

**Translation of Statutory Auditor's Report  
supplementing the opinion on stand-alone  
financial statements of  
Fortis Bank Polska SA  
for the year ended  
31 December 2010**

## I. GENERAL SECTION

### *1. Description of the Company and general information*

Fortis Bank Polska S.A. with its registered office in Warsaw, ul. Suwak 3, was established on 5 November 1990 (at that time under the business name Krakowskie Towarzystwo Bankowe Spółka Akcyjna w Krakowie) and entered into the Business Register by the District Court for the Capital City of Warsaw, Business Court, XVI Business Registration Division under entry RHB 49002.

On 17 April 2001 the Bank was entered into the National Court Register kept by the District Court for the Capital City of Warsaw, XIII Business Division under entry 0000006421.

The tax and statistics registration are as follows:

NIP 676-007-83-01 REGON 003915970

The Company's principal business activity, according to its statutes, is:

- accepting cash as sight deposits and term deposits and keeping deposit accounts,
- keeping other bank accounts,
- granting credits and loans, including consumer credits and loans,
- performing bank settlements, issuing debit cards and effecting operations with the use of such cards,
- granting and confirming bank guarantees and sureties and opening and confirming letters of credit,
- issuing securities, including convertibles and banking securities, performing commissioned operations and incurring liabilities related to the issue of securities,
- participating in trading of financial instruments, including keeping securities trading accounts,
- effecting cheque and bill of exchange transactions as well as operations with warrants,
- buying and selling debts,
- purchasing and selling foreign exchange values,
- safekeeping of objects and securities and providing access to safe deposit boxes,
- providing the following financial services: consulting and advisory services in relation to financial, fiduciary, leasing and brokerage matters,
- providing sales-related services for open pension funds and safekeeping of pension fund assets,
- providing agency services related to acquiring participation units, investment certificates or investment fund titles, intermediation in sale and redemption of the same, safekeeping of investment fund assets,
- providing agency services related to property insurance,
- providing agency services related to personal insurance services, including life insurance,
- providing certification services in accordance with the electronic signature regulations, excluding qualified certificates issued by the banks within transactions to which they are parties,

- providing agency services in international funds transfers and settlements in international trade,
- issue of electronic money instrument.

As at 31 December 2010, the share capital amounted to PLN 1,206,175,300 and was divided into 24,123,506 shares with a nominal value of PLN 50 each.

As at 31 December 2010 the shares in the Company were held as follows:

	<i>Number of shares</i>	<i>% in share capital</i>	<i>Number of voting rights at AGM</i>	<i>% in total number of voting rights</i>
Fortis Bank S.A./NV	18 848 593	78,13%	18 848 593	78,13%
Dominet SA	5 243 532	21,74%	5 243 532	21,74%
Other	31 381	0,13%	31 381	0,13%
<b>Total</b>	<b>24 123 506</b>	<b>100%</b>	<b>24 123 506</b>	<b>100%</b>

As at 31 December 2010 the equity of the Company amounted to PLN 1,335,101 thousand.

As at 31 December 2010 the Management Board of Fortis Bank Polska S.A. was composed as follows:

- Frédéric Amoudru                      President of the Board
- Jan Bujak                                      First Vice-president of the Board
- Jacek Obłękowski                      Vice-president of the Board
- Jaromir Pelczarski                      Vice-president of the Board
- Michel Thebault                      Vice-president of the Board
- Philippe Van Hellemont              Vice-president of the Board
- Marta Oracz                                  Member of the Board
- Stéphane Rodes                          Member of the Board

As from 1 June 2010, the Supervisory Board of the Bank appointed Mrs. Marta Oracz to the position of the Member of the Board of the Bank.

On 18 June 2010, the Supervisory Board of the Bank appointed Mr. Frédéric Amoudru to the position of the President of the Board of the Bank with the effect as from the date of receiving approval of the Polish Financial Supervisory Authority to this appointment, yet not earlier than on 1 July 2010. On 1 July 2010 the Supervisory Board inducted Mr. Frédéric Amoudru to the position of the President of the Board

As from 30 June, Mr Alexander Paklons resigned from the position of the President of the Board of the Bank and from the Management Board Membership. On the same date, the Supervisory Board accepted the resignation of M. Jean-Luc Deguel from his function of the Vice-president of the Board and from the Management Board Membership

The Supervisory Board of the Bank appointed Mr. Jean-Philippe Stéphane Rodes to the position of the Member of the Board as from 1 July 2010 until the end of the mandate, i.e. until the day of holding of the Ordinary General Meeting approving the financial statements of the Bank for the year 2014.

On 14 September 2010, Mr. Frédéric Amoudru obtained the necessary approval of the Polish Financial Supervisory Authority, which made his appointment effective.

As at 31 December 2009, the Supervisory Board of Fortis Bank Polska SA was composed as follows:

- Camille Fohl                      President
- Jarosław Bauc                      Vice-president
- Lars Machenil                      Vice-president
- Monika Bednarek                      Member of the Supervisory Board
- Jean Deullin                      Member of the Supervisory Board
- Marc Selles                      Member of the Supervisory Board
- Andrzej Wojtyna                      Member of the Supervisory Board

On 1 April 2010 Mr. Reginald De Gols stepped down as Member of the Supervisory Board of the Bank.

The Annual General Meeting of Shareholders held on 29 April 2010 appointed three Members of the Supervisory Board: Mr. Marc Selles, Mr. Lars Machenil and Mr. Jean-Marie Bellafiore. On the same day ended the mandates of Mr. Antoni Potocki and Mr. Zbigniew Desler.

The Extraordinary Meeting of the Bank held on 29 June 2010 appointed four new Members of the Supervisory Board, as from 1 July 2010: Mrs. Monika Bednarek, Mr. Jarosław Bauc, Mr. Andrzej Wojtyna and Mr. Jean Deullin. Simultaneously, the Extraordinary Meeting of the Bank dismissed Mr. Jean-Marie Bellafiore from the function of Member of the Supervisory Board, and appointed to his position Mr. Jean Deullin.

On 30 August 2010 the Supervisory Board appointed Mr. Jarosław Bauc to the position of the Vice-president of the Supervisory Board of the Bank.

As from 30 September 2010 Mr. Jos Clijsters resigned from the position of the Vice-president of the Supervisory Board and from his Supervisory Board Membership.

On 5 November the Supervisory Board appointed Mr. Lars Machenil to the position of the Vice-president of the Supervisory Board

The average employment in the audited period was of 2,816 employees.

The audited balance sheet as at 31 December 2010 discloses total assets and liabilities of PLN 18,556,235 thousand, the profit and loss account for the financial year ended 31 December 2010 discloses a net profit of PLN 42,656 thousand, the statement of comprehensive income for the financial year ended 31 December 2010 discloses a total income of PLN 44,277 thousand, the statement of changes in equity discloses a decrease by PLN 33,733 thousand and the cash flow statement discloses an increase in cash balance by PLN 569,656 thousand.

The audited entity made available all data, information and explanations required by Statutory Auditor, which were certified with a Management Board statement on complete data entering in the books of accounts, the disclosure of all contingent liabilities and informing about all material events that took place after the balance sheet date. The audit was not limited in scope.

The closing balance as at 31 December 2009 was entered in the books as the opening balance as at 1 January 2010.

Financial statements for the preceding year ended 31 December 2009, approved by the Shareholders' Meeting resolution of 29 June 2010 were filed with the National Court Register on 11 Mai 2010. Pursuant to the resolution of the Shareholders' Meeting of 29 April 2010 the net loss for the year ended on 31 December 2009 in the amount of PLN 428,670 thousand was covered with the Bank's supplementary capital:

Financial statements for the preceding financial year were audited by Mazars Audyt Sp. z o.o. which issued an unqualified opinion.

Financial statements for the year ended 31 December 2009 were published in Monitor Polski B issue 1182/2010 of 20 July 2010.

Mazars Audyt Sp. z o.o. was appointed Statutory Auditor conducting the audit of the financial statements for the financial year ended 31 December 2010 further to the decision of Supervisory Board of 18 June 2010. The audit was carried out by Mazars Audyt Sp. z o.o., ul. Piękna 18, 00-549 Warsaw, registered as an entity entitled to examine the financial statements under entry 186, by virtue of the contract signed on 30 June 2010.

Mazars Audyt Sp. z o.o., members of its Management Board and supervisory bodies and other persons participating in the audit of financial statements of the Company comply with independence requirements in accordance with article 56, section 3 of the Act on Statutory Auditors and Their Self-government and Entities Entitled to Audit Financial Statements and Public Supervision.

## I. ANALYTICAL SECTION

### 1. Main figures characterizing the entity

<b>Profit and loss account (in PLN thousand)</b>	<b>2010</b>	<b>2009*</b>	<b>2008</b>
Interest income	898 044	911 091	1 005 027
Interest expense	(314 018)	(490 171)	(610 215)
Net interest income	584 026	420 920	394 812
Fees and commissions income	212 168	175 178	186 239
Fees and commissions expense	(55 349)	(27 951)	(11 393)
Net fee and commission income	156 819	147 227	174 846
Dividend and other investment income	-	244	-
Net gain/loss on financial assets held for trading	74 844	(34 412)	(54 541)
Net gain/loss on available-for-sale financial assets	1 376	6 300	(3 233)
Net profit/loss on hedging transactions	-	-	257
Other revenues	28 875	26 905	14 906
Total income, net	845 940	567 184	527 047
Personnel expenses	(231 229)	(224 119)	(179 178)
Depreciation of fixed assets and intangible fixed assets	(75 829)	(58 136)	(38 222)
Other expenses	(287 674)	(228 563)	(144 286)
Net impairment write-offs	(192 663)	(576 294)	(62 776)
Profit before income tax	58 545	(519 928)	102 585
Income tax expense	(15 889)	91 258	(24 394)
<b>Net profit</b>	<b>42 656</b>	<b>(428 670)</b>	<b>78 191</b>
<b>Total income</b>	<b>44 277</b>	<b>(419 443)</b>	<b>62 956</b>
<b>Balance sheet (in PLN thousand)</b>	<b>31/12/2010</b>	<b>31/12/2009*</b>	<b>31/12/2008</b>
Cash and cash equivalents	1 172 860	832 724	1 494 888
Financial assets held for trading	194 290	664 305	1 372 145
Bank receivables	159 013	1 573 242	606 373
Customer receivables	13 151 131	13 811 556	14 823 117
Investments – Available for Sale	3 247 825	2 785 800	1 218 990
Other investments	18 208	18 208	-
Tangible and intangible assets	181 007	230 253	138 822
Fixed assets held for sale	4 785	-	-
Income tax settlements	84 015	48 554	-
Deferred tax assets	215 222	227 699	96 586
Other assets	127 879	119 508	135 383
<b>Total assets</b>	<b>18 556 235</b>	<b>20 311 849</b>	<b>19 886 304</b>
Financial liabilities held for trading	97 699	171 474	961 601
Due to banks	745 774	2 011 154	2 276 963
Due to customers	8 211 775	9 244 093	6 387 532
Credits and loans received	7 163 459	6 560 893	8 198 200
Liabilities relative to issuance of debt securities	30 000	30 000	-
Subordinated liabilities	565 239	582 984	417 240
Current tax liabilities	-	-	56 890
Other liabilities	385 772	285 644	354 092
Provisions	21 419	56 773	16 874
<b>Equity</b>	<b>1 335 101</b>	<b>1 368 834</b>	<b>1 216 912</b>
<b>Total liabilities</b>	<b>18 556 235</b>	<b>20 311 849</b>	<b>19 886 304</b>

\*<sup>2)</sup> analyzing the above figures it should be underlined that in 2009 Fortis Bank Polska merged with Dominet Bank SA

## 2. Selected financial ratios

	31/12/2010	31/12/2009	31/12/2008
Balance sheet total (in PLN thousand)	18 556 235	20 311 849	19 886 304
Gross result (in PLN thousand)	58 545	(519 928)	102 585
Net result (in PLN thousand)	42 656	(428 670)	78 191
Equity (in PLN thousand) *)	1 335 101	1 368 834	1 216 912
Net result to equity ratio	3%	-31%	6%
Solvency ratio	13,52%	13,26%	9,78%
Income generating assets to total assets	72%	76%	78%
Interest bearing liabilities to total liabilities	92%	92%	92%

\*) including the result of the current year

As at 31 December 2010 the balance sheet total amounted to PLN 18,556,235 thousand. The major items in the asset structure were loans to customers (mainly credits) in the amount of PLN 13,151,131 thousand. The most significant items of liabilities as at the balance sheet date include liabilities due to customers of PLN 8,211,775 thousand and credits and loans received in the amount of PLN 7,163,459 thousand.

As at 31 December 2010 the capital adequacy ratio amounted to 13.52%.

In comparison with the previous year, the write-offs on credit receivables and interest expenses significantly decreased. By implication, in 2010 the Bank recorded a net profit of PLN 42,656 thousand.

In our opinion, the results of the audit of the Bank's financial statements as at 31 December 2010, the analysis of the above presented ratios as well as all the information available to us as at the date of preparing this report and the opinion, do not disclose any threat to the continued operations of the Bank over the 12 months from the cut off date.

### **III. DETAILED SECTION**

#### ***1. Information about the audit course and accounting organisation***

##### **1.1. Legal provisions applied in the audit**

The audit was conducted applying the following provisions:

- a) International Standards on Auditing,
- b) Accounting Act dated 29 September 1994 (Journal of Laws of 2009 No. 152, item 1223 with subsequent amendments),
- c) Act of 29 August 1997, Banking Law (Journal of Laws of 2002 No. 72, item 665 with subsequent amendments),
- d) Act of 7 May 2009 on Statutory Auditors and Their Self-government and Entities Entitled to Audit Financial Statements and Public Supervision (Journal of Laws of 2009 No. 77, item 649),
- e) Regulation of the Minister of Finance of 1 October 2010 on specific principles of accounting for banks (Journal of Laws of 2010 No. 191, item 1279),
- f) Regulation of the Minister of Finance of 16 December 2008 on the principles for establishing general banking risk provisions (Journal of Laws of 2008 No. 235, item 1589, with subsequent amendments),
- g) Code of Commercial Companies – the Act of 15 September 2000 (Journal of Laws No. 94, item 1 037, with subsequent amendments).

##### **1.2. Assessment of the correctness of the accounting system applied**

The books of the entity are kept in accordance with the adopted accounting policy. Adopted principles are adjusted to the conditions and needs of the entity.

In the year under audit, the books of accounts were kept in the Bank's headquarters in Cracow. The books reflect the course of business operations in a documented manner, while meeting compulsory accounting standards.

The Company's books of accounts were kept using a computer software in accordance with statutory requirements defined in article 13 sections 4 and 5 of the Accounting Act.

Pursuant to the Accounting Act and the Regulation of the Minister of Finance dated 29 August 2008 on the specific principles of accounting for banks (Journal of Laws of 2008, no. 161, item 1002), the Company carried out a stock-taking of assets and liabilities which was settled and entered into the books for the audited period.

The manner of storage and protection of accounting evidence, accounting books and financial statements met the requirements of article 71 of the Accounting Act.

##### **1.3 Compliance with prudential standards**

Following our audit we have not identified any significant departures from the prudential standards relating among others to loan concentration, obligatory reserve and capital adequacy ratio.



#### **1.4 Materiality levels adopted for the audit**

We have planned and applied a relevant materiality level in the performed audit procedures in order to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements.

## **2. Information about selected material elements of the financial statements**

The numerical data was presented in the appendix constituting an integral part of this Statutory Auditor's Report.

### **2.1. Balance sheet**

As at 31 December 2010 the balance sheet total amounted to PLN 18,556,235 thousand. The major items in the asset structure were loans to customers (mainly credits) in the amount of PLN 13,151,131 thousand. The most significant items of liabilities as at the balance sheet date include liabilities due to customers of PLN 8,211,775 thousand and credits and loans received in the amount of PLN 7,163,459 thousand.

### **2.2. Profit and loss account**

The Management of the audited entity adjusted the accounting principles of particular elements of profit and loss account to the specificity of conducted activity. Interest income of PLN 898,044 thousand constitutes the main source of income for the Bank and was correctly assigned to the audited financial year in all material respects. In the audited period, the Bank recorded a net profit of PLN 42,656 thousand. This was mainly due to a significant decrease in write-offs on credit receivables and interest expenses in comparison with the previous period.

### **2.3. Statement of comprehensive income**

The statement of comprehensive income disclosing a negative income of PLN 44,277 thousand was correctly presented in reference to the books of account.

### **2.4. Notes to the financial statements**

Notes to the financial statements for the year ended 31 December 2010, including a summary of significant accounting policies and other explanatory notes, were prepared, in all material respects, in accordance with International Financial Reporting Standards approved by the European Union. The information presented conforms to the books of accounts in all material respects.

### **2.5. Cash-flow statement and statement of changes in equity**

In accordance with International Financial Reporting Standards, the audited Bank is under obligation to prepare a cash-flow statement and a statement of changes in equity. The cash-flow statement and the statement of changes in equity have been presented correctly in all material respects, with reference to the balance sheet and the profit and loss account.

### **2.6. Management Board Report**

The information contained in the Management Board Report for the audited financial year, in the part relating to data contained in the accounting books, is compliant with the data presented in the financial statements as at 31 December 2010. The Management Board report complies, in all material aspects, with the requirements specified in Article 49, section 2 of the Accounting Act and the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodical Information Provided by Securities Issuers and Criteria of Recognizing as Equivalent the Information Required under Regulations of a Non-Member State (Journal of Laws of 2009 No. 33, item 259).

#### **IV. FINAL COMENTS**

This document is an English translation of Statutory Auditor's report originally issued in Polish. The original language version takes precedence over this translation. The original report contains 11 pages numbered consecutively. The appendix comprising financial statements of FORTIS BANK POLSKA S.A. as at 31 December 2010 constitutes an integral part of the Statutory Auditor's report.

On behalf of:

Mazars Audyt Sp. z o.o. No. 186

Warszawa, ul. Piękna 18

Bogusław LASKOWSKI



Michel KIVIATKOWSKI

Key Statutory Auditor Partner

Partner

*No. 6115*

Warsaw, 14 March 2011