provision related to the Bank operating activity optimisation project). The value of provisions increased by 356% in comparison to the balance as at 31 December 2008.



Equity

As at 31 December 2009, the equity capital of the Bank amounted to PLN 1,368,634 thousand, i.e. by 12% more than as at 31 December 2008 (PLN 1,217,922 thousand). Its share in total liabilities went up from 6% at the end of 2008 to 7% at the end of December 2009.

On 26 June 2009, the Annual General Meeting decided to earmark the Bank's after-tax profit (net profit) of PLN 78.2 million earned in 2008 fiscal year as follows: a portion of the profit in the amount of PLN 33.2 million was allocated to the supplementary capital and the remaining part, i.e. PLN 45 million – to the general risk fund.

Capital Adequacy Ratio

As at 31 December 2009, the Group's capital adequacy ratio was 13.40% in comparison to 9.88% as at the end of 2008.

Considering the negative impact of the Group losses suffered in 2009 on the capital adequacy ratio, the Bank took a number of measures with the view to improve the capital situation.

In order to increase the equity capital included in the calculation of capital adequacy ratio and solvency ratio, the Bank took out a credit facility of EUR 20 million from Fortis Finance Belgium SCRL in the first half of 2009. The Polish Financial Supervision Authority granted its consent on June 30, 2009 to include the subordinated loan in Tier 2 capital of the Bank. Consequently, the total value of the Bank's subordinated commitments as at the balance-sheet date of 31 December 2009 amounted to PLN 582,984 thousand.

On 31 July, the Bank's share capital increased by PLN 157.3 million after the issues of series L shares addressed to the existing shareholder of Dominet Bank S.A., in exchange for the net assets of Dominet Bank S.A. taken over in effect of the merger.

In September 2009, the Bank received a direct capital injection through a share issue. The entire series M share issue of PLN 440.7 million was acquired by the Bank's main shareholder (Fortis Bank Belgium). The Bank included the funds acquired through the new issue after obtaining the Financial Supervision Authority's consent and registering the capital increase at the National Court Register on 14 September 2009.

Moreover, in September 2009, the share capital of Fortis Bank Polska SA was increased by PLN 440.3 million as a result of increasing the nominal value of the existing shares from PLN 30.00 to PLN 50.

5.3. Contingent Liabilities - Off-balance Sheet Commitments

Lending commitments

As at the end of December 2009, the value of contingent liabilities granted reached PLN 3,433,795 thousand, which means a decrease by 30% as compared to 31 December 2008.

Contingent liabilities granted and received (in PLN thousand)	31.12.2009	31.12.2008
Total contingent liabilities received		
- items related to financing	4 242 177	1 606 913
- guarantees	259 672	282 933
Total contingent liabilities received	4 501 849	1 889 846
Contingent liabilities granted		
- items related to financing	2 628 305	4 017 997
- guarantees	805 490	908 430
Total contingent liabilities granted	3 433 795	4 926 427
Total contingent liabilities	7 935 644	6 816 273

This item includes, among others: credit lines granted, credit card limits and general financing agreements.



As at the end of December 2009, the contingent liabilities received stood at PLN 4,501,849 thousand and were higher by PLN 2,612,003 thousand (138%) than the balance as at 31 December 2008.

5.4. Management of funds

The Bank's lending activity is financed mainly with customer deposits, both from business entities and individuals, likewise long-term credit facilities from financial institutions, including credit lines and subordinated loans granted by entities in Fortis Bank SA/NV Group.

Structure of financing sources

	31-12-2009	31-12-2008	Change
Customer deposits	9 226 316	6 368 464	45%
Long-term debt and subordinated debt	7 143 877	8 615 440	-17%
Equity capital	1 368 634	1 217 922	12%

In 2009, the deposit base grew dynamically (growth by PLN 2.9 billion, i.e. by 45% compared to the balance as at the end of 2008), mainly due to the deposit base consolidation as a result of the Fortis Bank Polska SA and Dominet Bank S.A. merger. The total deposits from Dominet Bank customers amounted to PLN 2,182,242 thousand as of the merger date. The Bank intends to achieve such a high deposit growth rate by maintaining an attractive price and product offering and through effective marketing actions. The Bank will strive to ensure that the dynamic increase of deposit base should not threaten its stability. Acquisition of small amount term deposits of longer maturity is preferred rather than short-term and high amount deposits. The Bank's objective is to maintain the current relation between stable and unstable deposits, expressed a percentage of (stable deposits)/(total deposits).

The stability of funding sources is assessed as satisfactory by the Bank. In the Bank's opinion, its deposit base is stable (according to statistical measures used in the Bank) and well diversified, both in terms of economy sectors and at the level of specific customers.

As at the end of 2009, opened and utilised credit lines of the Bank within the Fortis Bank SA/NV group were the following:

Date	Counterparty	Amount	Maturity
30.01.2004	BGL BNP Paribas Luxembourg	200 mio EUR	30.06.2012
30.01.2004	BGL BNP Paribas Luxembourg	200 mio EUR	31.10.2010
03.07.2006	BGL BNP Paribas Luxembourg	300 mio EUR	03.07.2011
16.01.2007	BGL BNP Paribas Luxembourg	1 300 mio PLN	01.06.2012
04.01.2008	Fortis Finance Belgium SCRL/CVBA	200 mio EUR	04.01.2010
25.02.2008	BGL BNP Paribas Luxembourg	300 mio EUR	05.03.2010
18.04.2008	FORTIS BANK SA/NV	150 mio PLN	31.03.2014
18.04.2008	FORTIS BANK SA/NV	240 mio PLN	30.03.2029

In the first half of 2009, the Bank signed an agreement with Fortis Finance Belgium SCRL/CVBA regarding contracting a subordinated loan of EUR 20 million; furthermore, the Bank issued bonds with unspecified redemption date and nominal value of EUR 30 million, acquired by Fortis Finance Belgium SCRL/CVBA, and received an additional capital injection of PLN 440 million. Dominet Bank was also granted a subordinated loan of EUR 60 million.

In the second half of 2009, the Bank considerably reduced the value of commitments towards the Fortis Bank SA/NV group by prepaying the long-term loans in the amount of EUR 500 million, PLN 100 million and



CHF 40 million, which were characterised by high interest costs. The reduction of funding in the form of long-term loans was possible owing to an active policy of deposit gathering, implemented in Fortis Bank Polska as well as in Dominet Bank even before the integration day.

At the end of the year, the balances of subordinated loans from the Fortis bank SA/NV group were the following:

Date	Counterparty	Amount	Maturity
21.04.2009	FORTIS BANK SA/NV	60 mio PLN	22.04.2019
23.10.2007	BGL BNP Paribas Luxembourg	100 mio EUR	28.09.2017
21.04.2009	Fortis Finance Belgium SCRL/CVBA	20 mio EUR	22.04.2019

The Bank is also ensuring liquidity through available credit lines both in the Polish and foreign interbank markets.

Furthermore, the Bank started cooperation with the European Investment Bank, by signing an agreement on long-term financing for small and medium enterprises on 30 November 2009, thus ensuring funding sources for up to EUR 50 million.

The policy adopted in the Bank and related with financial support from the capital group members, approved by the owner, assumes active financing of a part of the credit portfolio, in particular assets in foreign currencies, with funds derived directly from the capital group.



6. DEVELOPMENT PROSPECTS FOR BANK BUSINESS ACTIVITY

The prospects of the Bank's activity development will be materially affected by an improving macroeconomic situation, condition of the financial sector and changes that took place in Fortis Bank SA/NV Group in 2009, namely the takeover of Fortis Bank SA/NV and its international subsidiaries (including Fortis Bank Polska SA) by BNP Paribas.

BNP Paribas Group is a leading European organisation operating in the financial sector, which focuses on investment, corporate and retail banking, asset and property management as well as insurance services. BNP Paribas Group is present in 85 countries worldwide. Belgium, France, Italy and Luxembourg are the key markets of the Group in Europe. The Group has been operating in Poland through a number of subsidiaries, in particular Fortis Bank Polska SA and BNP Paribas Branch in Poland.

Fortis Bank SA/NV based in Brussels has remained the direct parent entity of Fortis Bank Polska SA. Fortis Bank SA/NV, currently operating under the brand of BNP Paribas Fortis, specialises in Retail Banking, Private Banking, Asset Management and Merchant Banking, including Commercial Banking and Global Markets. Specific types of banking activity have been integrated, and the resulting synergy effect has a positive impact on cost cutting. The business strategy is based on Business Lines. BNP Paribas Fortis operates in Poland as a universal bank which provides individual customers with savings and investment products as well as credit offer, whereas corporate customers are offered business financing solutions both for domestic and international market. In addition to Fortis Bank Polska S.A., other companies owned by Fortis Bank SA/NV operate in Poland, including: Fortis Lease Polska and Fortis Investment Management.

The Bank's strategy is intertwined with the overall strategy of Fortis Bank SA/NV and development strategy for BNP Paribas group on the Polish market. The BNP Paribas strategy for banking activities in Poland is based on the following key assumptions:

- BNP Paribas will develop an integrated "Universal Banking Activity Model" to reach all types of customers (individual customers, small and medium enterprises and corporate customers) while extending its product offering based on the combined know-how of BNP Paribas and Fortis.
- BNP Paribas will use the current customer base of Fortis Bank Polska (including customers of Dominet Bank acquired by the Bank) and develop the promotion of products offered within the group (cross-selling).
- BNP Paribas will implement the initial plans of Fortis regarding an increase of a market share and development of the branch network, supporting the strategy by its expertise in the following areas:
 - Consumer Finance (as regards bancassurance),
 - Corporate and Investment Banking.

After the merger of Fortis Bank Polska SA and Dominet Bank SA in mid-2009, the next stage of the strategy implementation is to formulate a new integrated strategic plan based on the shared expertise after an in-depth analysis of profitability and risk. Plans of BNP Paribas towards the Bank are included in the so-called "Industrial Plan" that covers the scope of integration of selected business and operational parts of the activity conducted in Poland within the BNP Paribas Group. The Industrial Plan provides for a setup of a new Personal Finance Business Line. "One organisation" concept will be introduced which will allow to strengthen the cooperation and synergy between numerous entities representing the Group in Poland. Fortis Bank Polska SA and BNP Paribas Branch in Poland, in spite of preserving a separate legal status, will cooperate closely to offer a full range of services to enterprises in Poland.

The Bank's strategy for the years 2009-2010 assumes the achievement of the following main objectives:

- Building of a universal bank with use of competitive edges offered by Fortis Bank (affluent and corporate customer) and Dominet Bank (mass customer and microenterprises) thanks to the merger of the banks.
- Cutting down on operating costs of the merged Bank over two-year period by about PLN 100 million annually owing to synergies that include elimination of overlapping jobs in the Bank and integration of the product offering and IT systems
- Improvement of the risk management quality at the Bank, in particular in the area of credit risk and market risk, by reviewing and modifying the existing risk assessment methodologies, with the emphasis put on the credit risk related to off-balance sheet liabilities. Consequently, the Bank



adopted a more conservative approach to risk assessment and a selective approach to customer financing. The Bank will also take regular actions with a view to improve the efficiency of monitoring of the existing exposures as well as debt recovery processes.

- Emphasis put on effectiveness of the business development and widely-understood marketing, including first of all a selective approach to the bank offering modification. Focusing on a full business use of the products already available in the offering will be a priority. In the years 2009-2010 any product development cost increase is anticipated only in strategic areas such as:
 - deposit offering, in order to increase the balance of term deposits (in particular: increase of deposit balance in relation to credit balance);
 - transaction banking offering (daily banking, including internet banking and cash management) as a support for the existing customer relationship development, risk management (thorough knowledge of the Client owing to extended transaction banking relations) and deposit base building (increase of current account balances).
- Building a strong deposit base. To build a strong deposit base, the Bank acquires deposits both from retail (mass retail in particular) and corporate customers. Since the Bank does not plan to pursue an aggressive pricing policy, the key drive for the deposit rise will be a rise in marketing expenses. Increase in the number of deposits will be used to improve the Bank's liquidity and change its financing sources. In the years 2009-2010, the Bank intends to limit the amount of funds acquired from the Group.
- Enhancement of the efficiency of business processes functioning in the Bank after the merger, in particular ensuring the efficiency of sales activities.

Pursuant to the intention of the majority shareholder and its commitment towards the Financial Supervision Authority, Fortis Bank Polska SA and Dominet Bank SA were merged legally and operationally on July 31, 2009. As a result of the merger, the position of the Bank on the Polish market has changed. Fortis Bank Polska SA, from a bank servicing mainly corporate customers and affluent individuals has turned into a universal bank with an extended profile of activities. The areas strategic for implementation of long-term development goals are the segments presented below:

- Small and Medium Enterprises segment and also representatives of liberal professions ("professionals"), primarily because of the income potential of the segments and Fortis Bank experience in their service.
- Mass Retail segment, primarily because of the segment potential on the Polish market and Dominet Bank experience in the service of this segment.
- Corporations.

The integrated Bank's strategic purpose for the next years is to improve the sales activities efficiency. For this purpose:

- the Bank will focus on developing relations with the existing customers instead of incurring high cost of acquisition of new customers. Cross-selling will be a priority; it will focus on increasing the number of products held by specific customers and thereby improving customer loyalty and profitability.
- Customer profitability will also be positively affected by an efficient management of historical, low-margin credit balance with respect to Business Customers and Individuals.
- As far as distribution channels are concerned important is the implementation of a multi-channel and integrated distribution network for the product offering based on the nationwide branch network supported by electronic channels, Call Centre and franchisee branches. Internet banking will be considered a priority (as regards internet banking system; the Bank will use the existing advanced solutions)
- The network of the bank's own branches will be developed to implement the strategy of staying close to the bank's customers, whereas the dynamics of opening of new branches will depend on market conditions and the Bank's financial results. The Bank's strategy assumes regular monitoring of branch profitability and elimination of branches which will fail to achieve the required results. Considering the current financial performance, the Bank limited opening of new branches in the short-term perspective.



In the area of corporate banking and private banking, the Bank's strategy and positioning have not changed as a result of the merger. The relationships with the remaining subordinated entities and other entities within the Fortis Bank SA/NV Group have retained their previous form. It concerns the entities that offer banking, leasing and asset management services in Poland, addressed to individual customers, commercial entities and the public sector.

As part of integration of the BNP Paribas Group in Poland in the corporate banking area, a new division of competences between the BNP Paribas Branch and the Bank will be introduced. The new division will ensure transparency of operations and non-competition between units of the BNP Paribas Group in Poland. The division of the competences will be based on the following assumptions:

- Transaction banking products, Trade Finance, simple credit products and simple treasury products will be offered by the Bank to all customers,
- Investment banking products (i.e., e.g. structured finance, consulting on mergers and acquisitions, advanced derivative instruments and treasury products) will be offered by the BNP Branch to selected customers in Poland.

In connection with a new division of the competences among organisational units of the BNP Paribas Group in Poland in 2010, some customers, with their consent, will be transferred (i.e. their agreements on products that they use), from the BNP Branch to the Bank. After the transfer, the customers will be serviced at the Bank by Relationship Managers.

The Bank will reinforce its position on the retail banking market. The Bank positions itself as a friendly and universal bank, which supports aspiring customers in building their future, offers them services and financial consulting in a friendly and modern environment. The Bank plans to differentiate its business strategy in relation to particular customer segments, focusing on an active acquisition of new customers from the Mass Retail segment and also Professionals and SE. The Bank's strategy assumes a significant increase in the number of customers within the next 5 years. In the case of Affluent customers, the merged Bank will adopt a strategy of increasing the number of products held by the present customers and building their loyalty. As regards cross-selling the potential of Mass Retail customers will be used and active sales to this segment will be largely supported by a higher marketing budget. The other main area of concentrated actions will be cross-selling between various customer segments in the Bank, e.g. development of cooperation with businesses in terms of parallel service of company and personal finances. The product offer will be developed through:

- reviewing the offer of accounts and packages for individual customers and companies, including a wide range of assistance services added to the offer
- offering mortgage loans on competitive terms and conditions
- development of consumer loan offer (car loans and credit cards).

The Bank intends to promote the responsible lending concept taking into account all the relations with its customer.

Organisational changes in the Bank include a new business line of Personal Finance, established according to the model applied in the BNP Paribas Group. The Personal Finance BL is created to form a specialised competence centre in the Bank, responsible for Personal Finance products and utilisation of the BNP Paribas Group's knowledge and experience in this area. This business line is an independent centre that specialises in financing customers. It is responsible for product development likewise for the management (granting and recovery) of cash loans, car loans and credit cards for individual customers. As regards sales and distribution channels, the Personal Finance BL is responsible for management of sales in external channels (i.e. car dealers, used car dealers, financial intermediaries) and sales in alternative channels (i.e. call centre, Internet, mailing). Furthermore, the Personal Finance BL will cooperate with the Retail Banking BL by selling its products in the network of both own and franchised branches.

The Bank continues cooperation as regards provision of clearing and other financial services in favour of foreign branches of Fortis Bank SA/NV. The Bank will continue cooperation with Fortis Investments with regard to sales of services offered by foreign investment funds.

In connection with the formal and legal merger with Dominet Bank S.A. and integration of operating systems of both banks, the Bank continues the project of optimisation of its operations. Integration of the



existing functions and operations carried out by the Head Office of Dominet Bank in Lubin with operating structures of Fortis Bank Polska SA is the next step to increase the operating efficiency of the Bank. The project will lead to employment reduction which between the fourth quarter of 2009 and the second quarter of 2010 may cover 361 employees in the entire Bank.

Actions targeted at increasing efficiency of the Bank's operation should improve financial performance of the Capital Group of Fortis Bank Polska. Further, they are a part of the Restoration Program prepared in accordance with Article 142 of the Banking Law Act, which was submitted to the Polish Financial Supervision Authority. The most important assumptions of the program are taking actions with the view to ensure proper risk control in various areas of the Bank's activity, ensuring sources to cover losses, stable growth of the credit portfolio and improving the cost management efficiency, in particular after the integration with Dominet Bank S.A., which will result in a positive financial result as planned.

The Bank has undertaken measures to mitigate credit risk related to futures contracts held by the Bank, in particular FX options and FX forward transactions. The Bank forecasts that in 2010, the identified credit risk will continue to materially affect the Bank's financial performance.

The Bank maintains a strong capital position. The amount of equity capital increased in September 2009 by PLN 440.7 million as a result of capital injection by the parent entity. Nevertheless, the ensuing growth of Core Funds was substantially utilised (still in 2009) to cover losses. According to assumptions to the Restoration Program, the Bank will achieve a positive financial result and, pursuant to the provisions of Article 142 Para. 4 of the Banking Law Act, its equity capital will gradually increase following the transfer of financial results into the additional capital (the Bank does not plan to pay any dividends until 2012). As at the end of 2009, the Bank's capital adequacy ratio stood at 13.40%, thus considerably exceeding the minimum threshold of 8% required under the Banking Law Act.

The Supervisory Board and the Board of Executives follow the policy of non-disclosing the result forecasts for 2010 to the public.



7. BASIC RISK TYPES AND RISK MANAGEMENT

Taking into consideration the Group's top priority objectives, that is, protection of Customer deposits and securing liquidity, the Group of Fortis Bank Polska SA pays utmost attention to monitoring and mitigation of risks inherent in the business of the Bank and its subsidiary.

The Group's risk profile after the merger of Fortis Bank Polska SA and Dominet Bank S.A. is determined by business activities conducted by both banks. In 2009 the intensive works were carried out in order to improve the risk management quality and implement a more conservative approach to the sales policy as far as loans and financial instruments are concerned.

The risk management system consists of the Supervisory Board, the Board of Executives of the Bank, the Committees and Risk area departments.

The Supervisory Board of the Bank exercises supervision of the compliance of the Bank's policy in the area of risk acceptance with the strategy and financial plan of the Bank, in particular, the Board supervises the implementation of risk management and internal control systems, assesses their adequacy and efficiency and approves procedures in this area.

The Board of Executives of the Bank is responsible for the efficiency of risk management and internal control systems, the process of assessment of internal capital and for reviews of the assessment process, for the maintenance of the internal capital and for the supervision of efficiency of these processes. In particular, the Board of Executives of the Bank is supported by Committees.

The Risk and Asset and Liability Management Committee (Risk and ALM Committee) plays a vital role in liquidity risk management, market risk and assets and liabilities management risk, and also in strategic aspects of credit risk management and operational risk. The Risk and ALM Committee is chaired by the Vice-President of the Board of Executives who is responsible for the Risk area.

The Risk and ALM Committee is entitled to set up supportive committees and delegate powers to these committees. The following committees have been established according to these powers: the Liquidity, Market and ALM Risk Management Committee, the Operational Risk Management Committee, the Credit Risk and Provisioning Committee, the Business Continuity Management Committee and the Information Security Committee.

In September 2009, the central Credit Committee was established. It is chaired by the Vice-President of the Board of Executives, who is responsible for the Risk area. The Credit Committee is the supreme body authorized to make credit decisions in Fortis Bank Polska SA up to the level of the maximum lending limit, as defined by the Bank's Supervisory Board.

The main tasks of the Credit Committee cover the following decisions:

- decisions on granting, increase, decrease or renewal of loans and other products bearing credit risk. the establishment of legal collateral, the major changes of terms and conditions (including changes of legal collateral) for loans. Risk/rating classification determination/change.
- decisions on intensive care, settlements, transfer from balance-sheet to off- balance-sheet record keeping.
- amendments to a credit decision or loan agreement conditions that does not significantly affect the credit relationship between a customer and the Bank.

The credit decisions related to cases not exceeding the defined threshold Limit may be taken by the respective Credit Sub-Committees (International and Local), acting at the bank under the "Credit Decision Making Regulations at Fortis Bank Polska SA" approved by the Bank's Supervisory Board.

At the Supervisory Board's level, there is also the Audit Committee, whose key tasks include monitoring of the internal control system quality and the assessment of the financial information integrity. Specifically, the Audit Committee assesses the Bank's business risk processes and control environment, supervises financial reporting process and assesses internal and external control processes.



The key role in the risk monitoring and risk management system is also played by the Risk Line, Audit Department and Compliance Department.

In 2009 the risk management area was reorganized in a few stages, which is reflected by its modified organizational structure. Mr. Philippe Van Hellemont, Vice-President and Country Chief Risk Officer became the head of the integrated Risk Area. Since 15 October 2009 the Risk Area covers the following three lines focusing on operational activity: Credit Risk Individuals Line, SME Credits Line and International and Big Credit Exposures and Intensive Care/Recovery Line and two lines focusing on strategic aspects of risk: Credit Risk Strategy, Reporting and Control Line and Transversal Risk Management Line. The implemented changes have a direct impact upon the creditworthiness assessment and credit decision making processes for the customers using financing by the Bank.

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

- credit risk
- liquidity risk
- FX risk
- interest rate risk
- counterparty risk
- operational risk
- business risk, including:
 - strategic risk
 - reputation risk

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

7.1. Liquidity, interest rate and FX risks

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

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

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

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

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

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

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



In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to 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 and operating 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 risk 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.

7.2. Counterparty risk

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

As at the end of December 2009, the counterparty risk calculation included the following transaction types included in the Bank's trading portfolio:

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

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

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



7.3. Operational and Business Risk

Operational risk

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

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

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

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

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

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit - Operational Risk Management Department of the Risk Line. The co-ordination of the process of operational risk management in the units belonging to Technology, Operations and Process Services (TOPS) Line falls within the competence of the Operational Risk Coordinator for TOPS. The Risk Transfer Group in the Administration and Security Department is responsible for definition and implementation of the Bank's strategy in terms of Bank insurance, as a risk mitigation method.

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

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

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

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

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

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



and appropriately trained staff. The Bank's Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and efficiency.

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

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

The Bank carries out actions aimed at creation of an integrated business continuity management system used to identify potential threats for the organisation and estimate a probable impact that such threats, if they occur, might have on processes existing in the Bank.

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

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

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

Compliance risk

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

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

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

Security policy

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

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

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

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

System actions, consisting in a risk analysis, information classification, incident management, centralised management and control of access to IT systems, likewise change management, systematised business



continuity process, information exchange and access standards, property security standard, altogether lead to a comprehensive approach to the information security issue.

In 2009, in the course of supervision over the Information Security Management System performed by an external auditor, the compliance of the System with the requirements set by the international standard ISO/IEC 27001 was re-assessed.

The audit was successful and resulted in preserving the validity of Certification of the Information Security Management System of Fortis Bank Polska SA in the full scope of ISO /IEC 27001 standard for the year 2010.

Fortis Bank Polska SA implements the scheme of actions taken under the Information Security Management System through its Information Security Policy and area policies that comprise the Information Security Management System, i.e. Data Communication Security Policy, Physical Security Policy, Compliance Risk Management Policy, Personal Data Security Policy, Business Continuity Management Policy, and the Crisis Management Policy.

In order to plan and implement corrective and preventive actions, a system of gathering incident data has been put in place by the Bank.

The system enables the Bank to develop a database of threats and susceptibilities that affect confidentiality, availability and reliability of information and data processed in the Bank.

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

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

Taking into account a growing number of external and internal threats that bore the hallmarks of abuse or offence against assets of the Bank or its customers, likewise continuously improved *modus operandi* of such events, the Bank extended and enhanced the process of counteraction, detection and examination of such cases. The above scope of duties is covered by the Investigations Department which carries out its tasks through close cooperation with financial market institutions in Poland.

Business risk

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

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

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

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

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



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

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

Credit risk

Credit Risk is defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract or to otherwise fail to perform as agreed in the contract. The risk occurs irrespective of the financing form, and the main risk source is customer's inability to meet its liabilities towards the Bank.

In the credit process applied by the Bank, functions related to customer acquisition and sale of credit products as well as credit risk assessment are separated.

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

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

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

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

- implementation of the Bank's credit policy and strategy,
- creation and development of credit systems and tools (credit engineering),
- monitoring and management of the portfolio credit risk,
- credit reporting, credit control.

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

The operational dimension consists of the following activities:

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

Credit risk analysis is carried out based on a standard credit assessment methodology applied by the Bank. Subject to analysis are both a specific credit product related risk and risk of the Bank's total exposure 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 of a customer to a business line, 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 at Fortis Bank Polska SA, which covers all the regulations issued by the banking supervision, including the provisions of the New Capital Accord.

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

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

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

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

The creditworthiness of commercial customers of the Bank (enterprises) is assessed 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. A Rating Tool used in the Bank ensures the control of correctness and completeness of the credit portfolio rating, archives historical ratings in the database and generates rating reports. Furthermore, loss parameters (LGD) are internally validated for the Bank's commercial portfolio.

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

In order to monitor the mortgage loan portfolio, stress scenarios are carried out depending on predefined changes of market parameters such as interest rate, FX rates or average residential real estate prices.

Furthermore, the portfolio is analysed in terms of its quality. The analysis is supplemented by periodical examination of LTV and DTI, the key ratios from the point of view of the Bank's policy of granting mortgage loans. The Bank also periodically updates the value of residential real estate that constitute collateral for loans granted.

As part of work on integration with Dominet Bank, risk assessment procedures and methodologies in credit risk area continue to be standardised.

The Bank uses internal IT tools to standardise the process of credit portfolio risk monitoring and classification process and to archive data for the needs of risk assessment models. The Bank uses the WIND system to monitor and recover past due receivables, while for the purpose of credit portfolio monitoring, review, and estimated impairment of credit exposures, the Monitoring Card is applied.

The Bank participates in the Banking Register system whose data administrator is the Polish Bankers Association (ZBP) and the Credit Information Bureau system. The participation in these information exchange systems as regards credit customers allows the banks to more thoroughly assess credit risk and accelerates the process of analysing credit applications and making credit decisions.

Improvement of the risk management quality

Under the Bank's strategy the further actions will be taken with a view to improve the risk management quality, in particular in the area of credit risk and market risk, by reviewing and modifying the existing risk



assessment methodologies. The Bank will also take regular actions with a view to improve the efficiency of monitoring of the existing exposures as well as improving the quality of restructuring and debt recovery processes through the implementation of IT solution in order to support the monitoring and credit risk management at the Bank.

The main task of the implemented system will be an automatic monitoring of the Bank's credit products portfolio, detection and reporting on new unfavourable factors which may increase the credit risk. In case of the detection of the substantial level of risk, as defined by the Bank, the system will automatically launch the processes earmarked for limiting or removing that risk.

The Bank launched works over joining the data exchange system on customer exposures related to trading in financial instruments, organised and maintained by the Credit Information Bureau (BIK).

An amendment was made in 2009 to the Financial Instrument Trading Act of July 29, 2005 implementing the Markets in Financial Instruments Directive (MiFID) and to the executive regulations to this Act. The Bank has been carrying out intensified actions to make its activity comply with the requirements contained in the aforementioned provisions of law. The purpose of these changes is to increase the security of financial services, mainly investment services used by the Bank's customers.

Details regarding risk management in Fortis Bank Polska SA Capital Group and descriptions of management of specific types of risks in the affiliated entity, Fortis Private Investments Polska SA in 2009, likewise comparative data for 2008 are presented in Additional Note 31 to the Financial Statements.



8. AGREEMENTS SIGNIFICANT FOR THE BANK'S ACTIVITY

8.1. Agreements between Fortis Bank Polska SA and Fortis Finance Belgium S.C.R.L./C.V.B.A.

In 2009, Fortis Bank Polska SA and with Fortis Finance Belgium SCRL/CBVA based in Brussels concluded the following agreements:

- Furthermore, on 21 April 2009, the Bank signed a subordinated loan agreement for EUR 50 million with Fortis Finance Belgium SCRL. The funds were disbursed on 22 April 2009. The Agreement was concluded for 10 years, i.e., until 21 April 2019. The interest period was determined at 3 months and the interest rate is EURIBOR 3M plus margin.
- Under an annex to the above agreement dated 10 June 2009, the subordinated loan amount was lowered down to EUR 20 million. On 30 June 2009, the Bank obtained consent of the Polish Financial Supervision Authority (KNF) to include the loan of EUR 20 million as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law. The remaining part of the debt, i.e. EUR 30 million, was repaid by the Bank on 23 June 2009.
- In relation to the decrease of the subordinated loan amount taken from Fortis Finance Belgium SCRL down to EUR 20 million and the repayment of the remaining portion of the debt (i.e. EUR 30 million), on 23 June 2009 the Supervisory Board resolved about issuing subordinated inscribed bonds. Fortis Bank Polska SA offer regarding the bonds subscription was accepted by Fortis Finance Belgium SCRL/CBVA. On 29 June 2009, the parties signed an Underwriting Agreement that defined in detail the terms and conditions of the bond issue and subscription by the bondholder. The issue was entirely subscribed by Fortis Finance Belgium SCRL/CBVA based in Brussels. The issue was organised as a private placement of 300 subordinated inscribed bonds of EUR 100 thousand each, with an unspecified redemption term. The Bank Board of Executives applied to the Polish Financial Supervision Authority (KNF) for including the bonds into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law. In December 2009, the bonds were redeemed and consequently, the Bank filed an application to the Polish Financial Supervision Authority to withdraw the previous request for approval to include the bonds into Tier 2 capital.
- On 29 December 2009, the Bank signed a credit line agreement for EUR 200 million with Fortis Finance Belgium SCRL/CVBA. Credit was disbursed on 4 January 2010. Funds under the credit facility will be allocated to general corporate purposes of the Bank. The Agreement replaced the loan agreement of 7 December 2007 which expired on 4 January 2010. The financing term is 13 months counted from the credit disbursement date. The credit interest rate was determined based on the EURIBOR rate increased by a margin.

Terms and conditions of the financing granted correspond to market conditions.

8.2. Annex to the Credit Facility Agreement between Fortis Bank Polska SA and BGL BNP Paribas (former Fortis Banque Luxembourg S.A.)

An Annex dated March 5, 2010 to the Credit Facility Agreement of February 25, 2008 was signed by and between BGL BNP Paribas (former Fortis Banque Luxembourg S.A.), based in Luxembourg and the Bank. Under the aforesaid agreement, BGL BNP Paribas granted the Bank a credit line up to EUR 300 million (or its equivalent amount in USD or CHF) for the funding of the Bank's working capital needs. The credit line was renewed on March 5, 2010. As provided in the Annex, the credit line shall be available until March 5, 2011. The financing terms and conditions remain unchanged and are in line with the market standards.

8.3. Agreements signed with Dominet Bank S.A.

- On 9 January 2008, Fortis Bank Polska SA signed a Cooperation Agreement with Dominet Bank S.A., under which both parties thereto committed to undertake all necessary initiatives leading to the merger of Fortis Bank Polska SA and Dominet Bank S.A. The merger is to be effected by transferring the assets of Dominet Bank S.A. (the acquiree) to Fortis Bank Polska SA (the acquirer) in exchange for newly-issued FBP shares which will be allocated to the existing Dominet Bank S.A. shareholders, pursuant to Art. 492 § 1 of the Code of Commercial Companies and Partnerships.
- On 25 November 2008 an Annex to the Cooperation Agreement was signed. The legal merger date was postponed from 30 June 2009 to 31 July 2009.



8.4. Agreements signed by Dominet Bank S.A.

- On 21 April 2009, Dominet Bank S.A. signed an agreement with Fortis Bank SA/NV based in Brussels, under which Dominet Bank S.A. received a subordinated loan of PLN 60 million for 10 years. On 30 June 2009, the Bank obtained the Polish Financial Supervision Authority (KNF) consent to include the loan into Tier 2 capital of the Bank as subordinated debt, pursuant to Article 127 of the Banking Law.
- As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., Fortis Bank Polska SA took over Dominet Bank S.A. commitments towards Fortis Bank SA/NV under the above agreement and also obligations in the total amount of PLN 390 million resulting from two loan agreements signed by Dominet Bank S.A. and Fortis Bank SA/NV on 18 April 2008.
- Following the merger of Fortis Bank Polska SA and Dominet Bank S.A., the merged bank's accounting books has included the credit portfolio covered by the securitisation agreement of 30 June 2006. Dominet Bank S.A. signed an agreement on securitisation of receivables due under retail loans granted (car and cash loans) with Polish Assets SPV Limited (SPV), special purpose vehicle founded for the needs of the transaction, and with Merrill Lynch International as the financing entity. The securitisation transaction was part Dominet Bank's equity management strategy. Dominet Bank S.A. sold a separated portion of the credit portfolio to the special purpose vehicle, which resulted in decreasing the credit exposure value taken into account in the calculation of credit risk capital requirements. The credit portfolio was financed by the SPV through an issue of securities dedicated to Merrill Lynch Int. and backed by the receivables sold. As at 31 December 2009, the value of securitised loans presented in the assets of Fortis Bank Polska SA amounted to PLN 87,546 thousand. The Bank retained the entire risk and all benefits related to this financial asset; therefore, the Bank did not exclude receivables sold within the securitisation transaction from the balance sheet. At the same time, the Bank kept disclosing in the liabilities part of the balance sheet the financial commitment equal to the payment received for the receivables sold.
- On 11 February 2010 (after the balance-sheet date), an agreement was signed by and between the parties to the securitisation agreement under which the Bank bought the credit receivables due from the consumer loan portfolio of Dominet Bank S.A. back from the special purpose vehicle.

8.5. Cooperation Agreements with Fortis Lease Polska sp. z o.o.

On August 1, 2009 Fortis Bank Polska SA signed a cooperation agreement with Fortis Lease Polska sp. z o.o., under which the Bank shall inform its customers that financing is available through lease at Fortis Lease Polska (FLP). If a lease agreement is signed by Fortis Lease Polska sp. z o.o. with a customer as a result of the Bank's acting as an intermediary, the Bank is entitled to a commission on this account.

8.6. Annex to the Credit Facility Agreement with Fortis Lease Polska Sp. z o.o.

On March 2, 2010 the Bank signed Annex No. 20 to the Multioption Credit Facility Agreement concluded with Fortis Lease Polska Sp. z o.o. on November 17, 2000. The credit facility is available as an overdraft, a guarantee line or a L/C line. The limit in the amount of PLN 175 million remains unchanged. As provided in the Annex, the loan tenor was extended for the next 6 months, i.e. until the end of July 2010.

8.7. Annex to the Cooperation agreement with Fortis Private Investments Polska S.A.

On 5 November 2007, Fortis Bank Polska SA signed a Distribution Agreement with Fortis Private Investments Polska S.A. regarding the acquisition by Fortis Bank Polska SA of customers interested in using third party's brokerage financial instrument portfolio services of Fortis Private Investments Polska S.A. On 19 April 2009 an Annex to the agreement was signed with respect to compensation. The change results from the extension of the sales network by the network of franchisees and the intention to increase the investment fund unit distribution volume.

Details regarding agreements and transactions with affiliated entities in 2009 and comparative data for 2008 are presented in Additional Note 28 to the Financial statements.

8.8. Material transactions with entities not affiliated with the Capital Group of Fortis Bank Polska SA

Loan agreements with a Customer not affiliated with the Capital Group of Fortis Bank Polska SA



On 31 March 2009, Fortis Bank Polska SA and Fortis Bank S.A./NV (lenders) signed an agreement with a Customer not affiliated with the Capital Group of Fortis Bank Polska SA. Pursuant to the aforementioned agreement, the Parties agreed to suspend for a period of two months the repayment of the debt due under the loan agreements concluded with the Customer. The lenders committed to refrain from taking any enforcement or securing actions with respect to the Customer in that period. Later, the agreement validity term was extended until 31 July 2009.

On 28 July 2008, an agreement was signed ("amending agreement") under which credit agreements and surety agreement were modified. The amendments related to new repayment deadlines determined according to the repayment schedule adopted for the following agreements:

- loan agreement concluded by Fortis Bank S.A./NV and the Customer on 27 June 2008, as amended; the loan principal of PLN 50 million to be repaid until 5 January 2012 at the latest;
- loan agreement concluded by Fortis Bank Polska SA and the Customer on 8 May 2008, as amended; the loan principal of PLN 198.43 million to be repaid until 5 January 2018 at the latest;
- surety agreement concluded by Fortis Bank Polska SA and the Customer on 18 January 2007, as amended; in the amount of EUR 4,198 thousand until 5 January 2018, at the latest. The surety agreement applies to the loan agreement concluded by Fortis Bank Polska SA and the subsidiary of the Customer on 18 May 2007, as amended.

The amending agreement was signed subject to conditions precedent that included adopting a resolution by the general meeting of the Company, being the Bank's Customer, by 29 July 2009 at the latest, regarding consent to establish registered pledges on the Company's enterprise in favour of Fortis Bank Polska SA. The conditions have been met. The amending agreement also included the commitment of the Bank to subscribe for new series I shares in the increased share capital of the customer's company. On 24 November 2009 the share subscription agreement was signed. Through the private placement, the Bank acquired 8,247,423 Series I bearer shares with the face value of PLN 0.20 each and the share issue price of PLN 4.85 each. The total issue price of the acquired shares amounted to PLN 40 million and was paid by a set-off of the mutual receivables. After the Customer's capital increase registration in December 2009, the Bank held 7.4% interest in the Customer's share capital authorising to exercise 7.4% of all voting rights at the general meeting of the Customer.

As a result of the above transaction, the Customer's debt to the Bank due under the loan agreement for PLN 198.43 million, concluded on 8 May 2008, was reduced by PLN 40 million.

The Customer's entire debt to the Bank got reduced down to PLN 204 million (the debt equivalent under the suretyship of EUR 2.7 million granted to the Customer's subsidiary and the multi-option credit line of PLN 20 million granted to the Customer included).

As of the registration date of the Customer's share capital increase, entered into force the commitment of the Bank, the company's shareholder, to vote together at the company shareholders meetings with respect to candidatures to the company's supervisory board, provided in the agreement with the company's shareholders dated 28 July 2009. Upon the Bank's takeover of 8,247,423 shares in the company, the parties to the agreement held jointly 28,907,159 shares that entitled to 25.91% of total voting rights.

Guarantee agreement with a Customer not affiliated with the Capital Group of Fortis Bank Polska SA

On 17 July 2009, Fortis Bank Polska SA signed an agreement with a Customer not affiliated with the Capital Group of Fortis Bank Polska SA, which amended the terms and conditions of the credit agreement dated April 25, 2008. The amendment regarded the credit limit increase from PLN 200 million up to PLN 205.8 million and also the change of the credit limit nature from a multi-option credit line into a guarantee line agreement.

Loan Agreement with the European Investment Bank

On November 30, 2009 Fortis Bank Polska SA signed a loan agreement with the European Investment Bank (EIB) based in Luxembourg under which EIB granted the Bank a loan of EUR 50 million. The Bank obtained funds allocated for financing of investment projects of small and medium-sized enterprises.



Detailed terms and conditions of the financing are to be specified separately for each loan tranche disbursed. The maximum loan tranche repayment term is 12 years. Fixed or variable interest rate shall depend on the currency of the loan tranche to be disbursed (EUR, PLN, GBP, USD): a relevant reference rate (EURIBOR, WIBOR, LIBOR) plus margin.

The agreement's fulfilment was conditional upon obtaining Fortis Bank SA/NV guarantee. Fortis Bank SA/NV based in Brussels issued a guarantee of fulfilment of the Bank's obligations under the loan agreement.

Neither in 2009 nor in 2008 did the Bank exceed the maximum exposure limit towards any customer or capital group as stipulated in the Banking Law Act.

In 2009, the Bank entered into no other agreements that are subject to information duty under the Ministry of Finance Ordinance dated 19 February 2009, regarding current and periodical information submitted by issuers of securities (Journal of Laws of 2009 No. 33, item 259).

8.9. Insurance contracts

Banking risks, electronic and computer crime and professional indemnity insurance for a financial institution

Fortis Bank Polska SA is included in the corporate insurance program dedicated to Fortis Bank SA/NV and its subsidiaries worldwide. The Combined Crime and Civil Liability program provides banking business insurance – bankers blanket bond, electronic and computer crimes (BBB - ECC) and Professional Indemnity (PI) insurance program up to EUR 160 million, with the deductible of PLN 50 million per claim (Master Policy); Fortis Bank Polska SA is the insurance beneficiary. Within the Master Policy structure, Fortis Bank SA/NV introduced a system of the deductible buyback intended to cover the deductible of EUR 50 million – Captive Policy. For Fortis Bank Polska SA the deductible was reduced, respectively, in relation to professional indemnity down to EUR 3 million and in relation to the other risks down to EUR 500 thousand. The insurance was concluded for the period from July 1, 2009 to June 30, 2010. As of July 1, 2010, the binding insurance program will be integrated into an insurance program of BNP Paribas S.A.

Since May 2009, Fortis Bank Polska SA as a subsidiary of Fortis Bank SA/NV has been covered by the insurance program of BNP Paribas as far as the Directors and Officers Insurance Program is concerned. The insurance sum for the policy dedicated to all entities of Fortis Bank SA/NV is EUR 152.5 million. The policy has been signed for the period from May 12, 2009 to March 31, 2010.

Third party liability insurance on account of agency services

The policy was entered into pursuant to the provisions of the Finance Ministry Ordinance dated 23 June 2005 regarding obligatory third party liability insurance on account of agency services (Journal of Laws no. 122, item 1027 of 2005). The guarantee sum is EUR 1,500 thousand for all incidents and EUR 1,000 thousand for one incident. The policy was signed with InterRisk Vienna Insurance Group for the period from July 31, 2009 to February 19, 2010.

Property, electronic equipment and third party liability insurance. The insurance policy was signed with AVIVA Towarzystwo Ubezpieczeń Ogólnych SA (former Commercial Union Polska – Towarzystwo Ubezpieczeń Ogólnych SA) for the period from August 1, 2009 to April 25, 2010.

All-risk insurance against loss or damage of property – insurance of property, electronic equipment and civil liability on account of property and business activity conducted. The insurance sum for investment outlays equals the book value of the Bank's investment outlays. In the remaining scope, the insurance sum has been determined on the basis of the new replacement value.

The comprehensive automotive policy [car breakdown (AC), third party liability (OC) and personal accident (NW)] for the Bank's company cars

General insurance agreement dated March 30, 2009 signed with PZU S.A. for the period from March 1, 2009 to June 30, 2010. The Agreement stipulates the insurance subject and coverage with respect to company cars of Fortis Bank Polska SA and provides detailed cooperation principles of settlement of motor insurance claims related to the utilisation of the car fleet owned by Fortis Bank Polska SA



Insurance of medical costs of Fortis Bank Polska SA employees during foreign business travel, signed with **Chartis Europe S.A. Branch in Poland** (former **AIG Europe SA, Branch in Poland**), for the period from May 1, 2009 until April 30, 2010. Under the policy, the insurance covers all Fortis Bank Polska SA employees travelling abroad for business purposes.

8.10. Agreements with the central bank and the regulators

Annex No. 21 dated November 6, 2009 to the bank account agreement with the National Bank of Poland

Annexes to the Arrangement with the National Bank of Poland of May 15, 2008 that introduced a consolidated text of the agreement on conditions of RTGS account opening and maintenance in the Sorbnet-Euro system

Agreement with the National Depository of Securities (KDPW S.A.) dated March 27, 2009 on submitting statements and providing documents in an electronic form using the Information Exchange system.

8.11. Agreements with auditors

On October 13, 2008, Fortis Bank Polska SA and KPMG Audyt sp. z o.o. signed an agreement on auditing and reviewing separated and consolidated financial statements. Under the agreement signed, KPMG Audyt sp. z o.o. audited the consolidated and the separated financial statements for 2008 and made a review of the interim consolidated and separated financial statements for the 1st half of 2009.

The table below shows the auditor's contractual remuneration (net) broken by service types (in PLN thousand):

Remuneration title:	<u>2009</u>	<u>2008</u>
audit of annual financial statements for 2009/2008	-	465
review of the interim financial statement for the 1 st half of 2009/ the 1 st half of 2008	190	110
other services (group reviews, consulting)	516	80
Total	706	655

On 1 September 2009, the Supervisory Board of the Bank selected Mazars Audyt Sp. z o.o. with the registered office in Warsaw 00-549, ul. Piękna 18, KIBR (National Chamber of Statutory Auditors) register number: 186), as the entity that will audit consolidated and separated financial statements of Fortis Bank Polska SA Capital Group for 2009 and review interim financial statement for the 1st half of 2010. In 2009, Mazars Audyt sp.z o.o. made a review of the consolidated statements as at 30 September 2009. Total remuneration under the agreement equals EUR 162 thousand.

The agreement with Mazars Audyt sp. z o.o was signed on October 9, 2009.



9. AFFILIATED ENTITIES

9.1. Profile of the Shareholder with over 5% of votes at the General Shareholders Meeting

The parent company of Fortis Bank Polska SA is **BNP Paribas SA based in Paris, France**. As at January 21, 2010, the share capital of BNP Paribas SA amounted to EUR 2,371 million and was divided into 1,185,281,764 shares of EUR 2 nominal value each.

BNP Paribas Group is a leading European organisation operating in the financial sector worldwide, which focuses on investment, corporate and retail banking, asset and property management as well as insurance services. The largest share, i.e. 60% of the revenues of BNP Paribas is generated by retail banking. BNP Paribas is the largest bank in the Euro zone in terms of deposits and one of the six most reliable banks worldwide (according to the rating agency Standard & Poor's), which employs over 205 thousand people in 85 countries. Belgium, France, Italy and Luxembourg are the key markets of the Group in Europe. The Group has been operating in Poland through a number of subsidiaries, in particular Fortis Bank Polska SA and BNP Paribas Branch in Poland.

BNP Paribas SA is listed on the Paris Euronext Stock Exchange and its shares are included in the CAC- 40 index (40 largest companies among 100 companies with the highest capitalisation).

BNP Paribas SA is also the parent entity of Fortis Bank SA/NV based in Brussels, that renders its services under BNP Paribas Fortis brand.

The parent entity of Fortis Bank Polska SA is Fortis Bank SA/NV based in Brussels which holds 99.87% of the Bank's shares, of which 78.13% directly and 21.74% through Dominet S.A. Fortis Bank SA/NV share capital is EUR 9,375 million. Fortis Bank issued 483 241 153 shares, of which 74.93% is held by BNP Paribas SA, 25% is owned by the Belgian State through the investment entity SFPI (Société Fédérale de Participations et d'Investissement), whereas the remaining 0.07% is held by dispersed shareholders.

Until 10 October 2008, Fortis Bank SA/NV. was part of Fortis, an international banking and insurance group. Upon the takeover of Fortis assets by the government of the Kingdom of Belgium, Dutch government and government of Luxembourg, and as a result of further agreements concluded by the government of the Kingdom of Belgium and Fortis, the Belgian government became the holder of 99.93% of Fortis Bank SA/NV through the Belgian Federal Participation and Investment Company (Société Fédérale de Participations et d'Investissement).

At the same time, in October 2008, the Belgian government reached an agreement with **BNP Paribas**, a financial and banking group **registered in France**, under which it would acquire a 75% interest in Fortis Bank SA/NV and 100% of Fortis Insurance Belgium from the Belgian State and would buy a 16% stake in Fortis Banque Luxembourg (thus increasing its controlling interest up to 67%) from the Luxembourgian State Treasury. BNP Paribas announced taking control over Fortis Bank SA/NV along with its international subsidiaries, including Fortis Bank Polska SA). The aforementioned agreement was approved by the General Meeting of Fortis Shareholders in April 2009.

On May 12, 2009 Fortis Bank SA/NV became part of the BNP Paribas SA group, after the purchase transaction of 74.93% of Fortis Bank SA/NV shares from Société Fédérale de Participations et d'Investissement by BNP Paribas was finalised.

Since May 2009, intensive works targeted at Fortis Bank SA/NV and BNP Paribas integration under BNP Paribas Fortis brand have been carried out. In December 2009, a business plan (Industrial Plan) was announced that assumed synergies of EUR 900 million annually until 2012, of which EUR 850 million are cost synergies and EUR 50 million - net revenue synergies. 12% of those synergies were to be achieved in 2009, 25% by 2010 and 65% by 2011.

The BNP Paribas SA net income of 5.8 billion euro confirms the Group's powerful capacity to generate a solid profit. BNP Paribas Fortis contributed a total of 708 million euros to the Group's net income.

In an environment characterised by a downturn in the economy, but also by customers' return to capital markets, BNP Paribas Group performed well in 2009: it posted 5,832 million euros in net income (group



share), a significant rebound (+93%) compared to 2008, but well below the pre-crisis levels (7,822 million euros in 2007).

The BNP Paribas Group generated 40,191 million euros in revenues, or +46.8% compared to 2008. Thanks to operating expenses increasing much less, at 23,340 million euros (+26.8% compared to 2008), gross operating income, at 16,851 million euros, is 87.7% higher than the amount in 2008. This solid operating performance enabled the Group to offset the new rise in the cost of risk by +45.5%.

Return on equity was 10.8%, compared to 6.6% in 2008 and 19.6% in 2007.

The reinforced level of the Tier 1 capital adequacy ratio amounted to 10.1% as at 31 December 2009, as compared to 7.8% at the end of December 2008.

Net earnings per ordinary share was 5.2 euro compared to 3.0 euro in 2008 (i.e. higher by +74%). After the noteworthy positive result in 2008 at the height of the financial crisis, this increase illustrates the Group's capacity to generate growth and create value throughout the cycle.

Following the integration within the BNP Paribas Group, i.e. from the date of the first consolidation on 12 May 2009, BNP Paribas Fortis generated revenues which totalled 5,292 million euros, benefited from the upturn in business in the retail networks and very good volumes in the market businesses in the second and third quarters of the year. Operating expenses were 3,147 million euros; they include the initial impact of cost synergies for a total of 120 million euros. Gross operating income totalled 2,145 million euros. Pre-tax income came to 1,360 million euros and after tax and minority interests, BNP Paribas Fortis contributed a total of 708 million euros to the Group's net income.

In January 2010 Standard & Poor's Ratings Services raised its long-term counterparty credit ratings on Fortis Bank SA/NV (BNP Paribas Fortis) and its subsidiary BGL BNP Paribas SA (BGL) from the level of 'AA-' to the level of 'AA', with a negative outlook. In the rating agency opinion, Fortis Bank SA/NV and BGL are becoming highly operationally integrated subsidiaries of BNP Paribas and core for its activities. Therefore, the agency equalized the ratings on both subsidiaries on with those on the parent BNP Paribas.

Dominet S.A.

Dominet S.A. based in Piaseczno is a credit, leasing and insurance intermediary operating mainly on the vehicle purchase financing market. The share capital of the company is PLN 2,971,349. Until July 31, 2009 Dominet S.A. was the sole owner of Dominet Bank S.A.

9.2. Fortis Private Investments Polska SA

Fortis Private Investments Polska S.A. (FPIP S.A.), 100% owned by Fortis Bank Polska SA, is an investment company operating in the brokerage business that includes:

- providing third party's financial instrument portfolio services, in particular managing financial instruments portfolios of private individuals as well as portfolios of investment funds;
- accepting orders to subscribe or redeem participation titles in UCITS.

The share capital of Fortis Private Investments Polska S.A. (FPIP S.A.) amounts to PLN 9,048 thousand and is divided into 377 thousand shares with a nominal value of PLN 24 each. The equity level of FPIP S.A. is sufficient for secure current business as well as future development of the company.

FPIP S.A. has been managing customer assets since 1996. The offering of Fortis Private Investments Polska S.A. includes comprehensive solutions with respect to Polish as well as foreign capital market investments. FPIP SA offers asset management services (portfolio management) and investment fund investments. FPIP S.A. offers equity, balanced and debt securities portfolios, including also Polish and foreign funds portfolios as well as active allocation portfolios with a defined share of equity. FPIP manages the investment portfolio of Fortis FIO (open-end investment fund) umbrella fund launched on the Polish market in 2005 in cooperation with SKARBIEC TFI S.A. Fortis FIO is the first umbrella fund on the Polish market with separated subfunds. The Fund comprises two subfunds: Fortis share subfund and Fortis stable growth subfund. Within Fortis FIO, Individual Pension Accounts, IKE Fortis FIO is also available.



In connection with the Bank's cooperation with FPIP S.A. to provide agency services of sale of financial instrument portfolio management, Fortis Bank Polska SA was registered by the Polish Financial Supervision Authority as the investment company's agent in February 2006.

Together with the Affluent Banking Department of Fortis Bank Polska SA, FPIP offers investment services to high net worth individuals.

Since mid-2008, a process of transformation of FPIP S.A. into the Investment Fund Company has been in progress. In the issue in question, an application to the Polish Financial Supervision Authority has been filed and is now considered. Following the change into an IFC, FPIP S.A. will continue to manage individual portfolios of financial instruments and it will develop activity related to investment funds. It is planned to expand the distribution network of investment fund units managed by FPIP S.A. by entities outside Fortis, e.g. by other Polish banks, independent financial advisors and electronic distribution channels. The Bank will continue to support further development of FPIP S.A. consistent with the above strategy.

The Polish Financial Supervision Authority raised no objections against an indirect purchase by BNP Paribas S.A. of Fortis Private Investments Polska S.A. shares in the number that would result in exceeding 50% of votes.



10. CORPORATE GOVERNANCE

Being a listed Company, Fortis Bank Polska SA observes corporate governance rules and therefore internally promotes and monitors their functioning. Since 1 January 2008 "The Best Practices in Companies Listed on WSE" have been in force.

Pursuant to the Warsaw Stock Exchange Regulations and Ministry of Finance Ordinance dated 19 February 2009, regarding current and periodical information submitted by issuers of securities, on 6 April 2009, Fortis Bank Polska SA published a Report on corporate governance observance by Fortis Bank Polska SA in 2008 along with the Annual Report for 2008. At the end of 2009, the Bank entered into an Electronic Database system made available by the GPW SA in order to inform about a permanent or incidental breach of corporate governance rules.

"The Best Practices in Companies Listed on WSE" require that in the composition of the Supervisory Board there are at least two independent members. Moreover, as regards supervisory board members' independence criteria and operation of the supervisory board committees, the document refers to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Independent members of the Supervisory Board of Fortis Bank Polska SA fulfil the independence criteria set out in the Supervisory Board Regulations approved by the General Meeting. They however do not satisfy one of the independence criteria recommended by the EC, i.e. the limitation of the tenure to maximum 12 years. In order to preserve the continuity of the Supervisory Board operation during changes in ownership, independent members of the Board have not been changed during their term of office.

Pursuant to the Bank's Statute and the Regulations of the Supervisory Board, an Audit Committee and Committee for Compensation of the Board of Executives' Members are established within the Supervisory Board of Fortis Bank Polska SA. Audit Committee has been operating at the Bank since 2006. The Committee monitors accuracy of financial reports, external audit process, functioning of internal control, in particular the risk management system and efficiency of internal audit.

On 1 September 2009, the Bank's Supervisory Board assessed qualifications of the Audit Committee members and confirmed that the Audit Committee operates in accordance with the binding regulations of the Act on Statutory Auditors and Their Council of 7 May 2009. Formal qualifications of one of the independent members of the Board meet requirements as regards accountancy.

Due to changes in the Fortis Bank SA/NV Group's shareholder structure, successive changes in the Bank's Supervisory Board's composition took place. During the transition period from September 2008 to June 2009, the Supervisory Board consisted of fewer than 7 members required at that time by the Bank's Statute. The composition was not fewer than at least 5 persons pursuant to Art. 22 of the Banking Law Act. The General Meeting held on 26 June 2009, adopted the amendment to the Bank's Statute, reducing the required minimum composition of the Supervisory Board of Fortis Bank Polska SA to 5 members. After recording this amendment to the Statute, the Bank's Supervisory Board meets the Statute's requirements.

In 2009 the Code of Commercial Companies and Acts regulating the capital market, especially as regards the organization of General Meetings, were considerably amended. The Bank will publish information about its General Meetings in compliance with legal requirements likewise corporate governance rules. The required information will be available at the Bank's registered office and on the website.

At the moment, the work to adjust corporate documents to requirements of the amended Code of Commercial Companies is in progress. Relevant amendments to the Statute and Regulations of the General Meeting will be tabled at the next General Meeting. The Bank does not intend to webcast the General Meeting's sessions or publish these recordings which, taking into account the current shareholders' structure, does not seem justified. All the entitled persons, as well as the press representatives, may participate in the general meetings.

Except for the above issues related to rule 1 in Part I and rule 6 in Part III of Best Practices, in 2009 Fortis Bank Polska SA observed all the other principles of corporate governance rules specified in "The Best Practices in Companies Listed on WSE".

The Bank runs an investors relations section which provides shareholders and potential investors with access to any essential information concerning its organisation and business. The website service dedicated



to investor relations is permanently developed and updated. A dedicated email box, to serve as the information exchange platform between shareholders and the Bank, has been launched. Corporate documents and the Bank's reports are also available on the Bank's website.

Based on the Investor Relations news service presented by the WSE, the Bank on a daily basis adjusts its website to set standards and makes all efforts to update the website service by all information that an investor may need.

On October 14, 2008 the Bank entered into a Liquidity Support Program. Bank's participation in the Program enables to increase the activity related to the presence on the regulated market and a permanent improvement of standards for market communication.

There is also the Compliance Department in the organisational structure of the Bank. One of the aims of its operating is to monitor compliance with corporate governance standards.

The report on corporate governance observance by Fortis Bank Polska SA in 2009 will be published on 12 March 2010, along with the Annual Report for 2009.



11. ORGANIZATIONAL STRUCTURE

11.1. Bank authorities

Pursuant to the Bank's Statute the Bank's bodies comprise:

- General Meeting
- Supervisory Board
- Board of Executives

Permanent and temporary committees acting as advisory and decision-making bodies are appointed at the Bank.

Permanent committees include:

- Risk and Asset & Liability Management Committee (Risk&ALM Committee)
- Credit Committee

Risk & ALM Committee composition, scope of competence and activity are specified in a resolution of the Bank's Board of Executives and the Committee Regulations. The Risk & ALM Committee is entitled to set up supportive committees, defining their composition, regulations, scope of activity and delegating powers to these committees. The following committees have been established to date:

- ALM and Liquidity Risk Committee
- Operational Risk Committee
- Credit Risk Management and Provisioning Committee
- Information Security Committee
- Business Continuity Committee

In November 2009, the Credit Risk Committee was transformed into the Credit Risk Management and Provisioning Committee.

The Credit Committee composition, scope of competence and activity are determined in the Credit Committee Regulations accepted by the Board of Executives and approved by the Supervisory Board. At the Bank there are also the Credit Sub-Committees (International and Local), acting under the "Credit Decision Making Regulations at Fortis Bank Polska SA" approved by the Bank's Supervisory Board.

The following operate within the Supervisory Board of Fortis Bank Polska SA:

- Audit Committee
- Compensation Committee

They are established pursuant to the Bank's Statute and the Regulations of the Supervisory Board.

11.2. Business lines and sales outlets

The Bank's organization is structured along business lines providing comprehensive service to specific customer and/or service market segments, in particular: Retail Banking, Commercial Banking (since January 1, 2010 - Enterprises and Transactional Banking Line) and Global Markets. In May 2009, Private Banking Business Line was incorporated into Retail Banking.

In July 2009 a new Personal Finance business line was launched. It functions as a platform for selling and servicing consumer loans at the Bank. Sales are performed in cooperation with the Retail Banking BL and through alternative sales channels such as used cars dealers, car showrooms and independent financial partners. The Personal Finance offering includes consumer loans, including e.g. loans for new and used cars, cash loans and credit cards. In the course of works over integration of Fortis Bank Polska SA with Dominet Bank S.A. new *Organisational Regulations* were developed and as a consequence the new integrated organisational structure of the merged Bank was implemented, effective August 1, 2009.

At the end of 2008 Fortis Bank Polska SA had 35 branches, 6 sub-branches and 9 Business Centres.

As a result of the integration of branch network after the merger with Dominet Bank, as at 31 December 2009, Fortis Bank Polska had:



- 133 branches, including 30 leading branches (five branches in Warsaw, three branches in Kraków, two in Poznań, Wrocław and Lublin each, and one branch in Bielsko-Biała, Bydgoszcz, Częstochowa, Łódź, Gdańsk, Gdynia, Gliwice, Katowice, Kielce, Lubin, Olsztyn, Opole, Rzeszów, Szczecin, Zakopane and Ząbki each);
- 117 franchised branches;
- nine CB Business Centers: in Warsaw, Krakow, Gdańsk, Bydgoszcz, Katowice, Poznań, Wrocław, Rzeszów and Łódź.

Leading branches are subject to registration in the National Court Register (KRS). Leading branches are responsible for the performance of own tasks and those of the subordinated operating units in a given territory (own subordinated branches and franchise branches and also sub-branches). The present structure of the distribution network reflects a division of the country into five geographic areas of operation:

- Region Centrum (Central Region) – 64 branches,
- South Region – 43 branches,
- Silesia Region – 44 branches,
- Western Region – 57 branches,
- North Region – 46 branches.

The Bank's distribution network is supported by 117 franchised outlets which service the Bank's customers under cooperation agreements signed with the Bank.

The Bank's organization chart as at 31 December 2009 has been attached to this Board of Executives' Report.



12. SUPERVISORY BOARD, BOARD OF EXECUTIVES AND EMPLOYEES

12.1. Board of Executives of Fortis Bank Polska SA

The composition of the Board of Executives of Fortis Bank Polska SA as at 31 December 2009:

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

In 2009 the composition of the Board of Executives changed as follows:

The Supervisory Board of the Bank appointed Mr Jacek Obłękowski, the President of Dominet Bank SA Management Board, a Vice-President of the Board of Executives of Fortis Bank Polska, effective 1 April 2009. Mr Obłękowski held the position of the President of Dominet Bank SA until 31 July 2009.

The Supervisory Board recalled Mr Thierry Lechien from his function of a Member and Vice-President of the Board of Executives of Fortis Bank Polska SA, effective June 15, 2009 and appointed Mr Philippe Van Hellemont to the position of Vice-President of the Board of Executives, effective June 16, 2009. Mr Philippe Van Hellemont was entrusted with the risk management area.

On 1 September 2009, the Bank's Supervisory Board appointed Mr Michel Thebault to the position of a Vice-President of the Board of Executives. Mr Michel Thebault supervises the Personal Finance area.

On 13 November 2009, the Bank's Supervisory Board appointed Mr Frederic Amoudru to the position of a Vice-President of the Board of Executives. Since October 2009, Mr Amoudru has been working as a BNP Paribas Country Manager for Poland.

The aforementioned persons have been appointed to the Board of Executives until the end of the current five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2009 fiscal year.

12.2. Supervisory Board of Fortis Bank Polska SA

The composition of the Supervisory Board of Fortis Bank Polska SA as at 31 December 2009:

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

In 2009 the composition of the Supervisory Board changed as follows:

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

On 26 June 2009, Mr Peter Ullmann resigned from his function in the Supervisory Board of the Bank. Mr Peter Ullmann was a member of the Supervisory Board of Fortis Bank Polska SA since 24 May 2005.

The Annual General Meeting held on 26 June 2009 appointed Mr Camille Fohl and Mr Reginald de Gols to the Supervisory Board, effective 26 June 2009. Mr Camille Fohl took up the position of the Chairman and Mr Jos Clijsters assumed the position the Deputy Chairman of the Bank's Supervisory Board.



On 25 September 2009, Mr Lucas Willemyns resigned from his function in the Supervisory Board of Fortis Bank Polska SA, effective 30 September 2009. Mr Lucas Willemyns was a member of the Supervisory Board of the Bank since 21 February 2008.

The aforementioned persons have been appointed to the Supervisory Board until the end of the current five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2009 fiscal year.

12.3. Rules of appointment and recalling members of the Board of Executives and the scope of their authority

Members of the Board of Executives of Fortis Bank Polska SA are appointed and recalled pursuant to the provisions of the Code of Commercial Companies and Partnerships, the Banking Law Act and the Statute of Fortis Bank Polska SA. The Board of Executives is composed of three to eight members, including President of the Board of Executives, one or a number of Vice Presidents of the Board of Executives, and members of the Board of Executives in the number that is defined by the Supervisory Board. Members of the BoE are appointed for the period of joint five-year tenure by the Supervisory Board. Appointment of two Members of the Board of Executives, including the President of the Board, is made with consent of the Polish Financial Supervision Authority, given upon a request of the Supervisory Board.

The Bank's Board of Executives manages the Bank's operational activity and represents the Bank before external parties. The scope of tasks of the Board includes primarily all the issues that are not reserved for the competence of other bodies of the Bank. The BoE takes decisions by way of resolutions regarding the assumption of liabilities or disposal of assets, the total amount of which in relation to one entity exceeds 5% of the Bank's equity. The BoE can delegate specific issues that belong to the scope of the BoE competence to specific BoE Members or the Bank employees. Decisions on the assumption of liabilities or disposal of assets whose total value in relation to one entity exceeds 5% of the Bank's equity, can be taken by committees of the Bank or designated people acting under the BoE resolution that defines the scope of such an authorisation and the decision-taking manner.

Individual Members of the BoE have no specific authority to take decisions on share issue or redemption.

The Bank and the managing persons entered into no agreements providing for any compensation in the event such people resign or are dismissed from their job position without an important reason, or when they are recalled or dismissed due to the Bank's merger by acquisition.

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

in PLN thousand	1.01.2009 - 31.12.2009	1.01.2008 - 31.12.2008
Board of Executives, including:	5,155	6,602
- remuneration	3,070	3,147
- benefits*	613	543
- other**	1,472	2,912
Supervisory Board	598	487
Managing Directors***	13,189	11,152

* The "Benefits" item includes expenses related to medical care, company car (lump sum), accommodation.

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

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

As at 31 December 2009 three members of the Board of Executives of Fortis Bank Polska SA were at the same time members of Supervisory Board of Fortis Private Investments Polska S.A., however did not receive remuneration for this, either in 2009 or in 2008.

Notes 29.2 and 29.3 of the Financial Statement contain detailed information on remuneration and other benefits paid to members of the Board of Executives and Supervisory Board in 2009 and comparative data for 2008.



12.4. Information on shares of the Bank held by members of the Board of Executives and the Supervisory Board

As at December 31, 2009 and the date of this report publication, i.e. 12 March 2010, none of the Board of Executives' Members and Supervisory Board's Members held any shares issued by Fortis Bank Polska SA or other financial instruments related to them or any holdings in affiliated entities of Fortis Bank Polska SA.

12.5. Staff

The number of people employed was 1,768 FTE (full time equivalents) as at 31 December 2008. Over the next 12 months the employment increased by 896 FTEs to 2,664 FTEs at the end of December 2009 (abrupt increase in FTEs was a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A.). After the merger, the next step to increase the operating efficiency of Fortis Bank Polska SA in 2010 will be integration of the existing functions and operations carried out by the Head Office of Dominet Bank in Lubin with operating structures of Fortis Bank Polska SA. The integration will result in downsizing of employment, which may cover 361 staff members in the entire Bank.

The majority, i.e. 64%, of the employed at the end of December 2009 were university graduates.

To ensure high level of the Bank's employee qualifications, the Bank implements a coherent human resources management strategy developed by the Board of Executives, including in particular training programs, adaptation support for new employees and personnel management improvement.

To increase the personal development opportunities and respect employee needs better, a number of actions were undertaken to improve training availability and effectiveness, e.g., internal training programs were updated to ensure their adjustment to the needs and new e-learning programs were implemented. Further measures were implemented in the area of development of leadership and managerial skills, including the participation of the Bank's management staff in the Manager's Academy.

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



13. STATEMENTS OF THE BANK'S BOARD OF EXECUTIVES

Correctness and reliability of reports presented

Board of Executives of Fortis Bank Polska SA represents that, to the best of their knowledge:

The financial statements of the Fortis Bank Polska SA Capital Group for 2009 and the comparative data were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Capital Group the Bank is part of and its net profit in all material aspects.

The Board of Executives' report on the Fortis Bank Polska SA Capital Group activity in 2009 contains the true picture of the Group's development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

The Board of Executives of Fortis Bank Polska SA hereby represents that Mazars Audyt sp. z o.o. based in Warsaw, an entity authorised to audit financial statements, was chosen, under Article 15 Section 3 item 8) of the Statute of Fortis Bank Polska SA by the Supervisory Board based on a recommendation given by the Board of Executives and the Audit Committee (Resolution no. 29/2009 of 1 September 2009), pursuant to the provisions of law, as the entity to audit the Fortis Bank Polska SA Capital Group's financial statements for 2009, and that the above entity and statutory auditors employed to perform the audit meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of the Polish law.



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

9.03.2010	Alexander Paklons President of the Board of Executives signature
9.03.2010	Jan Bujak Senior Vice-President Financial Director signature
9.03.2010	Frédéric Amoudru Vice-President signature
9.03.2010	Jean-Luc Deguel Vice-President signature
9.03.2010	Jacek Obłękowski Vice-President signature
9.03.2010	Jaromir Pelczarski Vice-President signature
9.03.2010	Michel Thebault Vice-President signature
9.03.2010	Philippe Van Hellemont Vice-President signature
