

# Annual Separate Financial Statement of Fortis Bank Polska SA for 2010



**BNP PARIBAS**  
**FORTIS**

| Bank zmieniającego się świata





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## 1. Financial Highlights

Fortis Bank Polska SA and Dominet Bank SA merged on 31 July 2009. Pursuant to the accounting standards adopted, after the merger Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with relevant items of Dominet Bank SA included in comparative data. The Bank's results do not include the result of Dominet Bank SA for the reporting period from 1 January 2009 till 31 July 2009.

<b>FINANCIAL HIGHLIGHTS (SEPARATE)</b>	<b>in PLN thousand</b>		<b>in EUR thousand</b>	
	<b>31.12.2010 (YTD)</b>	<b>31.12.2009 (YTD)</b>	<b>31.12.2010 (YTD)</b>	<b>31.12.2009 (YTD)</b>
<b>Income statement</b>				
Interest income	898 044	911 091	224 264	209 900
Fee and commission income	212 168	175 178	52 984	40 358
Total income, net	845 940	567 184	211 253	130 669
Gross profit/loss	58 545	-519 928	14 620	-119 783
Net profit/loss	42 656	-428 670	10 652	-98 758
<b>Ratios</b>				
Weighted average number of shares	24 123 506	19 613 269	-	-
Basic Earnings/Loss Per Share (PLN/EUR)	1,77	-21,86	0,44	-5,04
Diluted Earnings/Loss Per Share (PLN/EUR)	1,77	-21,86	0,44	-5,04
<b>Cash Flow Statement</b>				
Net cash provided by operating activities	380 423	1 384 749	95 001	319 022
Net cash provided by investing activities	-496 248	-1 596 317	-123 926	-367 764
Net cash provided by (used in) financing activities	685 481	-1 080 007	171 182	-248 815
Total net cash flow	569 656	-1 291 575	142 257	-297 557
<b>Balance Sheet</b>				
	<b>Balance as at 31.12.10</b>	<b>Balance as at 31.12.09</b>	<b>Balance as at 31.12.10</b>	<b>Balance as at 31.12.09</b>
Total assets	18 556 235	20 311 849	4 685 563	4 944 221
Due to banks	745 774	2 011 154	188 313	489 546
Due to customers	8 211 775	9 244 093	2 073 523	2 250 157
Loans and credit facilities received	7 163 459	6 560 893	1 808 817	1 597 024
Equity	1 335 101	1 368 834	337 121	333 196
<b>Ratios</b>				
Number of shares	24 123 506	24 123 506	-	-
<b>Book value per share (in PLN / EUR)</b>	55,34	56,74	13,97	13,81
<b>Diluted book value per share (in PLN / EUR)</b>	55,34	56,74	13,97	13,81
<b>Capital adequacy</b>				
Capital adequacy ratio	13,52%	13,26%	-	-

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2010 and the corresponding financial figures for 2009 have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet and book value per 1 share as at the end of 2010 have been converted into EUR at the mid-rate prevailing on December 31, 2010, as published by the National Bank of Poland on December 31, 2010, i.e. EUR 1 = PLN 3.9603; comparative data as at the end of 2009 have been converted into EUR at the mid-rate prevailing on December 31, 2009, as published by the National Bank of Poland on December 31, 2009, i.e. EUR 1 = PLN 4.1082;
- particular items in the profit and loss account and cash flow statement, including earnings per share as at the end of 2010 have been converted into EUR at a rate which is a simple average of mid-rates set by the National Bank of Poland for the last days of the months from January to December 2010, i.e. EUR 1 = PLN 4,0044; comparative data as at the end of 2009 have been converted into EUR at a rate which is a simple average of mid-rates set by the National Bank of Poland for the last days of the months from January to December 2009, i.e., EUR 1 = PLN 4.3406.



## 2. Financial statement of Fortis Bank Polska SA

Fortis Bank Polska SA and Dominet Bank SA merged on 31 July 2009. Pursuant to the accounting standards adopted, after the merger Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with relevant items of Dominet Bank SA included in comparative data. The Bank's results do not include the result of Dominet Bank SA for the reporting period from 1 January 2009 till 31 July 2009.

<b>Income statement (in PLN thousand)</b>	<b>Notes</b>	<b>1.01.2010 - 31.12.2010</b>	<b>1.01.2009 - 31.12.2009</b>
Interest income	8.1	898 044	911 091
Interest expense	8.2	-314 018	-490 171
<b>Net interest income</b>		<b>584 026</b>	<b>420 920</b>
Fee and commission income	8.3	212 168	175 178
Fee and commission expense	8.4	-55 349	-27 951
<b>Net fee and commission income</b>		<b>156 819</b>	<b>147 227</b>
Dividend and other investment income	8.5	-	244
Net trading income	8.6	74 844	-34 412
Net gain/loss on available-for-sale financial assets	8.7	1 376	6 300
Other revenues	8.8	28 875	26 905
<b>Total income, net</b>		<b>845 940</b>	<b>567 184</b>
Personnel expenses	8.9	-231 229	-224 119
Depreciation of fixed assets and intangible fixed assets	8.10	-75 829	-58 136
Other expenses	8.11	-287 674	-228 563
Net impairment losses	8.12	-192 663	-576 294
<b>Gross profit/loss</b>		<b>58 545</b>	<b>-519 928</b>
Income tax expense	8.13	-15 889	91 258
<b>Net profit/loss</b>		<b>42 656</b>	<b>-428 670</b>

<b>Separate report of total income (in PLN thousand)</b>	<b>1.01.2010 -31.12.2010</b>	<b>1.01.2009 -31.12.2009</b>
<b>Net profit (loss) for the year</b>	<b>42 656</b>	<b>-428 670</b>
Profits / losses not recognised in income statement (investments available for sale)	3 578	<b>17 767</b>
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	-680	<b>-3 375</b>
<b>Profits/losses not recognised in the income statement (investments available for sale) - net</b>	<b>2 898</b>	<b>14 392</b>
Net profits / losses recognised in income statement (investments available for sale)	-1 577	<b>-6 377</b>
Deferred tax – net profits/losses recognised in the income statement (investments available for sale)	300	<b>1 212</b>
<b>Profits / losses recognised in income statement (investments available for sale) - net</b>	<b>-1 277</b>	<b>-5 165</b>
<b>Total income</b>	<b>44 277</b>	<b>-419 443</b>

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



<b>Balance Sheet (in PLN thousand)</b>	<b>Notes</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>ASSETS</b>			
Cash and cash equivalents	9	1 172 860	832 724
Financial assets held for trading	10	194 290	664 305
Due from banks	11	159 013	1 573 242
Loans to customers	11	13 151 131	13 811 556
Investments - Available for Sale	12	3 247 825	2 785 800
Other investments	12	18 208	18 208
Property, Plant and Equipment	13	157 348	188 071
Intangible assets	14	23 659	42 182
Non-current assets held for sale	15	4 785	-
Settlements on account of income tax		84 015	48 554
Deferred tax assets	16	215 222	227 699
Other assets	17	127 879	119 508
<b>Total assets</b>		<b>18 556 235</b>	<b>20 311 849</b>
<b>LIABILITIES</b>			
Financial liabilities held for trading	10	97 699	171 474
Due to banks	18	745 774	2 011 154
Due to customers	18	8 211 775	9 244 093
Loans and credit facilities received	18	7 163 459	6 560 893
Liabilities related to issuance of debt securities		30 000	30 000
Subordinated liabilities	19	565 236	582 984
Current tax liabilities		-	-
Other liabilities	20	385 772	285 644
Provisions	21	21 419	56 773
<b>Total liabilities</b>		<b>17 221 134</b>	<b>18 943 015</b>
<b>EQUITY CAPITAL</b>			
Share capital		1 206 175	1 206 175
Additional capital		125 745	554 415
Transfer from the Branch of BNP Paribas SA		-78 010	-
Other capital		45 639	45 639
Revaluation reserve		-7 104	-8 725
Retained earnings		-	-
Net profit (loss) for the year		42 656	-428 670
<b>Total equity</b>	22	<b>1 335 101</b>	<b>1 368 834</b>
<b>Total liabilities and equity</b>		<b>18 556 235</b>	<b>20 311 849</b>

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



**Statement of Changes in Shareholders' Equity in 2009**  
(in PLN thousand)

	Share capital	Additional capital	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 1.01.09</b>	<b>503 135</b>	<b>308 656</b>	<b>78 191</b>	-	<b>344 983</b>	<b>-18 053</b>	<b>1 216 912</b>
Merger with Dominet Bank SA	157 306	-23 982	-	-	-	101	133 425
Total income in 2009	-	-	-	-428 670	-	9 227	-419 443
Share issue	105 440	332 505	-	-	-	-	437 945
Increase of the share nominal value	440 294	-95 955	-	-	-344 344	-	-5
Distribution of retained earnings	-	33 191	-78 191	-	45 000	-	-
<b>Balance as at 31.12.09</b>	<b>1 206 175</b>	<b>554 415</b>	-	<b>-428 670</b>	<b>45 639</b>	<b>-8 725</b>	<b>1 368 834</b>

**Statement of Changes in Shareholders' Equity in 2010**  
(in PLN thousand)

	Share capital	Additional capital	Transfer from the Branch of BNP Paribas SA	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 1.01.10</b>	<b>1 206 175</b>	<b>554 415</b>	-	<b>-428 670</b>	-	<b>45 639</b>	<b>-8 725</b>	<b>1 368 834</b>
Total income in 2010	-	-	-	-	42 656	-	1 621	44 277
Distribution of retained earnings	-	-428 670	-	428 670	-	-	-	-
Others	-	-	-78 010	-	-	-	-	-78 010
<b>Balance as at 31.12.10</b>	<b>1 206 175</b>	<b>47 735</b>	<b>125 745</b>	-	<b>42 656</b>	<b>45 639</b>	<b>-7 104</b>	<b>1 335 101</b>

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



<b>Cash Flow Statement (in PLN thousand)</b>	<b>1.01.2010 - 31.12.2010</b>	<b>1.01.2009 - 31.12.2009</b>
<b>Cash and cash equivalents, gross, opening balance</b>	<b>833 802</b>	<b>1 495 348</b>
<b>Transfer from BNP Paribas SA</b>	<b>-229 861</b>	<b>-</b>
<b>Merger with Dominet Bank S.A.</b>	<b>-</b>	<b>630 029</b>
<b>Adjusted cash and cash equivalents, gross, opening balance</b>	<b>603 941</b>	<b>2 125 377</b>
<b>Gross profit/loss</b>	<b>58 545</b>	<b>-519 928</b>
<b>Adjustments for:</b>	<b>321 878</b>	<b>1 904 677</b>
<b>Depreciation</b>	<b>75 829</b>	<b>58 136</b>
Impairment losses	177 519	814 931
Profits/losses on account of FX rate differences	-	-
Profits/losses on investing activities	22 290	25 280
Changes in operational assets and liabilities:	85 105	1 117 283
- financial assets and liabilities held for trading	396 240	-82 287
- due from banks	1 414 241	-936 147
- loans to customers	676 668	2 519 750
- change in the balance of available-for-sale investments	-6 485	-34 962
- change in the other investments	-	-12
- due to banks	-1 271 406	-265 809
- due to customers	-1 263 824	674 319
- liabilities due on account of credit facilities and loans received	-82 915	-524 770
- liabilities due on account of a subordinated loan	-17 748	-96 420
- other assets and liabilities (Note 23)	240 334	-136 379
Income tax (current and deferred)	-38 865	-110 953
<b>Net operating cash flows</b>	<b>380 423</b>	<b>1 384 749</b>
Purchase of available-for-sale investments	-41 327 725	-43 423 114
Purchase of property, plant and equipment and intangible fixed assets	-41 952	-85 597
Proceeds from sales of available-for-sale investments	40 873 805	41 911 731
Proceeds from sales of property, plant and equipment	1 697	2 186
Other investment expenses	-2 073	-1 523
<b>Net cash provided by investing activities</b>	<b>-496 248</b>	<b>-1 596 317</b>
Issuance of subordinated liabilities	-	295 410
Payment of subordinated liabilities	-	-123 246
Loans and credit facilities taken	2 257 080	1 896 929
Repayment of loans and credit facilities	-1 571 599	-3 587 040
Share issue	-	437 945
Other financial expenses	-	-5
<b>Net cash provided by (used in) financing activities</b>	<b>685 481</b>	<b>-1 080 007</b>
<b>Cash and cash equivalents, gross, ending balance (Note 9)</b>	<b>1 173 597</b>	<b>833 802</b>
<b>Change in cash and cash equivalents, net</b>	<b>569 656</b>	<b>-1 291 575</b>

Cash Flow Statement is prepared using an indirect method.

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



### 3. Transaction of acquisition of an organised part of the bank enterprise run by BNP Paribas SA Branch in Poland

On 30 March 2010, an agreement was signed between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland. The purpose of the agreement was the acquisition by the Bank of the organised part of the bank enterprise of the Branch upon fulfillment of the terms and conditions specified in the agreement.

On 26 May 2010 the Polish Financial Supervision Authority issued a permit to conclude the above transaction.

The transaction concerned in particular the relationship with specific customers and their basic credit, deposit, FX, cash management and international trade finance products, including guarantees and collateral. Under the agreement, the Bank took over the service of approx. 150 capital groups, or 350 customers, upon their consent to being transferred.

Implementing rules to the Agreement were signed on 1 July 2010.

To determine a preliminary purchase price for the organised part of the enterprise, its balance sheet value as at 31 December 2009 was applied, while the final price was set based on balances as at 30 June 2010. A report showing balances as at 31 December 2010 was subject to appropriate procedures by a statutory auditor.

As at that date, the value of transferred loan receivables stood at PLN 257 million, and liabilities related to deposits exceeded PLN 1 billion. The difference of PLN (-78.0) million between the net book value of the assets purchased and the commitments taken over and the value of the paid price of PLN 334.9 million is recognised in the Bank's own funds (tier 1 capital).

Under IFRS 3, the transfer transaction is considered a business combination. Parties to the transaction are under common control of BNP Paribas based in Paris, France. Mergers regarding business combinations and entities under common control are not under the obligation to apply IFRS 3. There is also no separate standard applying to transactions regarding entities and business combinations under common control; therefore, pursuant to IAS 8 as the accounting policy for the transfer transaction the Bank adopted the book value method as a method reflecting the shift of the transferred assets and commitments from one part of the group (i.e. the Branch) to another (i.e. the Bank).

In the financial report the Bank adopts a prospective method of presentation of comparative data applicable to transfer in financial reports.





## Additional Notes to Financial Statements

### 4. Information on Fortis Bank Polska SA

#### Basic data on the Issuer

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

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

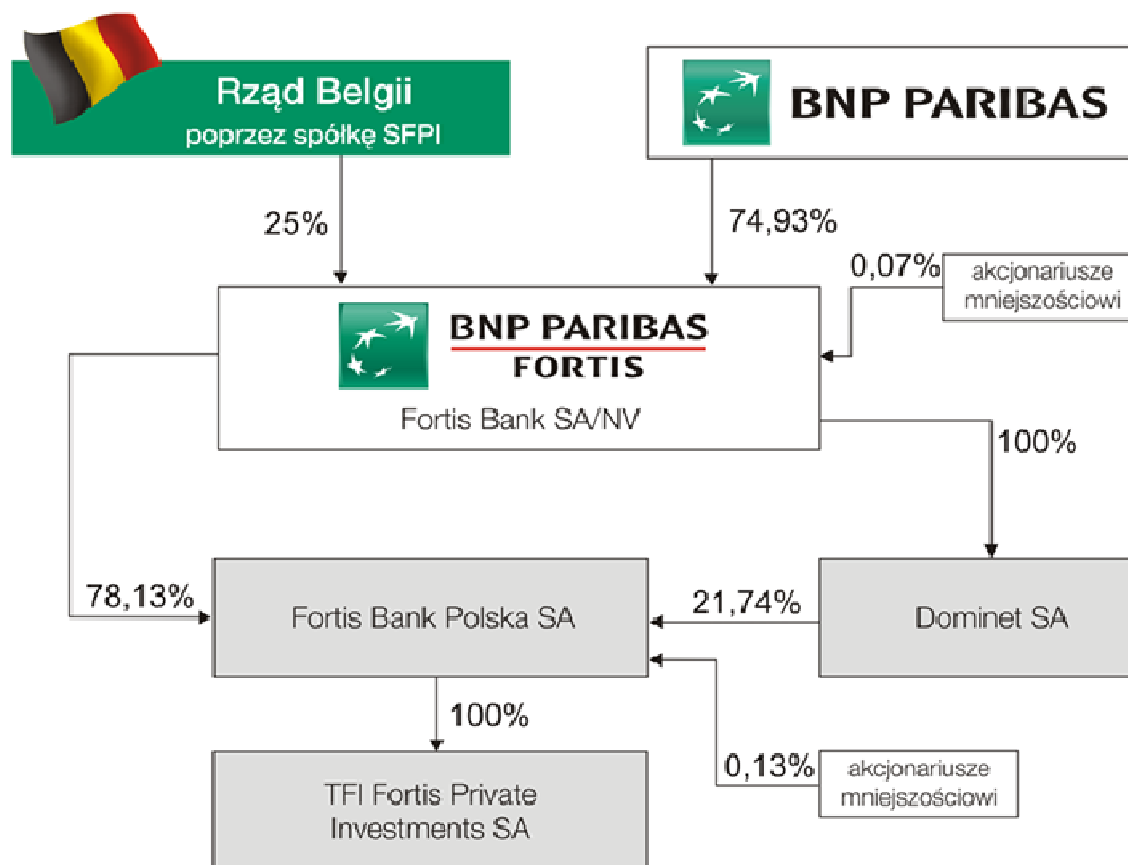
The Bank is a company with an indefinite period of operation, and its business has no seasonal or periodical nature.

#### The Group's structure

As at 31 December 2010, Fortis Bank Polska SA was part of BNP Paribas SA, an international financial institution based in Paris.

The direct 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 while 21.74% through Dominet S.A.

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





Fortis Bank Polska SA is the parent entity of Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA, holding 100% of its shares. Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA with its registered office in Warsaw, ul. Fredry 8, is entered into the National Court Register maintained by the District Court for the capital city of Warsaw, XII Commercial and Registration Department of the National Court Register, under KRS no. 0000031121. The company was assigned statistical number (REGON) 012557199, and tax identification number (NIP) 526-02-10-808.

Furthermore, Fortis Bank Polska SA holds 24.75% of shares in Dolnośląska Szkoła Bankowa Sp. z o.o., an associated entity. Dolnośląska Szkoła Bankowa Sp. z o.o. with its registered office in Lubin, ul. Komisji Edukacji Narodowej 6A, is entered into the National Court Register maintained by the District Court for Wrocław-Fabryczna, IX Commercial and Registration Department of the National Court Register, under KRS no. 0000147459. The company was assigned statistical number (REGON) 390555508, and tax identification number (NIP) 692-000-09-58.

The Bank measures shares in the associated entity at acquisition cost.

### Scope of the Bank's business

The Bank's business activity includes banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and corporate persons and other organizations without legal personality, likewise brokerage activities.

The Bank's business activity consists, in particular, of the following:

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in financial instruments, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting check and bill-of-exchange operations and warrant transactions,
- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
- providing the following financial services:
  - consulting services on financial issues,
  - custody services,
  - leasing services,
  - brokerage activity,
- conducting commission sale in favour of open pension funds and safekeeping pension funds' assets,
- providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
- providing agency services related to property insurance,
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.



## 5. Accounting Policies

### 5.1. Basis of presentation

#### 5.1.1. Statement on consistency with the IFRS

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

These financial statements were approved for publishing by the Bank Board of Executives on 14 March 2011.

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

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 31 December 2010:

- Amendments to IAS 32 *Financial Instruments: Presentation*, effective for annual periods beginning on or after 1 February 2010;
- Amendments to IAS 24 *Related Party Disclosures*, effective for annual periods beginning on or after 1 January 2011;
- Interpretation IFRIC 19 *Extinguishing Financial Liabilities with Equity*, which is effective for annual periods beginning on or after 1 July 2010;
- Amendments to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after 1 July 2010;
- Amendments to IFRS 7 *Financial Instruments: Disclosures*, IAS 34 *Interim Financial Reporting*, effective for annual periods beginning on or after 1 January 2011;
- Amendments to IFRS 7 *Financial Instruments: Disclosures*, effective for annual periods beginning on or after 1 July 2011; as at the date of preparing this financial statement, amendments to IFRS 7 have not been approved by the European Commission;
- IFRS 9 *Financial Instruments*, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- Amendments to IAS 12 *Income Taxes*, effective for annual periods beginning on or after 1 January 2012; as at the date of preparing this financial statement, the amendments have not been approved by the European Commission;

Other standards and interpretations that have not become effective yet and have not been mentioned in this financial statement, are not material from the Bank's standpoint. The Bank now analyses in detail the effect of new standards on the financial statement.

### 5.2. Basic assumptions

The financial statement was prepared assuming the continuation of the Bank's business in the foreseeable future.

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



The financial statement of the Bank was prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets, which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

The financial statement has been prepared in Polish zlotys (PLN), and all the values have been given in PLN thousands, unless indicated otherwise. The functional currency is Polish zloty (PLN).

### **5.3. Comparative data**

The financial statement presents data of Fortis Bank Polska SA for the period from 1 January 2010 through 31 December 2010 and as at 31 December 2010, likewise comparative data for the period from 1 January 2009 through 31 December 2009, and as at 31 December 2009.

Pursuant to the accounting standards applied to the merger of Fortis Bank Polska SA with Dominet Bank SA, after the merger with Dominet Bank SA, Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with respective items of Dominet Bank SA included in comparative data. The result of Dominet Bank SA for the reporting period from 1 January 2009 to 31 July 2009 has not been included in the result of the merged Bank for 2009.

### **5.4 Accounting Estimates**

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

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

#### 5.4.1 Fair value

The fair value of financial instruments that are not traded on an active market is measured applying valuation models using the market yield curve. Some variables used in such models require an adoption of expert estimations<sup>1</sup>.

#### 5.4.2 Write-downs for impairment of financial assets

In the estimation of write-downs for impairment, the Bank assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity and quality

Financial assets with respect to which impairment evidence was identified, are subsequently subject to an estimation of a write-down for impairment. In the process, future cash flows on account of such receivables are estimated<sup>2</sup>.

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

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

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

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<sup>1</sup> Detailed rules of determining fair value are presented in Chapter "Fair value of financial instruments".

<sup>2</sup> Detailed rules of determining impairment provisions are included in Chapter "Impairment of assets – financial assets".



#### 5.4.4 Useful lives and residual values

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

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

#### 5.4.5 Other Accounting Estimates

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

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

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

### **5.5 Foreign currencies**

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

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

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

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

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

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

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

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

#### 5.6.2 Classification and measurement

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

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



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

### 5.6.3 The Bank classifies financial instruments into the following categories:

#### Loans and receivables

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

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

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

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

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

#### Investments held to maturity

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

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

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

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

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

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

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

#### Financial assets available for sale

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

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

Available-for-sale financial assets are held at fair value. A gain or loss on an available-for-sale financial asset shall be recognised directly in the revaluation reserve whose changes are presented in the statement of total income, except for write-downs for impairment losses and FX differences on cash financial assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in revaluation reserve shall be recognised in profit or loss.

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

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



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

- a) classified at initial recognition as held for trading if they were assumed mainly to be repurchased in the near term, i.e. within 6 months from the acquisition date;
- b) that are part of a portfolio of identified financial instruments, which are managed together and for short-term profit taking, or
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

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

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

#### Other financial liabilities.

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

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

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

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

- a) liabilities due to banks;
- b) liabilities due to customers;
- c) liabilities due on account of own debt securities issued;
- d) liabilities due on account of credits and loans received.

#### 5.6.4 Fair Value of Financial Instruments

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

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

Valuation techniques include:

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

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

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



- The carrying amounts are considered to approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

The Bank classifies fair value measurements using the fair value hierarchy to reflect materiality of the measurement input data. The fair value hierarchy is broken down into three levels:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 – input data are inputs other than quoted prices classified into level 1, which are observable for an asset or liability either directly (i.e. as prices) or indirectly (i.e. based on prices),
- Level 3 – input data for the measurement of an asset or liability which are not based on market observables.

In the measurement of financial instruments, the Bank takes into consideration a customer credit risk using a developed methodology of adjustment of the measurement to fair value on that account.

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

Receivables arising out of terminated derivative instruments that were not paid by customers, at maturity are transferred at fair value (taking into account adjustments for credit risk) to the “Loans to customers” item where they are subsequently maintained and measured pursuant to rules binding for the “loans and receivables” category.

#### 5.6.5 Reclassification of financial instruments

a) derivative instruments, from their initial recognition and classification into the category of instruments measured at fair value through profit or loss, are not subject to reclassification into another category;

b) financial instruments that at their initial recognition were classified as loans and credits are not subject to reclassification into another category;

c) Financial instruments that at their initial recognition have been classified as measured at fair value through profit or loss, different from the ones, referred to in subsection a):

- may be reclassified into the category of loans and receivables provided that they are not held by the Bank for sale or repurchase in the near future and that the Bank intends and is able to hold them for a foreseeable future or to maturity,

- may be reclassified into the available-for-sale or held-to-maturity category, provided that they are not already held by the Bank for sale or repurchase in the near future and only in rare cases (i.e. in cases resulting from a single event that is not ordinary, and it is highly unlikely that such event would occur again in the near future);

d) Financial instruments that at initial recognition were classified as available for sale and that meet the criteria specified in the definition of loans and receivables (if they are not classified as available for sale), may be reclassified into the category of loans and receivables if the Bank has the intention and is able to hold them in the foreseeable future or till their maturity;

### **5.7 Offsetting financial instruments**

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

The Bank has made no offset, referred to above.





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

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

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

Repurchase agreements or agreements to resell are recognised at the transaction settlement date which is the asset delivery date.

## 5.9 Derivative instruments

Derivative instruments are financial instruments whose value changes in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates or other variable, which require no initial net investment and are settled at a future date, or instruments that require an initial net investment in the amount lower than the investment in other contract types while permitting creation of an analogous risk exposure. In the measurement of derivative instruments, a fair value adjustment for credit risk, referred to in Item "Fair value of financial instruments," is taken into account.

## 5.10 Embedded derivatives

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

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

## 5.11 Asset Impairment

### 5.11.1 Financial assets

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

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

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

Write-downs for impairment are determined using an individual method for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 50 thousand (individual analysis of future cash flows). For the remaining receivables (private individuals and business entities with exposure up to the tier of EUR 50 thousand), write-



downs are set using model recoverability parameters on account of voluntary repayments and collateral value (portfolio analysis of future cash flows).

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

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

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

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

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

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

### 5.11.2 Non-financial Assets

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

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

The recoverable value is the higher of the following:

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

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

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

## **5.12 Cash and cash equivalents**

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

## **5.13 Due from banks and loans to Customers**

Due from banks and customers include loans originated by the Bank by providing money directly to a borrower and loans purchased from third parties that are carried at amortised cost, taking into account impairment write-downs.

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



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

Rules governing impairment estimation are presented above.

#### 5.14 Property, Plant and Equipment

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

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

Any impairment loss identified is recognised in the income statement.

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

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

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

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

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

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

Useful lives of fixed assets are as follows\*:

No.	Specification	Useful life
1.	Own buildings	40 years
2.	Leasehold improvements	10 years
3.	Structural cabling	5 years
4.	IT equipment	3-5 years
5.	Telephone equipment	3 or 5 years
6.	Vehicles	5 years
7.	Furniture	5 years
8.	Cash and vault equipment	5 years
9.	ATMs	5 years
10.	Check processing device	5 years
11.	Conference room equipment	5 years
11.	Cash registers, armoured safes and safes	10 years
12.	Other equipment	5 years
13.	Operating software	5 years

[\\*applicable to fixed assets purchased after 1.01.10. With respect to fixed assets purchased before that date, useful lives are presented in the Bank's financial statement for 2009.](#)



### **5.15 Non-Current Assets Held for Sale**

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

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

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

### **5.16 Intangible assets**

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

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

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

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

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

- system software, i.e. other than operating system software – 3 or 5 years.

### **5.17 Due to customers**

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

### **5.18 Employee Benefits**

#### **5.18.1 Long-Term Obligations to Employees**

The Bank measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions. The reserve amounts are estimated on the basis of actuarial calculations.

The value of reserves and costs on account of employee benefit obligations is estimated using the projected unit credit method. The value of obligations on account of one-time retirement benefits, disability benefits and post-death benefits is calculated at the present value of the estimated future cash outflows using interest rates determined by reference to market yields.

#### **5.18.2 Short-term Obligations to Employees**

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

#### **5.18.3 Benefits on account of work relationship termination**

The Bank recognises benefits on account of work relationship termination as a liability and expense, only when the Bank is determined (and is able to prove it) to:

- terminate the work relationship with an employee or a group of employees before they reach the retirement age, or



- provide benefits on account of work relationship termination as a result of a proposal made by the Bank which encourage the employees to voluntarily terminate the work relationship.

## 5.19 Provisions

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

The Bank recognises provisions in the balance sheet, when:

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

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

## 5.20 Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

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

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

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

## 5.21 Equity Capital

### 5.21.1 Definition

The equity capital comprises capital and funds established pursuant to the binding regulations, i.e. the statute and the applicable Acts. The equity comprises also retained earnings and retained losses. The Bank measures the equity in the nominal value, except for revaluation reserve, which is recognised taking into account the deferred tax impact.

### 5.21.2 Equity Capital Items

#### Share capital

Share capital is recognised in the nominal value and may be increased through new share issue or through increase in par value of existing shares.



### Additional capital

Additional capital is established from net profit deductions and share premiums obtained from share issue above the nominal value and allocated to cover losses that may be incurred in connection with the Bank's business activity.

### Other capital

Reserve capital is established for the purposes defined in the statute from profit deductions.

General risk reserve is established pursuant to the Banking Law Act dated 29 August 1997 from after-tax profit.

### Revaluation reserve

Revaluation reserve includes differences from the measurement of available-for-sale financial assets decreased by the related deferred tax deductions. The revaluation reserve is not subject to distribution.

### Retained earnings

The retained earnings comprise undistributed profits and retained losses from previous years.

### Net profit (loss) for the year

Current year's net profit (loss) is the net profit or loss resulting from the income statement for the period the financial report is prepared. Net profit takes into account income tax.

#### 5.21.3 Costs of transactions related with operations in equity capital

Transaction costs related with operations in equity capital decrease the capital in the amount equal to the incremental costs directly attributable to this operation, i.e. such costs which in other case would not be incurred.

#### 5.21.4 Dividends on Ordinary Shares

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

## **5.22 Earnings per Share**

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

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

## **5.23 Interest Income and Expense**

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

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

## **5.24 Fees and Transaction Costs**

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



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

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

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

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

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

Net profit/loss on transactions in financial instruments includes:

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

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

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

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

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

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

### **5.27. Government subsidies**

Government subsidies are recognised systematically as income in specific periods, to ensure their proportionality to relevant costs compensated by such subsidies. The income on that account is recognised in the "Other income" item.

### **5.28 Lease facility**

Leasing is classified as financial lease when, under the loan agreement, basically all potential benefits and risk resulting from the ownership is transferred to the lessee. All other types of lease facilities are regarded as operating lease.

Assets utilised under a financial leasing agreement are recognised as the Bank's assets and measured at their fair value at the moment of their purchase, however, not higher than the current value of minimum lease payments. The resulting obligation towards the lessor is recognised in the payables on account of financial lease.



Leasing payments are divided into financial (interest) expense and lease liability reduction. Financial costs are directly recognised in the profit and loss account.

Operating lease payments are recognised in the profit and loss account using the straight-line method over the lease term.

## **5.29 Segment Reporting**

### **5.29.1 Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

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

- Retail Banking Business Line (RB BL)
- Enterprise and Transaction Banking (ETB)
- other banking activity

### **5.29.2 Geographical segments**

The Bank operates in Poland - the only geographical segment. All income and costs earned and incurred by the Bank come from that geographical segment, likewise all assets held are located in that area.

Information on changes in the segment structure are presented in the Segment Reporting section.





## 6. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data published in the 2009 annual report as at 31 December 2009 to ensure data comparability.

<b>Separate balance sheet as at 31 December 2009</b> <b>(in PLN thousand)</b>				
<b>Item</b>	<b>2010 Annual Report</b>	<b>2009 Annual Report</b>	<b>Difference</b>	<b>Change description</b>
Investments available for sale	2 804 008	2 785 800	-18 208	Separation of other investments
Other investments	18 208	-	18 208	Separation of other investments
Due to customers	9 244 085	9 244 093	8	Current liabilities due to customers
Other liabilities	285 644	265 414	20 238	Change in the presentation of restructuring provision
			-8	Current liabilities due to customers
Provisions	56 773	77 011	-20 238	Change in the presentation of restructuring provision
<b>Total changes</b>			-	

<b>Separate cash flow</b> <b>for the period from 1 January to 31 December 2009</b> <b>(in PLN thousand)</b>				
<b>Item</b>	<b>2010 Annual Report</b>	<b>2009 Annual Report</b>	<b>Difference</b>	<b>Change description</b>
<b>Operating cash flows</b>				
Due to customers	674 319	674 311	8	Current liabilities due to customers
Other assets and liabilities	-136 379	-156 607	-8	Current liabilities due to customers
			20 238	Change in the presentation of restructuring provision
			-2	Others
Impairment losses	814 931	835 167	-20 238	Change in the presentation of restructuring provision
			2	Others

<b>Separate income statement</b> <b>for the period from 1 January to 31 December 2009</b> <b>(in PLN thousand)</b>				
<b>Item</b>	<b>2010 Annual Report</b>	<b>2009 Annual Report</b>	<b>Difference</b>	<b>Change description</b>
Fee and commission expense	-27 951	-27 451	-500	Change in presentation of costs related to loan insurance
Other expenses	-228 563	-224 179	-4 384	Changes in presentation of write-downs for impairment of tangible fixed assets
Impairment losses	-576 294	-581 178	500	Change in presentation of costs related to loan insurance
			4 384	Changes in presentation of write-downs for impairment of tangible fixed assets



## 7. Segment Reporting

Fortis Bank Polska SA and Dominet Bank SA merged on 31 July 2009. Pursuant to the accounting standards adopted, after the merger, Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with relevant items of Dominet Bank SA included in comparative data. The Bank's financial result for 2009 does not include the financial result of Dominet Bank SA for the reporting period from 1 January 2009 until 31 July 2009.

### Information on Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

### Primary segmentation

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

- Retail Banking (RB),
- Enterprise and Transaction Banking (ETB),
- Other Banking Activity

Until the end of 2009, the Bank operated within the following segments: Retail Banking, Merchant Banking and ALM and support units. The Merchant Banking segment included the Enterprise and Transaction Banking and Global Markets lines. In 2010, due to organisational changes and reduction the Global Markets line responsibility scope, the Enterprise and Transaction Banking line is presented as a separate segment. Business performance of the former Global Markets line is presented in the results of the Other Banking Activity along with ALM results (ALM has taken over some of the activity of the former Global Markets line) and other business line support units.

Furthermore, in the reporting period no other changes in the Bank's operating activity segmentation occurred as compared to the changes presented in the consolidated financial statements of the Bank for the year ending on 31 December 2009.

Accounting principles for specific segments are the same as the ones described in the accounting principles. In the income statement, costs are initially presented as direct costs in all business lines and support units (horizontal functions). In the rebilling process, costs flow from these units to business lines as well as between the business lines and between the support units. Rebilling is a separate process in reporting that is presented in a separate report position (costs allocation – rebilling). As a result of the process, all costs generated by support units (horizontal functions) are absorbed by business lines. The financial result of support units (horizontal functions) after ending of the process is equal to zero.

Transfer prices between segments are determined primarily to transfer interest rate risk to the Other Banking Activity units, so that fixed margins can be allocated to the remaining business lines.

Transfer prices are calculated for standard periods of product duration and they comprise two items: a market component and a liquidity component. The market component reflects official reference rates, such as WIBOR, LIBOR or EURIBOR indexes. The liquidity component reflects the additional cost over reference rates (i.e. *Liquidity Premium*) incurred by the Bank in order to finance its assets.

Activity segments:

- **Retail Banking**



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

- **Enterprise and Transaction Banking**

Enterprise and Transaction Banking business line specialises in the service of medium and big enterprises, focusing on customers that operate internationally, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

- **Other Banking Activity**

Units operating under the Other banking activity play an important role in the management of balance-sheet and off-balance sheet items of the Bank and are responsible for risk and capital management, transfer price setting, relations with other banks and liquidity management of the Bank. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in the segment.

### Geographical segment

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

### Income statement of Fortis Bank Polska SA as per business segments

<b>1.01.2010-31.12.2010 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Other Banking Activity</b>	<b>Total</b>
Interest income (external)	530 469	234 268	133 307	898 044
Transfer prices expense (internal)	-277 845	-140 003	-343 212	-761 060
Interest expense (external)	-157 944	-78 478	-77 596	-314 018
Transfer prices income (internal)	<b>208 164</b>	<b>110 582</b>	<b>442 314</b>	<b>761 060</b>
<b>Net interest income</b>	<b>302 844</b>	<b>126 369</b>	<b>154 813</b>	<b>584 026</b>
Fee and commission income (external)	156 377	53 066	2 725	212 168
Fee and commission expense (external)	-52 847	-727	-1 775	-55 349
<b>Net fee and commission income</b>	<b>103 530</b>	<b>52 339</b>	<b>950</b>	<b>156 819</b>
Net trading income (external)	40 728	63 892	-29 776	<b>74 844</b>
Net gain/loss on available-for-sale financial assets (external)	-	-	1 376	<b>1 376</b>
Other income (external)	11 757	12 368	4 750	<b>28 875</b>
<b>Total income, net</b>	<b>458 859</b>	<b>254 968</b>	<b>132 113</b>	<b>845 940</b>
Personnel expense (external)	-105 624	-12 129	-113 476	<b>-231 229</b>
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-75 829	<b>-75 829</b>
Other expenses (external)	-70 431	-7 033	-210 210	<b>-287 674</b>
Impairment losses (external)	-168 887	-24 116	340	<b>-192 663</b>
Costs allocation - rebilling (internal)	-346 800	-48 004	394 804	-
<b>Gross profit/loss</b>	<b>-232 883</b>	<b>163 686</b>	<b>127 742</b>	<b>58 545</b>
Income tax expense	63 203	-44 423	-34 669	<b>-15 889</b>
<b>Net profit/loss</b>	<b>-169 680</b>	<b>119 263</b>	<b>93 073</b>	<b>42 656</b>

<b>1.01. 2009 – 31.12. 2009 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Other Banking Activity</b>	<b>Total</b>
Interest income (external)	472 852	297 192	141 047	911 091
Transfer prices expense (internal)	-310 867	-207 467	-323 901	-842 235
Interest expense (external)	-242 898	-120 288	-126 985	-490 171
Transfer prices income (internal)	305 532	180 448	356 255	842 235
<b>Net interest income</b>	<b>224 619</b>	<b>149 885</b>	<b>46 416</b>	<b>420 920</b>
Fee and commission income (external)	117 376	53 651	4 151	175 178
Fee and commission expense (external)	-24 583	-60	-3 308	-27 951
<b>Net fee and commission income</b>	<b>92 793</b>	<b>53 591</b>	<b>843</b>	<b>147 227</b>



<b>Dividend and other investment income (external)</b>	-	-	<b>244</b>	<b>244</b>
Net trading income (external)	17 908	18 066	-70 386	<b>-34 412</b>
Net gain/loss on available-for-sale financial assets (external)	-	-	6 300	<b>6 300</b>
Other income (external)	21 287	5 133	485	<b>26 905</b>
<b>Total income, net</b>	<b>356 607</b>	<b>226 675</b>	<b>-16 098</b>	<b>567 184</b>
Personnel expense (external)	-95 318	-17 655	-111 146	<b>-224 119</b>
Depreciation of fixed assets and intangible fixed assets (external)	140	-	-58 276	<b>-58 136</b>
Other expenses (external)	-49 288	-8 000	-171 275	<b>-228 563</b>
Impairment losses (external)	-214 438	-326 662	-35 194	<b>-576 294</b>
Costs allocation - rebilling (internal)	-274 937	-48 469	323 406	-
<b>Gross profit/loss</b>	<b>-277 234</b>	<b>-174 111</b>	<b>-68 583</b>	<b>-519 928</b>
Income tax expense	48 660	30 560	12 038	<b>91 258</b>
<b>Net profit/loss</b>	<b>-228 574</b>	<b>-143 551</b>	<b>-56 545</b>	<b>-428 670</b>

The table below presents the total of the Bank's assets and liabilities broken down by business lines, as at 31 December 2010 and 31 December 2009.

<b>Total assets (in PLN thousand)</b>	<b>As at:</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Other Banking Activity</b>	<b>Total</b>
<b>Assets</b>	<b>31.12.2010</b>	9 566 906	3 726 106	5 263 241	<b>18 556 235</b>
	<b>31.12.2009</b>	9 729 227	4 587 493	5 995 129	<b>20 311 849</b>
<b>Liabilities</b>	<b>31.12.2010</b>	4 737 601	4 269 052	9 549 600	<b>18 556 235</b>
	<b>31.12.2009</b>	6 550 750	3 346 938	10 414 161	<b>20 311 849</b>

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31 December 2010 and 31 December 2009. The following have been classified into the non-monetary expenses: unrealised loss on financial instruments, write-downs for impairment, provisions.

<b>in PLN thousand</b>	<b>For period:</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Other Banking Activity</b>	<b>Total</b>
<b>Non-monetary costs</b>	<b>1.01.2010- 31.12.2010</b>	-213 846	-214 420	-398 838	<b>-827 104</b>
	<b>1.01.2009- 31.12.2009</b>	-255 152	-667 653	-47 525	<b>-970 330</b>

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31 December 2010 and comparative data as at 31 December 2009.

<b>in PLN thousand</b>	<b>As at:</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Other Banking Activity</b>	<b>Total</b>
<b>Asset acquisition costs</b>	<b>31.12.2010</b>	-	-	42 119	<b>42 119</b>
	<b>31.12.2009</b>	-	-	87 059	<b>87 059</b>

## Description of Segment Activity

### Retail Banking

#### Customers

As at the end of 2010, the number of active customers of this line equalled 363,182 as compared to 384,575 at the end of 2009 (decrease by 6%). The largest share in the number of Customers of the Retail Banking have Individual Customers, including Mass Market Customers (93%). Enterprises account for the remaining 7% of the RB customers.



## **Distribution channels**

Retail Banking customers have at their disposal both a network of branches as well as alternative channels: PI@net systems and Call Centre. The RB BL develops all the above distribution channels. The Bank's statistics show that Customers are much interested in alternative distribution channels. When we compare data for 2010 with the corresponding period of 2009, the Bank noted the following:

- increase in the number of Customers using the PI@net banking system by 23%,
- increase in the number of transfers made via electronic channels by 13%.

## **Products**

RB BL customers use a wide range of credit, deposit, investment and card products.

Major products offered to Individual Customers include:

- mortgage loans: as at the end of 2010, the outstanding balance of such loans was PLN 5.1 billion;
- car loans: as at the end of 2010, the outstanding balance was PLN 0.5 billion;
- cash loans: as at the end of 2010, the outstanding balance was PLN 1.5 billion;
- investment products: deposit balance as at the end of 2010 was PLN 3.1 billion, including: the balance of term deposits was PLN 2.0 billion, the balance of savings accounts was PLN 0.8 billion while the balance of current accounts stood at PLN 0.3 billion.

Major products offered to Enterprises include:

- investment loans: as at the end of 2010, the outstanding balance of such loans was PLN 2.1 billion;
- foreign exchange transactions: the number of negotiated and table-based transactions in 2010 reached 57.0 thousand, and the average monthly volume of such transactions oscillates around PLN 0.3 billion.

## **Results**

The net income of the Retail Banking amounted to PLN 458.9 million in 2010, i.e. increased by 29% compared to 2009. It should be noted however, that the above increase is attributable to the fact of recognising in the RB line results the results of Dominet Bank S.A. only for 5 months (from August to December 2009). Net interest income stood at PLN 302.8 million in 2010 and accounted for 66% of net revenues of the Retail Banking business line. Net fee and commission was at PLN 103.5 million in 2010 and accounted for 23% of net revenues of the Retail Banking business line.

At the end of 2010, net impairment losses amounted to PLN 168.9 million.

In 2010, personnel expenses stood at PLN 105.6 million and accounted for 46% of total personnel expenses of Fortis Bank Polska SA. The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The said costs stood at PLN 346.8 million in 2010.

The above developments contributed to a reduction of the business line's gross loss from PLN 277.2 million in 2009 down to PLN 232.9 million in 2010.

## **Enterprise and Transaction Banking**

### **Customers**

As at the end of 2010, the number of active customers of this line equalled 2,433 as compared to 2,319 at the end of 2009 (increase by 5%).

### **Distribution channels**

Enterprise and Transaction Banking customers have at their disposal both a network of Business Centres (8) and alternative channels: PI@net systems and Call Centre.

### **Products**

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

Products offered by the Bank to institutional Customers include in particular the following:



- deposits: as at the end of 2010, the total balance of deposits reached PLN 4.1 billion;
- investment loans (including loans to purchase/ construct commercial real estate): as at the end of 2010, the balance of such loans reached PLN 2.4 billion, which means a decrease by 16% as compared to the end of 2009;
- overdraft facilities: as at the end of 2010, the balance of such loans reached PLN 0.9 billion, which means a decrease by 7% as compared to the end of 2009;
- foreign exchange transactions: the number of table-based and negotiated transactions in 2010 was about 40.6 thousand and the average monthly volume of such transactions oscillates around PLN 0.7 billion.

## **Results**

The net revenues of Enterprise and Transaction Banking grew from PLN 226.7 million earned in 2009 up to PLN 255.0 million in 2010, or by 12%.

Main reasons of the change in the result include:

- higher net trading income: PLN 63.9 million in comparison to PLN 18.1 million reported in 2009;
- net interest income decline by 16% from PLN 149.9 million in 2009 down to PLN 126.4 million in 2010.

As at the end of 2010, the Enterprise and Transaction Banking BL recorded a decrease of net write-downs for credit receivables, from PLN 326.7 million in 2009 down to PLN 24.1 million in 2010. The decrease in net impairment losses is a result of restructuring actions taken by the Bank and the credit portfolio quality improvement.

Personnel costs decreased by 31% in comparison to 2009, from PLN 17.7 million as at the end of 2009 down to PLN 12.1 million reported in 2010. The "costs allocation (rebilling)" item represents the net value of business line costs allocated and transferred from Enterprise Transaction Banking to other units. The costs went down from PLN 48.5 million as at the end of 2009 to PLN 48.0 million as at the end of 2010.

The above events translated into an increase in gross income, from PLN 174.1 million of loss suffered in 2009 up to PLN 163.7 million of profit in 2010.

## **Other Banking Activity**

### **Results**

The Other Banking Activity segment presents net income on account of interest rate, liquidity and FX risks (the net income improved from the loss of PLN 16.1 million in 2009 up to net income of PLN 132.1 million in 2010; the growth results primarily from lower financing costs in 2010). The expenses include costs generated by support units.



## 8. Additional Notes to the Separate Income Statement

Fortis Bank Polska SA and Dominet Bank SA merged on 31 July 2009. Pursuant to the accounting standards adopted, after the merger Fortis Bank Polska SA does not present financial statements retrospectively, i.e. with relevant items of Dominet Bank SA included in comparative data. The Bank's results do not include the result of Dominet Bank SA for the reporting period from 1 January 2009 till 31 July 2009.

Below there is detailed information on consolidated revenues and expenses of the Group for 2010 and comparative data for 2009.

### Note 8.1

<b>Interest income (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Cash and cash equivalents	11 866	20 306
Due from banks	4 458	5 176
Investments available for sale	108 393	100 070
Loans to customers	761 284	766 125
Securities held for trading	12 043	19 358
Others	-	56
<b>Total interest income</b>	<b>898 044</b>	<b>911 091</b>

Interest income includes interest accrued on non-performing loans, which in 2010 amounted to PLN 146,763 thousand, while in 2009 - to PLN 76,013.

### Note 8.2

<b>Interest expense (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Due to banks	-24 797	-30 138
Due to customers	-220 393	-344 466
Loans and credit facilities received	-43 752	-86 098
Liabilities related to issuance of debt securities	-1 520	-660
Liabilities related to issuance of own securities	-	-9 172
Subordinated liabilities	-21 568	-17 827
Others	-1 988	-1 810
<b>Total interest expense</b>	<b>-314 018</b>	<b>-490 171</b>

### Note 8.3

<b>Fee and commission income (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Custody services and securities trading	2 055	2 555
Cash settlements services	62 418	59 482
Guarantees and contingent liabilities	17 567	15 895
Commissions related to granting credit facilities (amortised using the straight-line method)	19 980	26 845
Loan origination fees and commissions (one-off items)	6 540	5 969
Fees and commissions related to derivative instrument buy/sell transactions	3 306	4 816
Income on account of agency in customer acquisition	3 313	3 669
Card related income	21 485	17 906
Insurance product sales revenues	47 209	27 062
Income on asset management	733	541
Others	27 562	10 438
<b>Total fee and commission income</b>	<b>212 168</b>	<b>175 178</b>



#### Note 8.4

<b>Fee and commission expense (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Custody services and securities trading	-172	-364
Card related expenses	-13 191	-9 871
Cash transactions expenses	-124	-1 057
Settlements	-1 508	-1 537
Fee and commission income related to the franchisee branch network	-18 780	-9 441
Fees and commissions related to the sale of insurance products	-2 123	-1 168
Others	-19 451	-4 513
<b>Total fee and commission expenses</b>	<b>-55 349</b>	<b>-27 951</b>

The net fee and commission income includes fee and commission income and expense (other than the ones covered by the effective interest rate calculation), which refer to assets and liabilities not measured at fair value through profit or loss:

- commission and fee income of PLN 34,205 thousand earned in 2010, and PLN 36,737 thousand earned in 2009;
- fee and commission expense of PLN -1,130 thousand earned in 2010, and PLN -2,083 thousand earned in 2009;

#### Note 8.5

<b>Dividend and other investment income (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Dividend income from the subsidiary	-	244
<b>Total dividends and other investment income</b>	<b>-</b>	<b>244</b>

#### Note 8.6

<b>Net trading income (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Securities	1 741	2 167
Derivative instruments, including:	-2 244	-138 544
- fair value adjustment on account for credit risk of derivative instruments	25 936	-25 872
Foreign exchange transactions	75 347	101 965
<b>Total net trading income</b>	<b>74 844</b>	<b>-34 412</b>

#### Note 8.7

<b>Net gain/loss on available-for-sale financial assets (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Securities	1 366	6 300
Shares and holdings	10	-
<b>Total net profit (loss) on transactions in available-for-sale financial assets</b>	<b>1 376</b>	<b>6 300</b>

#### Note 8.8

<b>Other revenues (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
- consulting as regards software	-	1 965
- rental and lease income	4 695	4 506
- income on account of providing financial services	2 327	2 359
- compensation, penalties and fines	596	10 358
reimbursement of costs related to agents' activities	670	1 409
settlement on account of the transfer from the BNP Paribas SA Branch	11 713	-
- other	8 874	6 308
<b>Total other income</b>	<b>28 875</b>	<b>26 905</b>





#### Note 8.9

<b>Personnel expenses (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
- remuneration	-200 730	-167 484
- surcharges on remuneration	-28 936	-24 030
- provisions on severance pay related to retirement, unused vacation leaves and other employee benefits	-1 563	-32 605
- w tym rezerwa restrukturyzacyjna	20 238	-20 238
<b>Total personnel costs</b>	<b>-231 229</b>	<b>-224 119</b>

#### Note 8.10

<b>Depreciation of fixed assets and intangible fixed assets (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Fixed assets, including:	-59 327	-44 779
- own real estate	-250	-108
- leasehold improvements	-13 862	-11 641
- computer hardware	-34 341	-24 927
- other fixed assets	-10 874	-8 103
Intangible assets	-16 502	-13 357
<b>Total depreciation of fixed assets and intangible fixed assets</b>	<b>-75 829</b>	<b>-58 136</b>

#### Note 8.11

<b>Other costs * (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
- rents	-63 846	-46 897
- information technologies and systems	-41 648	-32 412
-marketing and advertising	-26 792	-17 698
- postal and telecommunication services	-25 851	-17 277
- municipal services,	-15 888	-12 686
- expenditure related to RE use	-15 812	-10 058
- advisory services and consulting	-4 577	-9 372
- business travels	-9 379	-6 112
- training,	-4 512	-1 700
- security	-5 252	-4 820
- stationery	-4 735	- 4 054
- Banking Guarantee Fund costs	-6 394	-7 658
- compensation, penalties and fines	-1 954	-1 432
- investment expenditures	-3 877	-11 690
- receivables recovery costs	-10 893	-1 467
- other	-46 264	-43 368
<b>Total other costs</b>	<b>-287 674</b>	<b>-228 563</b>

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



### Note 8.12

<b>Net impairment allowances (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Net cash and cash equivalents, including:	340	-614
- provisions for Incurred But Not Reported losses (IBNR)	340	-614
Due from banks, net, including:	12	-43
- provisions for Incurred But Not Reported losses (IBNR)	12	-43
Loans to customers, net, including:	-227 711	-535 395
- provisions for impaired credit receivables	-251 302	-545 686
- provisions for Incurred But Not Reported losses (IBNR)	22 999	9 558
- income on account of receivables written-down to provisions	592	733
Off-balance sheet liabilities, net, including:	34 107	-32 594
- provisions for off-balance sheet commitments	36 194	-33 067
- provisions for Incurred But Not Reported losses (IBNR)	-2 087	473
Tangible fixed assets	3 792	215
Intangible assets	2 202	653
Other assets, net	-6 535	-5 384
Other provisions, net	1 130	-3 132
<b>Total impairment losses, net</b>	<b>-192 663</b>	<b>-576 294</b>

The major components of the income tax expense:

### Note 8.13.1

<b>Income tax expense (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Current tax	-3 584	-1 516
Current tax for the previous year	-200	-6 148
Deferred tax	-12 105	98 922
<b>Total income tax</b>	<b>-15 889</b>	<b>91 258</b>

The current tax for the previous year, recognised in the accounting result of the current year, refers to a change of the current tax showed in the financial statement for 2009, resulting from adjustments, which were included (considering their intangibility) in the annual CIT-8 declaration for 2009 and recognised in the result of 2010.

Actual income tax expenses as at 31 December 2010 and for comparative data as at 31 December 2009 differ from the estimate computed using the binding tax rate due to the following factors:

### Note 8.13.2

<b>Tax load (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
Profit before income tax	58 545	-519 928
Binding tax rate in %	19%	19%
Tax computed at the rate	-11 124	98 786
Tax increases / decreases on account of:		
Tax effects of tax-free accounting revenues:	956	267
- tax-exempt interest	-	-
- non-taxable dividends from subsidiaries	-	46
- non-tax deductible income on securitisation	894	1
- other	62	220
Tax effects of not tax-deductible accounting costs	- 4 373	-7 883
Tax effect of recognition of previous year costs	-191	-65
Others	-1 157	153
Total tax increases / decreases	-4 765	-7 528
<b>Total tax load</b>	<b>-15 889</b>	<b>91 258</b>



## 9. Cash and cash equivalents

### Note 9.1

<b>Cash and cash equivalents (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Cash at hand	174 097	153 697
Due from the Central Bank	778 929	458 619
Short-term due from banks: including:	220 571	221 486
- nostro accounts	75 330	3 973
- short-term deposits from banks	145 241	217 513
<b>Cash and cash equivalents, gross</b>	<b>1 173 597</b>	<b>833 802</b>
<b>Write-offs for impairment</b>	<b>-737</b>	<b>-1 078</b>
- for Incurred But Not Reported losses (IBNR)	-737	-1 078
<b>Total cash and cash equivalents, net</b>	<b>1 172 860</b>	<b>832 724</b>

### Note 9.2

<b>Changes to write-downs for impairment (in PLN thousand)</b>	<b>31.12.2010</b>		<b>31.12.2009</b>	
	<b>impairment write- down</b>	<b>(IBNR)</b>	<b>impairment write- down</b>	<b>(IBNR)</b>
<b>Opening balance</b>	-	<b>-1 078</b>	-	<b>-460</b>
Merger with Dominet Bank S.A.	-	-	-	-4
Increases	-	-1 661	-	-5 983
Decreases	-	2 002	-	5 369
<b>Ending balance</b>	-	<b>-737</b>	-	<b>-1 078</b>

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP). At the nostro account with the NBP, funds that constitute the mandatory reserve are kept, computed on the basis of the arithmetic mean of daily balances on current and term accounts for a given month.

The average balance of the mandatory reserve declared at the end of 2010 stood at PLN 299,166 thousand, while at the end of 2009, it made up PLN 318,829 thousand.



## 10. Financial Assets and Liabilities Held for Trading

### Note 10.1

<b>Financial assets held for trading (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Held-for-trading securities, including:</b>	<b>91 699</b>	<b>487 149</b>
- treasury bonds	91 699	418 088
- treasury bills	-	69 061
<b>Derivative financial instruments, including:</b>	<b>102 591</b>	<b>177 156</b>
- foreign currency contracts, including:	49 614	116 402
- fair value adjustment on account for credit risk	-4 146	-26 026
- interest rate contracts	52 977	60 754
<b>Total financial assets held for trading</b>	<b>194 290</b>	<b>664 305</b>

As at 31 December 2010 and 31 December 2009, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

### Note 10.2

<b>Financial liabilities held for trading (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Derivative financial instruments, including:</b>	<b>97 699</b>	<b>171 474</b>
- foreign currency contracts	50 129	116 823
- interest rate contracts	47 570	54 651
<b>Total financial liabilities held for trading</b>	<b>97 699</b>	<b>171 474</b>

The table below presents fair values of derivative financial instruments.

### Note 10.3

<b>Derivative financial instruments held for trading (in PLN thousand)</b>	<b>31.12.2010</b>		<b>31.12.2009</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Foreign currency contracts:	49 614	50 129	116 402	116 823
- Forward (including the forward leg of a swap contract)	26 506	11 939	40 733	14 556
- Options	17 818	21 964	67 368	93 394
- CIRS	5 290	16 226	8 301	8 873
Interest Rate contracts:	52 977	47 570	60 754	54 651
- FRA	-	83	-	-
- IRS	47 295	42 000	49 838	43 736
OIS	198	3	-	-
- Options	5 484	5 484	10 916	10 915
<b>Total derivative financial instruments held for trading</b>	<b>102 591</b>	<b>97 699</b>	<b>177 156</b>	<b>171 474</b>

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

### Note 10.4

<b>Held-for-trading derivative instruments by nominal value (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>a) FX transactions</b>	<b>7 238 360</b>	<b>8 681 674</b>
- Forward (including the forward leg of a swap contract) – amounts purchased	1 219 824	789 645
- Forward (including the forward leg of a swap contract) – amounts sold	1 212 822	764 377
- Options - amounts purchased	735 775	2 511 858
- Options - amounts sold	735 775	2 532 040
- CIRS – amounts purchased	1 663 326	1 042 928
- CIRS – amounts sold	1 670 838	1 040 826
<b>b) interest rate transactions</b>	<b>9 647 979</b>	<b>7 643 254</b>



- FRA	474 585	-
- IRS - amounts purchased	3 464 392	3 209 184
- IRS - amounts sold	3 464 392	3 209 184
- OIS - amounts purchased	600 000	-
- OIS - amounts sold	600 000	-
- Options - amounts purchased	522 305	612 443
- Options - amounts sold	522 305	612 443
<b>Total financial instruments</b>	<b>16 886 339</b>	<b>16 324 928</b>

The table below shows a hierarchy of measurement methods of held-for-trading financial instruments measured to fair value, as at 31 December 2010 and comparative data as at 31 December 2009.

#### Note 10.5

<b>31.12.2010 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Securities held for trading</b>	<b>91 699</b>	-	-	<b>91 699</b>
- treasury bonds	91 699	-	-	<b>91 699</b>
- treasury bills	-	-	-	-
<b>Derivative Financial Instruments</b>				
- positive valuation	-	39 357	63 234	<b>102 591</b>
foreign currency contracts	-	34 827	14 787	<b>49 614</b>
interest rate contracts	-	4 530	48 447	<b>52 977</b>
- negative valuation	-	84 733	12 966	<b>97 699</b>
foreign currency contracts	-	38 070	12 059	<b>50 129</b>
interest rate contracts	-	46 663	907	<b>47 570</b>

<b>31.12.2009 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Securities held for trading</b>	<b>487 149</b>	-	-	<b>487 149</b>
- treasury bonds	418 088	-	-	<b>418 088</b>
- treasury bills	69 061	-	-	<b>69 061</b>
<b>Derivative Financial Instruments</b>				
- positive valuation	-	55 194	121 962	<b>177 156</b>
foreign currency contracts	-	40 196	76 206	<b>116 402</b>
interest rate contracts	-	14 998	45 756	<b>60 754</b>
- negative valuation	-	135 738	35 736	<b>171 474</b>
foreign currency contracts	-	84 550	32 273	<b>116 823</b>
interest rate contracts	-	51 188	3 463	<b>54 651</b>

At level 1, the Bank classifies debt securities whose fair value is determined using market prices.

At level 2, the Bank classifies derivative instruments, whose fair value is determined using measurement techniques in which all material input data are based on available and verifiable market data.

At level 3, the Bank classifies debt securities and derivative instruments whose fair value is determined using measurement techniques in which any material input data are not based on available verifiable market data.



The table below presents changes in fair value of held-for-trading securities in 2010, and comparative data for 2009.

Note 10.6

<b>Change in fair value of securities held for trading (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1.01.2009</b>	<b>129 506</b>		<b>125 648</b>	<b>255 154</b>
- profits/losses recognised in the net profit/loss	10			10
- profits/losses recognised in other total income	-	-	-	-
- purchase	486 733	-	-	486 733
- sale	-128 130	-	-24 543	-152 673
- issue	-	-	-	-
- settlement	-970	-	-101 105	-102 075
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2009</b>	<b>487 149</b>	<b>-</b>	<b>-</b>	<b>487 149</b>

<b>Balance as at 1.01.2010</b>	<b>487 149</b>	<b>-</b>	<b>-</b>	<b>487 149</b>
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	-	-	-	-
- purchase	91 699	-	-	91 699
- sale	-487 149	-	-	-487 149
- issue	-	-	-	-
- settlement	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2010</b>	<b>91 699</b>	<b>-</b>	<b>-</b>	<b>91 699</b>

The tables below present changes in fair value of held-for-trading derivative instruments in 2010, and comparative data for 2009.

Note 10.7

<b>Change in fair value of financial assets held for trading – positive valuation (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1.01.2009</b>	<b>-</b>	<b>397 079</b>	<b>719 912</b>	<b>1 116 991</b>
- profits/losses recognised in the net profit/loss	-	-112 577	-406 127	-518 704
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	59 671	12 843	72 514
- sale	-	-	-	-
- issue	-	-	-	-
- settlement	-	-289 007	-204 638	-493 645
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2009</b>	<b>-</b>	<b>55 166</b>	<b>121 990</b>	<b>177 156</b>

<b>Balance as at 1.01.2010</b>	<b>-</b>	<b>55 166</b>	<b>121 990</b>	<b>177 156</b>
- profits/losses recognised in the net profit/loss	-	55 583	-12 562	43 021
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	4 399	4 428	8 827
- sale	-	-	-	-
- issue	-	-	-	-
- settlement	-	-75 791	-50 622	-126 413
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2010</b>	<b>-</b>	<b>39 357</b>	<b>63 234</b>	<b>102 591</b>



Note 10.8

<b>Change in fair value of financial assets held for trading – negative valuation (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1.01.2009</b>	-	<b>735 727</b>	<b>225 874</b>	<b>961 601</b>
- profits/losses recognised in the net profit/loss	-	-83 171	-129 857	-213 028
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	10 842	-	10 842
- sale	-	12 843	44 984	57 827
- issue	-	-	-	-
- settlement	-	-540 531	-105 237	-645 768
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2009</b>	-	<b>135 710</b>	<b>35 764</b>	<b>171 474</b>
<b>Balance as at 1.01.2010</b>	-	<b>135 710</b>	<b>35 764</b>	<b>171 474</b>
- profits/losses recognised in the net profit/loss	-	-353	-59 392	-59 745
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	11 458	29	11 487
- sale	-	4 216	4 397	8 613
- issue	-	-	-	-
- settlement	-	-66 298	32 168	-34 130
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2010</b>	-	<b>84 733</b>	<b>12 966</b>	<b>97 699</b>



## 11. Receivables

### Note 11.1

<b>Due from banks (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Loans	75 062	75 000
Receivables on account of construction projects:	31 539	33 530
Receivables from financial instruments recognition (transakcje typu fx spot i fx swap) on the transaction date	50 690	1 457 730
Other receivables	1 827	7 099
<b>Total due from banks, gross</b>	<b>159 118</b>	<b>1 573 359</b>
<b>Write-downs for impairment:</b>	<b>-105</b>	<b>-117</b>
- for Incurred But Not Reported losses (IBNR)	-105	-117
<b>Total due from banks, net</b>	<b>159 013</b>	<b>1 573 242</b>

### Note 11.2

<b>Loans to customers (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Loans to budgetary entities	44	429
Mortgage loans	5 051 494	4 532 934
Consumer loans and credit facilities	2 294 406	2 394 363
Commercial loans	7 030 378	7 886 776
Receivables from financial instruments recognition (fx spot and fx swap transactions) on the transaction date	-	2 054
Other receivables	10 346	10 426
<b>Total loans to customers, gross</b>	<b>14 386 668</b>	<b>14 826 982</b>
<b>Write-downs for impairment:</b>	<b>-1 235 537</b>	<b>-1 015 426</b>
- for incurred, reported losses	-1 153 854	-910 752
- for Incurred But Not Reported losses (IBNR)	-81 683	-104 674
<b>Total loans to customers, net</b>	<b>13 151 131</b>	<b>13 811 556</b>

### Note 11.3

<b>Changes to write-downs for impairment (in PLN thousand)</b>	<b>Due from banks</b>	<b>Loans to Customers</b>	
	<b>Write-downs for Incurred But Not Reported losses (IBNR)</b>	<b>impairment write-down</b>	<b>Write-downs for Incurred But Not Reported losses (IBNR)</b>
<b>Balance as at 1.01.2009</b>	<b>-74</b>	<b>-211 972</b>	<b>-47 701</b>
Merger with Dominet Bank S.A.	-	-194 057	-66 531
Increases	-3 272	-652 938	-29 474
Decreases	3 229	107 252	39 032
Write-downs to provisions	-	22 355	-
FX rate differences	-	18 608	-
<b>Balance as at 31.12.2009</b>	<b>-117</b>	<b>-910 752</b>	<b>-104 674</b>
<b>Balance as at 1.01.2010</b>	<b>-117</b>	<b>-910 752</b>	<b>-104 674</b>
Transfer from the Branch of BNP Paribas SA	-	-	-8
Increases	-5	-541 029	-12 801
Decreases	17	289 727	35 800
Write-downs to provisions	-	9 693	-
FX rate differences	-	-1 493	-
<b>Balance as at 31.12.2010</b>	<b>-105</b>	<b>-1 153 854</b>	<b>-81 683</b>





### **Securitization agreement**

As a result of a merger of Fortis Bank Polska SA and Dominet Bank SA, the loan portfolio covered by the securitisation agreement of 30 January 2006 signed by Dominet Bank SA was recognised in the books of the merged Bank. Dominet Bank SA entered into the securitisation agreement on receivables arising from granted retail loans with Polish Assets SPV Limited (SPV), a special purpose vehicle incorporated for the needs of the transaction, and Merrill Lynch International, as the financing entity.

The securitization transaction was an element of the equity management strategy of Dominet Bank SA.

As at 31 December 2009, the value of securitized loans recognised in the Bank's assets, amounted to PLN 87,546 thousand.

In February 2010 the securitisation transactions was settled and closed.



## 12. Investments

### Note 12.1

<b>Investments Available for Sale, at fair value (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Treasury bonds	1 887 461	809 139
Treasury bills	349 699	957 408
Bonds issued by banks	80 768	-
Bonds issued by non-finance entities	6 474	-
NBP cash bills	899 475	999 320
Shares and stock	23 948	19 933
<b>Total investments available for sale</b>	<b>3 247 825</b>	<b>2 785 800</b>

### Note 12.2

<b>Other investments (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Investments in subsidiaries	18 196	18 196
Investments in affiliates	12	12
<b>Total other investments</b>	<b>18 208</b>	<b>18 208</b>

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

### Note 12.3

<b>Change in the balance of available for sale investments (in PLN thousand)</b>	<b>Debt securities</b>	<b>Shares and stock</b>	<b>Total</b>
<b>As at 1.01.2009</b>	<b>1 200 748</b>	<b>34</b>	<b>1 200 782</b>
Merger with Dominet Bank S.A.	29 131	303	29 434
Increases	43 425 580	18 497	43 444 077
Decreases (sale and maturity)	-41 920 614	-	-41 920 614
Measurement to fair value	16 793	1 099	17 892
Others	14 229	-	14 229
<b>Balance as at 31.12.2009</b>	<b>2 765 867</b>	<b>19 933</b>	<b>2 785 800</b>

<b>Change in the balance of available for sale investments (in PLN thousand)</b>	<b>Debt securities</b>	<b>Shares and stock</b>	<b>Total</b>
<b>Balance as at 1.01.2010</b>	<b>2 765 867</b>	<b>19 933</b>	<b>2 785 800</b>
Increases	41 327 725	3 767	41 331 492
Decreases (sale and maturity)	-40 875 116	-	-40 875 116
Measurement to fair value	1 753	248	2 001
Others	3 648	-	3 648
<b>Balance as at 31.12.2010</b>	<b>3 223 877</b>	<b>23 948</b>	<b>3 247 825</b>

The table below presents profits and losses on available-for-sale investments, which in the given period were recognised directly in the equity, and then were derecognised from the equity and recognised in the net profit/loss of the given period from 1 January to 31 December 2010 and for the period from 1 January to 31 December 2009.

### Note 12.4

<b>Investments available for sale (in PLN thousand)</b>	<b>1.01.2010 - 31.12.2010</b>	<b>1.01.2009 - 31.12.2009</b>
Profits recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	1 365	8 818
Losses recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	-	-2 583
<b>Total</b>	<b>1 365</b>	<b>6 235</b>



The table below shows a hierarchy of measurement methods of available-for-sale investments measured to fair value, as at 31 December 2010 and comparative data as at 31 December 2009.

#### Note 12.5

<b>31.12.2010 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bonds	1 887 461	-	-	<b>1 887 461</b>
Treasury bills	215 903	-	133 796	<b>349 699</b>
Bonds issued by banks	80 768	-	-	<b>80 768</b>
Bonds issued by non-finance entities	-	-	6 474	<b>6 474</b>
NBP cash bills	-	-	899 475	<b>899 475</b>

<b>31.12.2009 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bonds	798 117	-	11 022	<b>809 139</b>
Treasury bills	887 910	-	69 498	<b>957 408</b>
NBP cash bills	-	-	999 320	<b>999 320</b>

At level 1, the Bank classifies available-for-sale debt securities whose fair value is determined using market prices.

At level 3, the Bank classifies available-for-sale debt securities whose fair value is determined using measurement techniques in which any material input data are not based on available verifiable market data.

The table below presents changes in fair value of available-for-sale investments in 2010, and comparative data for 2009.

#### Note 12.6

<b>Change in the fair value of available-for-sale investments (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1.01.2009</b>	<b>815 782</b>	-	<b>384 966</b>	<b>1 200 748</b>
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	16 058	-	-82	15 976
- purchase	1 060 482	-	1 068 818	2 129 300
- sale	-206 295	-	-49 523	-255 818
- issue	-	-	-	-
- settlement	-	-	-324 339	-324 339
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2009</b>	<b>1 686 027</b>	-	<b>1 079 840</b>	<b>2 765 867</b>

<b>Balance as at 1.01.2010</b>	<b>1 686 027</b>	-	<b>1 079 840</b>	<b>2 765 867</b>
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	16 359	-	-	16 359
- purchase	1 411 942	-	1 039 746	2 451 688
- sale	-614 340	-	-	-614 340
- issue	-	-	-	-
- settlement	-315 857	-	-1 079 840	-1 395 697
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31.12.2010</b>	<b>2 184 131</b>	-	<b>1 039 746</b>	<b>3 223 877</b>



## 13. Property, Plant and Equipment

### Note 13.1

<b>Property, Plant and Equipment by groups (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Land and land perpetual usufruct right	-	250
Own real estate	3 577	8 332
Leasehold improvements	58 072	60 669
Machines and equipment and means of transport	33 060	42 685
Computer hardware	62 639	76 135
<b>Total Property, Plant and Equipment</b>	<b>157 348</b>	<b>188 071</b>

The table below presents changes in tangible fixed assets in 2010, and comparative data for 2009.

### Note 13.2

<b>in PLN thousand</b>	<b>Land and land perpetual usufruct right</b>	<b>Own real estate</b>	<b>Leasehold improvements</b>	<b>Machines and equipment and means of transport</b>	<b>Computer hardware</b>	<b>Total</b>
<b>Gross value as at 1.01.2010</b>	<b>250</b>	<b>10 375</b>	<b>138 819</b>	<b>87 902</b>	<b>228 485</b>	<b>465 831</b>
- transfer from the Branch of BNP Paribas SA	-	-	-	-	10	10
- balance increase (incl. purchase)	-	30	11 515	5 245	17 308	34 098
- balance decrease (sale, liquidation)	-	-73	-7 791	-8 598	-11 744	-28 206
- settlement of the investment in costs	-	-	-1 187	-208	-359	-1 754
- deductions on account of reclassification to the category "held-for-sale assets"	-250	-5 453	-	-	-	-5 703
- other	-	-	-	-196	-433	-629
<b>Gross value as at 31.12.2010</b>	<b>-</b>	<b>4 879</b>	<b>141 356</b>	<b>84 145</b>	<b>233 267</b>	<b>463 647</b>
<b>Amortisation as at 1.01.2010</b>	<b>-</b>	<b>-2 043</b>	<b>-73 011</b>	<b>-45 198</b>	<b>-146 821</b>	<b>-267 073</b>
- transfer from the Branch of BNP Paribas SA	-	-	-	-	-2	-2
- depreciation	-	-250	-13 862	-10 874	-34 341	-59 327
- balance decrease (sale, liquidation)	-	73	5 135	4 807	10 201	20 216
- deductions on account of reclassification to the category "held-for-sale assets"	-	918	-	-	-	918
- other	-	-	-	180	356	536
<b>Amortisation as at 31.12.2010</b>	<b>-</b>	<b>-1 302</b>	<b>- 81 738</b>	<b>-51 085</b>	<b>-170 607</b>	<b>-304 732</b>
<b>Write-downs as at 1.01.2010</b>	<b>-</b>	<b>-</b>	<b>-5 139</b>	<b>-19</b>	<b>-5 529</b>	<b>-10 687</b>
- created	-	-	-	-	-	-
- released	-	-	3 593	19	5 508	9 120
- amortisation against write-downs	-	-	-	-	-	-
<b>Write-downs as at 31.12.2010</b>	<b>-</b>	<b>-</b>	<b>-1 546</b>	<b>-</b>	<b>-21</b>	<b>-1 567</b>
<b>Fixed assets net as at 31.12.2010</b>	<b>-</b>	<b>3 577</b>	<b>58 072</b>	<b>33 060</b>	<b>62 639</b>	<b>157 348</b>



in PLN thousand	Land and land perpetual usufruct right	Own real estate	Leasehold improvements	Machines and equipment and means of transport	Computer hardware	Total
<b>Gross value as at 1.01.2009</b>	-	-	<b>84 634</b>	<b>43 841</b>	<b>123 034</b>	<b>251 509</b>
Gross value - merger with Dominet Bank S.A.	250	10 375	50 967	45 765	73 672	181 029
- balance increase (incl. purchase)	-	-	11 035	5 525	40 238	56 798
- balance decrease (sale, liquidation)	-	-	-5 355	-6 934	-4 712	-17 001
- settlement of the investment in costs	-	-	-2 462	-268	-3 517	-6 247
- other	-	-	-	-27	-230	-257
<b>Gross value as at 31.12. 2009</b>	<b>250</b>	<b>10 375</b>	<b>138 819</b>	<b>87 902</b>	<b>228 485</b>	<b>465 831</b>
<b>Amortisation as at 1.01.2009</b>	-	-	<b>-43 503</b>	<b>-17 607</b>	<b>-77 472</b>	<b>-138 582</b>
Amortisation value - merger with Dominet Bank S.A.	-	-1 935	-20 727	-23 762	-49 235	-95 659
- depreciation	-	-108	-11 641	-8 103	-24 927	-44 779
- balance decrease (sale, liquidation)	-	-	2 860	4 245	4 542	11 647
- other	-	-	-	29	271	300
<b>Amortisation as at 31.12.2009</b>	-	<b>-2 043</b>	<b>-73 011</b>	<b>-45 198</b>	<b>-146 821</b>	<b>-267 073</b>
<b>Write-downs as at 1.01.2009</b>	-	-	-	-	-	-
Write-down value - merger with Dominet Bank S.A.	-	-	-5 594	-19	-2 085	-7 698
- created	-	-	-1 780	-	-5 220	-7 000
- released	-	-	2 235	-	95	2 330
- amortisation against write-downs	-	-	-	-	1 681	1 681
<b>Write-downs as at 31.12.2009</b>	-	-	<b>-5 139</b>	<b>-19</b>	<b>-5 529</b>	<b>-10 687</b>
<b>Fixed assets net as at 31.12. 2009</b>	<b>250</b>	<b>8 332</b>	<b>60 669</b>	<b>42 685</b>	<b>76 135</b>	<b>188 071</b>

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



## 14. Intangible assets

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

### Note 14

<b>Intangible assets (in PLN thousand)</b>	<b>1.01.2010 - 31.12.2010</b>	<b>1.01.2009 - 31.12.2009</b>
<b>Opening balance, gross</b>	<b>89 014</b>	<b>44 668</b>
<b>Gross value - merger with Dominet Bank S.A.</b>	-	<b>31 284</b>
- balance increase (incl. purchase)	21 581	38 317
- liquidation	-1 589	-1 351
- settlement of the investment in costs	-11 704	-14 385
- other	-13 726	-9 519
<b>Ending balance, gross</b>	<b>83 576</b>	<b>89 014</b>
<b>Amortisation opening balance</b>	<b>-44 630</b>	<b>-18 772</b>
<b>Amortisation value - merger with Dominet Bank S.A.</b>	-	<b>-13 852</b>
- depreciation	-16 502	-13 357
- balance decrease (sale and liquidation)	1 215	1 351
<b>Amortisation ending balance</b>	<b>-59 917</b>	<b>-44 630</b>
<b>Write-downs at opening balance</b>	<b>-2 202</b>	-
<b>Write-downs - merger with Dominet Bank S.A.</b>	-	<b>-2 855</b>
- created	-	-
- released	2 202	653
<b>Write-downs at ending balance</b>	-	<b>-2 202</b>
<b>Total net intangible assets ending balance</b>	<b>23 659</b>	<b>42 182</b>

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



## 15. Non-current assets held for sale

The table below presents a specification of non-current assets held for sale as per their type as at 31 December 2010:

### Note 15

<b>in PLN thousand</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Land (including perpetual usufruct of land)	250	-
Buildings and premises	4 535	-
<b>Total non-current assets held for sale</b>	<b>4 785</b>	<b>-</b>

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," in the "Non-current assets held for sale" position of its balance sheet, Fortis Bank Polska SA recognised real estate which fulfils relevant IFRS 5 requirements concerning the classification of assets as non-current assets held for sale as at 31 December 2010.

As the existing functions and operations performed by the Head Office in Lubin were transferred to Krakow and Warsaw, the Bank decided to earmark the real estate situated in Lubin at ul. Księcia Ludwika I no. 3 for sale.

The Bank expects the plan to sell the real estate to be accomplished in 2011, no later than by 31 July 2011.



## 16. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2010 and comparative data as at 31 December 2009.

### Note 16.1

<b>in PLN thousand</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Deferred tax assets	257 337	282 784
Deferred tax reserve	42 115	55 085
<b>Net deferred tax</b>	<b>215 222</b>	<b>227 699</b>

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

### Note 16.2

<b>Deferred tax assets (in PLN thousand)</b>	<b>Opening balance 1.01.2010</b>	<b>Increases / decreases recognised in income statement</b>	<b>Increases/ decreases recognised in capital</b>	<b>Closing balance 31.12.2010</b>
Interest accrued to be paid	14 233	-5 343	-	8 890
Negative fair value – trading derivatives	2 489	-61	-	2 428
Write-offs for impairment and provisions	155 683	22 500	-	178 183
Fair value adjustment on account of credit risk of matured derivative instruments	36 936	-6 329	-	30 607
Other non-tax-deductible provisions	18 261	-4 447	-	13 814
Measurement of financial instruments held for trading	43 399	-29 739	-	13 660
Measurement of available-for-sale investments	2 256	-	-304	1 952
Commissions and fees settled in time	2 591	181	-	2 772
Difference between balance sheet depreciation and tax depreciation	-	-	-	-
Difference between the market price and shares acquisition price	4 184	404	-	4 588
Impairment losses	2 450	-2 146	-	304
Others	302	-163	-	139
<b>Total deferred tax assets</b>	<b>282 784</b>	<b>-25 143</b>	<b>-304</b>	<b>257 337</b>
<b>Deferred tax liabilities (in PLN thousand)</b>				
Interest accrued to be received	18 018	6 093	-	24 111
Positive fair value - trading derivatives	1 159	-153	-	1 006
Difference between balance sheet depreciation and tax depreciation	6 135	-1 387	-	4 748
Investment relief settlement	-	-	-	-
Measurement of financial instruments held for trading	20 674	-13 487	-	7 187
Measurement of available-for-sale investments	209	-	77	286
Commissions and fees settled in time	1 421	1 290	-	2 711
Value of future remuneration on account of securitised loans	6 690	-6 690	-	-
Income to be received	746	-353	-	393
Goodwill under the Corporate Income Tax Act	-	865	-	865
Repurchase of receivables	-	779	-	779
Others	33	-4	-	29
<b>Total deferred tax liabilities</b>	<b>55 085</b>	<b>-13 047</b>	<b>77</b>	<b>42 115</b>
<b>Net deferred tax</b>	<b>227 699</b>	<b>-12 096</b>	<b>-381</b>	<b>215 222</b>





<b>Deferred tax assets (in PLN thousand)</b>	<b>Opening balance 1.01.2009</b>	<b>Opening balance - merger with Dominet Bank S.A.</b>	<b>Increases / decreases recognised in income statement</b>	<b>Increases/ decreases recognised in capital</b>	<b>Closing balance 31.12.2009</b>
Interest accrued to be paid	12 345	5 493	-3 605	-	14 233
Negative fair value – trading derivatives	-	-	2 489	-	2 489
Write-offs for impairment and provisions	34 730	32 987	87 966	-	155 683
Fair value adjustment on account of credit risk of matured derivative instruments	19 818	-	17 118	-	36 936
Other non-tax-deductible provisions	6 848	4 513	6 900	-	18 261
Measurement of financial instruments held for trading	162 902	-	-119 503	-	43 399
Measurement of available-for-sale investments	4 235	2	-	-1 981	2 256
Commissions and fees settled in time	2 973	3 802	-4 184	-	2 591
Difference between balance sheet depreciation and tax depreciation	-	1 553	-1 553	-	-
Difference between the market price and shares acquisition price	-	-	4 184	-	4 184
Impairment losses	-	703	1 747	-	2 450
Others	187	250	-135	-	302
<b>Total deferred tax assets</b>	<b>244 038</b>	<b>49 303</b>	<b>-8 576</b>	<b>-1 981</b>	<b>282 784</b>
<b>Deferred tax liabilities (in PLN thousand)</b>					
Interest accrued to be received	20 573	4 299	-6 854	-	18 018
Positive fair value - trading derivatives	8 171	-	-7 012	-	1 159
Difference between balance sheet depreciation and tax depreciation	3 266	3 723	-854	-	6 135
Investment relief settlement	1	-	-1	-	-
Measurement of held-for-trading securities	113 739	-	-93 065	-	20 674
Measurement of available-for-sale investments	-	25	-	184	209
Commissions and fees settled in time	1 702	7	-288	-	1 421
Value of future remuneration on account of securitised loans	-	5 995	695	-	6 690
Income to be received	-	864	-118	-	746
Others	-	35	-2	-	33
<b>Total deferred tax liabilities</b>	<b>147 452</b>	<b>14 948</b>	<b>-107 499</b>	<b>184</b>	<b>55 085</b>
<b>Net deferred tax</b>	<b>96 586</b>	<b>34 355</b>	<b>98 923</b>	<b>-2 165</b>	<b>227 699</b>

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

As at 31 December 2010, the total current and deferred tax liabilities related to items decreasing or increasing the equity capital stood at PLN (-381) thousand, while as at 31 December 2009 it was PLN (-2,165) thousand.



## 17. Other assets

### Note 17

<b>Other assets (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Deferred acquisition cost	10 026	12 100
Interest to be received, including:	72 066	63 387
- on cash and cash equivalents	75	43
- on due from banks	555	671
- on loans to customers	43 443	49 666
- on debt securities held for trading	711	1 717
- on debt securities available for sale	27 282	11 290
Financial assets recognised at the trade date	-	-
Interbank settlements	66	203
Income to be received	11 862	14 367
Receivables due from counterparties	13 048	9 618
Card transaction settlement	5 211	11 380
Insurance receivables	16 154	6 609
Unpaid fees and commissions	7 464	5 754
Settlement with the BNP Paribas Branch on account of the transfer	6 445	-
Others	12 396	18 265
<b>Total other assets</b>	<b>154 738</b>	<b>141 683</b>
Write-offs for impairment	-26 859	-22 175
<b>Total other assets, net</b>	<b>127 879</b>	<b>119 508</b>



## 18. Liabilities

### Due to banks

#### Note 18.1

<b>Due to banks (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Banks' deposits	694 924	556 579
- Current	94 496	33 223
- Term	47 722	79 670
- Cash collateral	552 706	443 686
Liabilities on account of recognition of financial instruments (transakcje typu fx spot i fx swap) w dacie zawarcia transakcji	50 850	1 454 575
<b>Total due to banks</b>	<b>745 774</b>	<b>2 011 154</b>

### Due to customers

#### Note 18.2

<b>Due to customers (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Current deposits	2 579 374	1 917 646
Term deposits	5 457 500	7 138 192
Cash collateral	174 901	186 615
Others	-	1 640
<b>Total due to customers</b>	<b>8 211 775</b>	<b>9 244 093</b>

### Loans and credit facilities received

#### Note 18.3

<b>Loans and credit facilities received (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Loans and credit facilities received from banks	6 371 399	5 686 288
Loans and credit facilities received from other institutions	792 060	821 640
Securitisation related liabilities - bonds	-	46 348
Securitisation related liabilities - loan	-	6 617
<b>Total loans and credit facilities received</b>	<b>7 163 459</b>	<b>6 560 893</b>

On 11 February 2010, an agreement was signed under which the Bank bought credit receivables derived from the securitisation of the consumer loan portfolio of Dominet Bank S.A. back from the special purpose vehicle.

### Liabilities related to issuance of debt securities

As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., Fortis Bank Polska SA took over the liabilities on account of own corporate bonds issued. On 22 July 2004 Dominet Bank S.A. concluded an agreement with BRE Bank S.A. regarding an organisation of Corporate Bonds Issue Programme. Inscribed corporate bonds, with the nominal value of PLN 100,000, were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004 in the amount of PLN 30 million. The bonds redemption is scheduled for 29 July 2014.



## 19. Subordinated liabilities

**At the end of 2010, the Bank's exposure on account of subordinated liabilities was as follows:**

- agreement of 13 July 2004 with BRE Bank S.A. regarding an organisation of Subordinated Corporate Bonds Issue Programme. Subordinated corporate bonds were issued by Dominet Bank S.A. through the agency of BRE Bank S.A. on 29 July 2004 in the amount of PLN 30 million. On 14 September 2004, Dominet Bank S.A. obtained the Banking Supervision Authority's consent to include the funds on account of subordinated corporate bonds issued, in the amount of PLN 30 million, into Tier 2 capital of Dominet Bank S.A.

As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., on 31 July 2009 Fortis Bank Polska SA took over obligations related to corporate bonds issued. The aforesaid funds are recognised, under Article 127 item 3, section 2, subsection B of the Banking Law Act, to Tier 2 capital of Fortis Bank Polska SA. On 20 October 2010, the Polish Financial Supervision Authority (KNF) consented to an earlier reimbursement of funds through redemption of subordinated bonds of PLN 30 million issued on 29 July 2004 by Dominet Bank SA. The bonds are to be redeemed on 29 January 2011. The aforesaid funds are recognised, under Article 127 item 3, section 2, subsection B of the Banking Law Act, to Tier 2 capital of Fortis Bank Polska SA.

- agreement of 23 October 2007 concluded with Fortis Bank (Nederland) N.V. based in Rotterdam (replacing the agreement of 28 September 2007 signed with Fortis Bank (Nederland) N.V.) on contracting a subordinated loan in the amount of EUR 100 million. On 21 November 2007, the Board of Executives of Fortis Bank Polska SA obtained the consent of the Banking Supervision Authority to include the loan as subordinated debt into Tier 2 capital of the Bank in the calculation of capital adequacy pursuant to Article 127 of the Banking Law. On 27 November 2008, Fortis Bank Nederland, under an assignment agreement, assigned its receivables due from Fortis Bank Polska SA to Fortis Bank Luxembourg.
- agreement dated 21 April 2009 concluded with Fortis Finance Belgium SCRL on contracting a subordinated loan in the amount of EUR 50 million. Under an annex to the agreement dated 10 June 2009, the subordinated loan amount was lowered to EUR 20 million. On 30 June 2009, the Bank obtained the Polish Financial Supervision Authority's consent 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.
- agreement of 21 April 2009 concluded by Dominet Bank S.A. and Fortis Bank SA/NV (along with the annex of 10 June 2009) on contracting a subordinated loan in the amount of PLN 60 million. On 30 June 2009, Dominet Bank S.A. obtained the Polish Financial Supervision Authority's consent to include the funds in the amount of PLN 60 million into Tier 2 capital of Dominet Bank S.A. as subordinated debt, pursuant to Article 127 of the Banking Law.

### Note 19

<b>Change in subordinated liabilities (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
<b>Opening balance</b>	<b>582 984</b>	<b>417 240</b>
Merger with Dominet Bank S.A.	-	90 000
increase	-	205 410
- on account of loans	-	82 164
- on account of bond issue	-	123 246
Decreases	-	-123 246
- on account of loans	-	-
- on account of bond redemption	-	-123 246
FX rate differences	-17 748	-6 420
<b>Ending balance</b>	<b>565 236</b>	<b>582 984</b>



## 20. Other liabilities

### Note 20

<b>Other liabilities (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Accrued interest and expenses	15 176	14 927
Interest to be paid, including:	46 616	74 170
- on due to banks	5 286	2 994
- on due to customers	36 927	65 897
- on loans and credit facilities received	-	768
- on subordinated debt	4 403	4 511
Expenses to be paid	17 888	18 280
Taxes to be paid	8 727	12 617
Employee Benefits	25 011	48 246
Interbank settlements	87 885	40 415
Liabilities due to counterparties	11 118	15 365
Settlement on account of credit debt	48 089	35 296
Settlement with the BNP Paribas SA Branch on account of the transfer	111 334	-
Others	13 928	26 328
<b>Total other liabilities</b>	<b>385 772</b>	<b>285 644</b>



## 21. Provisions

### Note 21.1

<b>Provisions by titles (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Provisions for off-balance sheet commitments	5 948	42 258
IBNR reserve – off-balance sheet commitments	8 224	6 137
Legal risk provisions	4 562	4 886
Provisions for office sub-lease	2 685	3 492
<b>Total provisions</b>	<b>21 419</b>	<b>56 773</b>

The notes below present changes in the balance of provisions:

### Note 21.2.1

<b>Change in provisions for off-balance sheet commitments (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
<b>Opening balance</b>	<b>48 395</b>	<b>12 925</b>
Merger with Dominet Bank SA – off-balance sheet liabilities (IBNR)	-	1 955
Merger with Dominet Bank S.A. – off-balance sheet liabilities	-	965
Increases	12 237	44 863
- for off-balance sheet commitments	5 428	40 574
- for IBNR losses – off-balance sheet commitments	6 809	4 289
Decreases	-46 344	-12 269
- for off-balance sheet commitments	-41 622	-7 507
- for IBNR losses – off-balance sheet commitments	-4 722	-4 762
FX rate differences	-116	-44
<b>Ending balance</b>	<b>14 172</b>	<b>48 395</b>

### Note 21.2.2

<b>Changes in other provisions (in PLN thousand)</b>	<b>1.01.2010 – 31.12.2010</b>	<b>1.01.2009 – 31.12.2009</b>
<b>Opening balance</b>	<b>8 378</b>	<b>3 949</b>
Merger with Dominet Bank S.A.	-	1 297
Transfer from the Branch of BNP Paribas SA	249	-
Increases	1 710	20 135
- for legal risk	1 047	18 140
- for office sub-lease	663	1 995
Decreases	-3 090	-17 003
- for legal risk	-1 620	-16 154
- for office sub-lease	-1 470	-849
<b>Ending balance</b>	<b>7 247</b>	<b>8 378</b>



## 22. Equity

### Note 22.1

<b>Equity (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Share capital	1 206 175	1 206 175
Additional capital	125 745	554 415
Transfer from the Branch of BNP Paribas SA	-78 010	-
Other capital	45 639	45 639
Revaluation reserve	-7 104	-8 725
Net profit (loss) for the year	42 656	-428 670
<b>Total equity</b>	<b>1 335 101</b>	<b>1 368 834</b>

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

The share capital of the Bank is PLN 1,206,175,300 and is divided into 24,123,506 shares with a nominal value of PLN 50.00 each.

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

### Note 22.2

<b>Series / Issue</b>	<b>Registration date</b>	<b>Number of shares</b>	<b>Value of share series / issue as per nominal value</b>
A	19.12.1990	634 060	31 703 000
B	30.04.1991	1 115 940	55 797 000
C	14.07.1994	2 000 000	100 000 000
D	11.07.1996	1 250 000	62 500 000
E	11.04.1997	1 250 000	62 500 000
F	04.06.1998	625 000	31 250 000
G	04.06.1998	740 000	37 000 000
H	08.10.1999	761 500	38 075 000
I	03.07.2000	1 675 300	83 765 000
J	28.06.2001	5 025 900	251 295 000
K	02.01.2007	1 693 480	84 674 000
L	31.07.2009	5 243 532	262 176 600
M	14.09.2009	2 108 794	105 439 700
<b>Total</b>		<b>24 123 506</b>	<b>1 206 175 300</b>

The shareholding structure as at 31 December 2010 and in the comparative period was as follows:

### Note 22.3

<b>Balance as at 31.12.2010</b>	<b>Number of shares held</b>	<b>% of the share capital</b>	<b>Number of votes at the AGM*</b>	<b>% of the total number of votes at the GM</b>
<b>Fortis Bank S.A./N.V.</b>	18 848 593	78,13%	18 848 593	78,13%
<b>Dominet SA</b>	5 243 532	21,74%	5 243 532	21,74%
<b>Others</b>	31 381	0,13%	31 381	0,13%
<b>Total:</b>	<b>24 123 506</b>	<b>100,00%</b>	<b>24 123 506</b>	<b>100,00%</b>

<b>Balance as at 31.12.2009</b>	<b>Number of shares held</b>	<b>% of the share capital</b>	<b>Number of votes at the AGM*</b>	<b>% of the total number of votes at the GM</b>
<b>Fortis Bank S.A./N.V.</b>	18 848 593	78,13%	18 848 593	78,13%
<b>Dominet SA</b>	5 243 532	21,74%	5 243 532	21,74%
<b>Others</b>	31 381	0,13%	31 381	0,13%
<b>Total:</b>	<b>24 123 506</b>	<b>100,00%</b>	<b>24 123 506</b>	<b>100,00%</b>

\* 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 S.A.

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

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

#### Note 22.4

<b>Other capital (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
General risk fund	45 639	45 639
Reserve capital	-	-
<b>Total other capital</b>	<b>45 639</b>	<b>45 639</b>

Revaluation reserve as at 31 December 2010 and in the comparative period stood at:

#### Note 22.5

<b>Revaluation reserve (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Measurement of available-for-sale financial assets, including:	-8 770	-11 871
- Treasury bills	158	2 333
- Treasury bonds	-6 349	-14 204
- bonds issued by banks	-400	-
- bonds issued by non-finance entities	-3 526	-
- shares and holdings	1 347	-
Deferred tax	1 666	2 047
Other	-	1 099
<b>Total revaluation reserve</b>	<b>-7 104</b>	<b>-8 725</b>

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

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

The revaluation reserve is not subject to distribution.

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

The Bank's Board of Executives intends to recommend that the Annual General Shareholders' Meeting should resolve to pay no dividend and allocate the entire 2010 net profit to increase the Bank's equity funds, likewise cover the difference between the acquisition price and the value of net assets of the organized part of the enterprise taken over from the BNP Paribas SA Branch in Poland against equity.





## 23. Additional Notes to Cash Flow Statement

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

### Note 23.1

<b>Changes in other assets and liabilities (in PLN thousand)</b>	<b>1.01.2010-31.12.2010</b>	<b>1.01.2009-31.12.2009</b>
Expenses to be paid	-392	9 264
Financial assets and liabilities recognised at the trade date	-	5 093
Interest to be received, including:	-8 679	33 408
Interest to be paid, including:	-27 554	9 341
Interbank settlements	47 607	-147 659
Employee Benefits	-23 235	23 169
Settlements on account of credit debt	12 793	18 708
Settlements with business partners	-7 677	-2 197
Settlement with the BNP Paribas Branch on account of the transfer	111 334	-
Other assets and liabilities transferred from the BNP Paribas SA Branch	153 262	-
Merger with Dominet Bank S.A.	-	-63 305
Others	-17 125	-22 201
<b>Total changes in other assets and liabilities</b>	<b>240 334</b>	<b>-136 379</b>

### Note 23.2

<b>Other investment expenses (in PLN thousand)</b>	<b>1.01.2010-31.12.2010</b>	<b>1.01.2009-31.12.2009</b>
Acquisition of low value fixed assets	-2 071	-1 523
Others	-2	-
<b>Total other investment expenses</b>	<b>-2 073</b>	<b>-1 523</b>



## 24. Assets that Secure Own Commitments

Pursuant to the rules of guaranteed deposit protection fund under the Bank Guarantee Fund Act (dated 14 December 1994 as amended), as at 31 December 2010 the Bank's books contained Treasury bonds, which were separated from assets, to secure the BGF in the nominal value of PLN 51,000. Type of assets and their amount registered in the Bank's books earmarked for the coverage of the BGF is consistent with conditions defined in particular in Article 26 para. 1 and 2 and Article 13 of the said Act.

### Note 24

<b>Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
- Treasury bills at nominal value	-	17 850
- Treasury bills at balance sheet value	-	17 588
- Treasury bonds at nominal value	51 000	35 000
- Treasury bonds at balance sheet value	50 208	33 387
<b>Total available for sale securities at balance sheet value</b>	<b>50 208</b>	<b>50 975</b>
<b>Value of cash deposited at the Bank and guaranteed by the system</b>	<b>8 658 854</b>	<b>10 696 726</b>

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

As at 31 December 2010 and as at 31 December 2009, the Bank did not use the lombard loan.

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



## 25. Derivative Financial Instruments

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 31 December 2010 and for a comparative period, broken down by residual maturity.

### Note 25.1

Derivative instruments held for trading (in PLN thousand)	31.12.2010							
	Fair value		Nominal value by residual maturity					Total
	positive	negative	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	> 5 years	
<b>Foreign currency contracts:</b>	<b>49 614</b>	<b>50 129</b>	<b>2 857 457</b>	<b>2 161 390</b>	<b>2 002 348</b>	<b>217 165</b>	-	<b>7 238 360</b>
- Forward (including the forward leg of a FX swap contract) - amounts bought	26 506	11 939	560 698	343 065	207 833	108 228	-	<b>1 219 824</b>
- Forward (including the forward leg of a FX swap contract) - amounts sold			546 595	350 203	207 087	108 937	-	<b>1 212 822</b>
- Options – amounts purchased	17 818	21 964	81 457	258 914	395 404	-	-	<b>735 775</b>
- Options – amounts sold			81 457	258 914	395 404	-	-	<b>735 775</b>
- CIRS – amounts purchased	5 290	16 226	792 060	475 236	396 030	-	-	<b>1 663 326</b>
- CIRS – amounts sold			795 190	475 058	400 590	-	-	<b>1 670 838</b>
<b>Interest Rate contracts</b>	<b>52 977</b>	<b>47 570</b>	<b>1 003 864</b>	<b>1 624 325</b>	<b>2 430 956</b>	<b>2 839 000</b>	<b>1 749 834</b>	<b>9 647 979</b>
- FRA	-	83	-	474 585	-	-	-	<b>474 585</b>
-IRS – amounts purchased	47 295	42 000	1 932	474 870	1 215 478	917 595	854 517	<b>3 464 392</b>
- IRS – amounts sold			1 932	474 870	1 215 478	917 595	854 517	<b>3 464 392</b>
- OIS - amounts purchased	198	3	500 000	100 000	-	-	-	<b>600 000</b>
- OIS – amounts sold			500 000	100 000	-	-	-	<b>600 000</b>
- Options – amounts purchased	5 484	5 484	-	-	-	501 905	20 400	<b>522 305</b>
- Options – amounts sold			-	-	-	501 905	20 400	<b>522 305</b>
<b>Total derivative instruments held for trading</b>	<b>102 591</b>	<b>97 699</b>	<b>3 861 321</b>	<b>3 785 715</b>	<b>4 433 304</b>	<b>3 056 165</b>	<b>1 749 834</b>	<b>16 886 339</b>
Not traded on regulated markets	102 591	97 699	3 861 321	3 785 715	4 433 304	3 056 165	1 749 834	<b>16 886 339</b>
<b>Total</b>	<b>102 591</b>	<b>97 699</b>	<b>3 861 321</b>	<b>3 785 715</b>	<b>4 433 304</b>	<b>3 056 165</b>	<b>1 749 834</b>	<b>16 886 339</b>

Derivative instruments held for trading (in PLN thousand)	31.12.2009							
	Fair value		Nominal value by residual maturity					Total
	positive	negative	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	> 5 years	
<b>Foreign currency contracts:</b>	<b>116 402</b>	<b>116 823</b>	<b>2 715 005</b>	<b>1 869 378</b>	<b>2 626 307</b>	<b>1 470 984</b>	-	<b>8 681 674</b>
- Forward (including the forward leg of a FX swap contract) - amounts bought	40 733	14 556	487 195	45 664	218 636	38 150	-	<b>789 645</b>
- Forward (including the forward leg of a FX swap contract) - amounts sold			484 958	40 682	202 727	36 010	-	<b>764 377</b>
- Options – amounts purchased	67 368	93 394	453 650	668 984	1 102 472	286 752	-	<b>2 511 858</b>
- Options – amounts sold			473 832	668 984	1 102 472	286 752	-	<b>2 532 040</b>
- CIRS – amounts purchased	8 301	8 873	410 820	221 288	-	410 820	-	<b>1 042 928</b>
- CIRS – amounts sold			404 550	223 776	-	412 500	-	<b>1 040 826</b>



<b>Interest Rate contracts</b>	<b>60 754</b>	<b>54 651</b>	<b>300 000</b>	<b>853 220</b>	<b>1 524 116</b>	<b>2 254 622</b>	<b>-</b>	<b>7 643 254</b>
- FRA	-	-	-	-	-	-	-	-
-IRS – amounts purchased	49 838	43 736	150 000	426 610	719 320	835 162	1 078 092	<b>3 209 184</b>
- IRS – amounts sold			150 000	426 610	719 320	835 162	1 078 092	<b>3 209 184</b>
- Options – amounts purchased	10 916	10 915	-	-	42 738	292 149	277 556	<b>612 443</b>
- Options – amounts sold			-	-	42 738	292 149	277 556	<b>612 443</b>
<b>Total derivative instruments held for trading</b>	<b>177 156</b>	<b>171 474</b>	<b>3 015 005</b>	<b>2 722 598</b>	<b>4 150 423</b>	<b>3 725 606</b>	<b>2 711 296</b>	<b>16 324 928</b>
Not traded on regulated markets	177 156	171 474	3 015 005	2 722 598	4 150 423	3 725 606	2 711 296	16 324 928
<b>Total</b>	<b>177 156</b>	<b>171 474</b>	<b>3 015 005</b>	<b>2 722 598</b>	<b>4 150 423</b>	<b>3 725 606</b>	<b>2 711 296</b>	<b>16 324 928</b>



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

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

The tables below present the Bank's contingent liabilities as at 31 December 2010 and comparative data.

### Note 26

<b>Contingencies and Commitments (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Contingent liabilities granted</b>		
- items related to financing	3 117 692	2 628 355
- guarantees	1 277 205	805 490
<b>Total contingent liabilities granted</b>	<b>4 394 897</b>	<b>3 433 845</b>
<b>Contingent liabilities received</b>		
- items related to financing	2 861 841	4 242 177
- guarantees	275 223	259 672
<b>Total contingent liabilities received</b>	<b>3 137 064</b>	<b>4 501 849</b>
<b>Total contingent liabilities</b>	<b>7 531 961</b>	<b>7 935 694</b>

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2010 made up PLN 2,970,649 thousand or 95% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 2,518,271 thousand as at 31 December 2009 (96%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

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

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

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

The major item of off-balance sheet commitments received by the Bank constituted unused credit lines granted by the NBP and the entities affiliated by management which as at 31 December 2010 made up PLN 2,628,355 thousand, and, respectively, PLN 4,242,177 thousand as at 31 December 2009.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 275,223 thousand as at 31 December 2010 and PLN 259,672 thousand as at 31 December 2009.

According to the existing experience of the Bank, performance dates of contingent financial commitments are identical with contractual validity dates of such commitments.

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



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

### Comprehensive scope of services

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

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

### Custody of securities

The Bank is a direct member of KDPW S.A. (the National Depository of Securities), which is the central institution responsible for maintenance of and supervision over a deposit and settlement system as regards trading in financial instruments in Poland. The Bank holds a securities account there, dedicated specifically to its Customers. Thus the Bank's assets are separated from the Customers' assets.

### Settlement of transactions

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

### Reports for Customers

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

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

#### Note 27

	31.12.2010	31.12.2009
Number of accounts maintained in favour of customers	12	16
Funds deposited on such Customer accounts (in PLN thousand)	2 231 005	2 891 605

### Other functions performed in favour of investment funds

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

- representation of funds before their participants and the Polish Financial Supervision Authority,
- acceptance of complaints from fund participants,
- providing information on funds to fund participants,
- verification of customer orders and forwarding them to the Transfer Agent,
- making pecuniary settlements with customers in connection with investments in participation titles,
- making pecuniary settlements with funds,



- sending reports to customers,
- service of investment fund distributors other than Fortis Bank Polska SA,
- distribution of fund participation units.



## 28. Lease facility

### Financial leasing

The Bank is a lessee under a financial leasing agreement concluded in 2005 regarding alarm systems for own and franchised branches. The Bank recognises funds related to financial leasing as non-current assets.

#### Note 28.1

<b>Liabilities under financial leasing (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Total amount of minimum lease charges	1 900	3 376
Unrealised financial costs	156	326
Current value of minimum lease charges	1 744	3 050

#### Note 28.2

<b>Total amount of minimum leasing charges by maturities (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
up to 1 year	1 001	1 390
from 1 up to 5 years	899	1 986
more than 5 years	-	-
<b>Total</b>	<b>1 900</b>	<b>3 376</b>

#### Note 28.3

<b>Current value of minimum leasing charges by maturities (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
up to 1 year	914	1 225
from 1 up to 5 years	830	1 825
more than 5 years	-	-
<b>Total</b>	<b>1 744</b>	<b>3 050</b>

### Operating leasing

#### Payments related to Lease Agreements

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

In 2010, the Bank incurred expenses related to rentals for the above real estate of PLN 63,846 thousand, as compared to PLN 46,897 thousand, incurred in 2009.

The above expenses were recognised in the income statement in the Note "Other costs."

#### Note 28.4

<b>Future liabilities (gross) under lease agreements (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
up to 1 year	54 438	58 226
from 1 up to 5 years	155 535	171 538
more than 5 years	63 778	90 942
<b>Total</b>	<b>273 751</b>	<b>320 706</b>





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

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

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

Pursuant to lease agreements, the Bank leases office premises.

#### Note 28.5

<b>Future receivables (gross) under lease agreements (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
up to 1 year	3 475	2 598
from 1 up to 5 years	7 204	6 088
more than 5 years	885	3 128
<b>Total</b>	<b>11 564</b>	<b>11 814</b>

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

Perpetual usufruct right to land

The Bank is a perpetual usufructuary of land. The perpetual usufruct right to land is recognised in the Bank's books as operating lease. Annual fees paid by the Bank for the perpetual usufruct right to land, computed at rates applicable in a given year, are settled through an account of accrued expenses and deferred income.

#### Note 28.6

<b>Future minimum lease charges on account of perpetual usufruct of land (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
up to 1 year	8	6
from 1 up to 5 years	33	29
more than 5 years	629	439
<b>Total</b>	<b>670</b>	<b>474</b>



## 29. Information on Related Party Transactions

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

### Note 29.1

<b>31.12.2010</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	181 610	-	3 565	185 175
Financial assets held for trading	30 418	-	5 568	35 986
Due from banks and Loans to customers	-	1	87 876	87 877
Other assets	4 486	240	2 611	7 337
<b>Total</b>	<b>216 514</b>	<b>241</b>	<b>99 620</b>	<b>316 375</b>
<b>Liabilities</b>				
Financial liabilities held for trading	62 185	-	10 486	72 671
Due to banks and customers	126 974	16 507	340 872	484 353
Loans and credit facilities received	390 000	-	6 693 459	7 083 459
Subordinated liabilities	60 000	-	475 236	535 236
Other liabilities	3 864	62	9 119	13 045
<b>Total</b>	<b>643 023</b>	<b>16 569</b>	<b>7 529 172</b>	<b>8 188 764</b>

<b>31.12.2009</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	221 181	-	-	221 181
Financial assets held for trading	41 838	-	-	41 838
Due from banks and Loans to customers	982 862	1	413 713	1 396 576
Other assets	10 799	124	2 978	13 901
<b>Total</b>	<b>1 256 680</b>	<b>125</b>	<b>416 691</b>	<b>1 673 496</b>
<b>Liabilities</b>				
Financial liabilities held for trading	133 822	-	83	133 905
Due to banks and customers	1 086 179	17 769	831 578	1 935 526
Loans and credit facilities received	390 000	-	6 117 928	6 507 928
Subordinated liabilities	60 000	-	492 984	552 984
Other liabilities	3 573	79	2 993	6 645
<b>Total</b>	<b>1 673 574</b>	<b>17 848</b>	<b>7 445 566</b>	<b>9 136 988</b>



## Note 29.2

<b>1.01.2010 – 31.12.2010 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Income statement</b>				
Interest income	2 029	-	324	2 353
Interest expense	-24 892	-669	-59 013	-84 574
Fee and commission income	3 900	1 537	1 591	7 028
Fee and commission expense	-1 206	-	-90	-1 296
Dividend and other investment income	-	-	-	-
Net trading income	75 704	-	-39 911	35 793
Other revenues	2 814	-	66	2 880

<b>1.01.2009 – 31.12.2009 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Income statement</b>				
Interest income	6 167	-	945	7 112
Interest expense	-14 492	-943	-108 096	-123 531
Fee and commission income	8 227	1 239	1 663	11 129
Fee and commission expense	-2 238	-	-	-2 238
Dividend and other investment income	-	244	-	244
Net trading income	-284 065	-	12 787	-271 278
Other revenues	4 324	16	56	4 396
Other expenses	-698	-	-	-698

## Note 29.3

<b>31.12.2010 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Contingent liabilities and transactions in derivative instruments</b>				
Contingent liabilities granted:	<b>13 441</b>	<b>50</b>	<b>364 360</b>	<b>377 851</b>
- items related to financing	-	50	187 054	187 104
- guarantees	13 441	-	177 306	190 747
Contingent liabilities received:	<b>20 569</b>	<b>-</b>	<b>141 411</b>	<b>161 980</b>
- items related to financing	-	-	-	-
- guarantees	20 569	-	141 411	161 980
Transactions in derivative instruments*	8 358 494	-	5 355 720	13 714 214

<b>31.12.2009 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Contingent liabilities and transactions in derivative instruments</b>				
Contingent liabilities granted:	<b>46 135</b>	<b>49</b>	<b>126 214</b>	<b>172 398</b>
- items related to financing	-	49	114 582	114 631
- guarantees	46 135	-	11 632	57 767
Contingent liabilities received:	<b>46 130</b>	<b>-</b>	<b>252</b>	<b>46 382</b>
- items related to financing	-	-	-	-
- guarantees	46 130	-	252	46 382
Transactions in derivative instruments*	8 345 515	-	823 320	9 168 835

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

### Material agreements with affiliated entities

#### Loan agreements signed with BNP Paribas SA in 2010

On 5 March 2010 an annex to the loan agreement dated 25 February 2008 between BGL BNP Paribas SA (former Fortis Banque Luxembourg SA) based in Luxembourg and the Bank. The agreement referred to a credit line granted to the Bank by BGL BNP Paribas SA with the limit of EUR 300 million (or its equivalent in USD or CHF) in order to finance the Bank's current operating activity. Under the annex, the credit line was renewed starting from 5 March 2010 and was to be Annual Separate Financial Statement of Fortis Bank Polska SA for 2010



available until 5 March 2011. The other financing terms and conditions remained unchanged were not different from market conditions.

On 2 June 2010 a credit agreement was signed between the Bank and BNP Paribas SA based in Paris which has superseded the above agreement and the annex. The debt balance with BGL BNP Paribas was paid off and the Bank obtained from BNP Paribas SA a new credit line of EUR 300 million, available till 7 June 2012. The credit interest rate has been established based on the EURIBOR interest rate increased by a margin. Terms and conditions of the financing granted correspond to market conditions.

The agreement meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank's equity.

On 27 July 2010 an agreement was signed by and between BNP Paribas SA based in Paris and the Bank on granting a credit line up to EUR 100 million to the Bank. Till the agreement signing date a tranche of EUR 50 million was made available. Funds under the credit line will be allocated to the Bank's current operating activity and general corporate purposes. The financing term is up to fifteen years. The credit interest rate has been established based on the EURIBOR interest rate increased by a margin. The financing terms correspond to market conditions.

The agreement meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank's equity.

On 29 October 2010, the Bank received CHF 250 million under another loan agreement signed with BNP Paribas SA based in Paris. The funds will be allocated to the Bank's current operating activity and general corporate purposes.

The financing period is three years of the disbursement date, i.e. until 29 October 2013. The financing terms correspond to market conditions.

The credit line with BNP Paribas replaced the one received under a loan agreement signed in 2004, which was in 2008 transferred to Fortis Banque Luxembourg SA (now BGL BNP Paribas SA) by way of an assignment of receivables, and which expired on 31 October 2010.

The agreement meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank's equity.

#### **Agreements signed by and between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland**

On 30 March 2010, an agreement was signed between Fortis Bank Polska SA and BNP Paribas SA Branch in Poland. The purpose of the agreement was the acquisition by the Bank of the organised part of the bank enterprise of the Branch upon fulfillment of the terms and conditions specified in the agreement. On 26 May 2010, the Polish Financial Supervision Authority (KNF) granted its consent to this transaction.

The sale agreement regarding the organised part of the enterprise was concluded on 1 July 2010 between Fortis Bank Polska SA as the buyer, and BNP Paribas SA Branch in Poland as the seller.

The organised part of the banking enterprise acquired by the Bank includes banking business segments such as: lending, cash management, trade finance, bank guarantees and other standard banking services.

The details of the transaction of acquiring the organised part of the enterprise are presented in Chapter 3.

#### **Annex to the credit line agreement with Fortis Lease Polska sp. z o.o.**

On 2 March 2010 the Bank signed an annex to the multi-option credit line agreement with Fortis Lease Polska sp. z o.o. dated 17 November 2000. The credit line can be utilised as an overdraft facility, L/C line or guarantee credit line. The credit limit equals PLN 175 million. The agreement amendment referred to the credit term extension for the subsequent current term, i.e. until 29 July 2010.

On 23 July 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 29 September 2010.



On 4 October 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 28 October 2010.

On 18 October 2010, the Bank signed another annex to the multi-option credit line dated 17 November 2000. The financing period was extended until 18 January 2016, while the credit term was extended until 30 December 2010. The credit limit amount remained unchanged.

On 30 December 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 31 March 2011.



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

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

### Note 30.1

in PLN thousand	1.01.2010 - 31.12.2010	1.01.2009 - 31.12.2009
Board of Executives, including:	8 532	5 155
- remuneration	4 805	3 070
- benefits*	987	613
- other**	2 740	1 472
Supervisory Board	661	598
Managing Directors***	14 855	13 189

\* 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.

The table below presents detailed information in remuneration paid to members of the Board of Executives in 2010, and comparative data for 2009.

### Note 30.2

1.01.2010 – 31.12.2010 (in PLN thousand)		Remuneration	Benefits	Others	Total
Frédéric Amoudru	President of the Board of Executives	876	262	94	1 232
Alexander Paklons	Vice-President of the Board of Executives till 30.06.10	-	135	420	555
Jan Bujak	Senior Vice-President of the Board of Executives	827	8	563	1 398
Jean-Luc Deguel	Vice-President of the Board of Executives till 30.06.10	289	109	267	665
Jacek Obłąkowski	Vice-President of the Board of Executives	720	5	108	833
Jaromir Pelczarski	Vice-President of the Board of Executives	827	5	288	1 120
Michel Thebault	Vice-President of the Board of Executives	666	221	94	981
Philippe Van Hellemont	Vice-President of the Board of Executives	-	183	906	1 089
Marta Oracz	Member of the Board of Executives since 01.06.10	244	6	-	250
Jean-Philippe Stephane Rodes	Member of the Board of Executives since 1.07.10	356	53	-	409
<b>Total</b>		<b>4 805</b>	<b>987</b>	<b>2 740</b>	<b>8 532</b>

1.01.2009 – 31.12.2009 (in PLN thousand)		Remuneration	Benefits	Others	Total
Alexander Paklons	President of the Board of Executives	-	255	701	956
Jan Bujak	Senior Vice-President	827	5,5	-	832,5
Frédéric Amoudru	Vice-President of the Board of Executives since 13.11.09	-	13	-	13
Jean-Luc Deguel	Vice-President of the Board of Executives	625	137	-	762
Jacek Obłąkowski	Vice-President of the Board of Executives since 01.04.09	324	2	-	326
Jaromir Pelczarski	Vice-President of the Board of Executives	827	5,5	250	1 082,5
Michel Thebault	Vice-President of the Board of Executives since 01.09.09	205	83	-	288
Thierry Lechien	Vice-President of the Board of Executives till 15 June 2009	262	66	50	378
Philippe Van Hellemont	Vice-President of the Board of Executives since 16 June 2009	-	46	471	517
<b>Total</b>		<b>3 070</b>	<b>613</b>	<b>1 472</b>	<b>5 155</b>



The table below presents detailed information in remuneration paid to members of the Supervisory Board in 2010, and comparative data for 2009.

Note 30.3

<b>1.01.2010 – 31.12.2010 (in PLN thousand)</b>		<b>Remuneration</b>
Camille Fohl	Chairman since 26.06.09	180
Jos Clijsters	Deputy Chairman until 30.09.10	90
Jarosław Bauc	Deputy Chairman since 1.07.10	51
Lars Machenil	Deputy Chairman since 5.11.10	62
Antoni Potocki	Deputy Chairman until 29.04.10	40
Zbigniew Dresler	Supervisory Board's member until 29.04.10	28
Reginald De Gols	Supervisory Board's member until 31.03.10	28
Monika Bednarek	Supervisory Board's member since 01.07.10	42
Jean Deullin	Supervisory Board's member since 01.07.10	42
Mark Selles	Supervisory Board's member since 30.04.10	56
Andrzej Wojtyna	Supervisory Board's member since 01.07.10	42
Jean-Marie Bellafiore	Supervisory Board's member from 30.04.10 till 30.06.10	-
<b>Total</b>		<b>661</b>

<b>1.01.2009 – 31.12.2009 (in PLN thousand)</b>		<b>Remuneration</b>
Camille Fohl	Chairman since 26.06.09	90
Jos Clijsters	Deputy Chairman	150
Antoni Potocki	Deputy Chairman	120
Zbigniew Dresler	Supervisory Board Member	84
Reginald De Gols	Supervisory Board's member since 26.06.09	42
Christopher Norris	Supervisory Board's member until 31.01.09	7
Peter Ullmann	Supervisory Board's member until 26.06.09	42
Lucas Willemys	Supervisory Board's member until 30.09.09	63
<b>Total</b>		<b>598</b>

As at the end of 2010, two members of the Bank's Board of Executives who were at the same time members of the Supervisory Board of Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments S.A. did not receive any remuneration on this account, both at the end of 2010 and 2009.

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

The table below presents provisions for employee benefits for key managers as at 31 December 2010 and comparative data as at 31 December 2009:

Note 30.4

<b>Provisions for employee benefits for key managers, by groups (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Short-term, including:	4 468	3 133
- Board of Executives	1 936	730
- Managing Directors	2 532	2 403
Long-term, including:	342	230
- Board of Executives	95	77
- Managing Directors	247	153
<b>Total provisions for employee benefits for key managers</b>	<b>4 810</b>	<b>3 363</b>



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

**As at 31.12.10, the Bank granted:**

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 6 (six) credit card limits of PLN 46 thousand in total, of which PLN 10 thousand was used;
- 5 (five) foreign currency loans in the amount of PLN 1,243 thousand with the original maturity from 5 to 10 years, inclusive;
- 2 (two) debit limits in the savings and checking account in the total amount of PLN 100 thousand;

to Managing Directors:

- 27 loans totalling PLN 6,607 thousand, including 14 FC loans of the total of PLN 4,594 thousand with original maturity from 3 to over 30 years;
- 13 debit limits in the savings and checking accounts (ROR) of PLN 319 thousand, of which PLN 27 thousand was utilised as at the end of 2010;
- 29 credit card limits totalling PLN 212 thousand, of which PLN 64 thousand were utilised as at the end of 2010;

to persons related to managing and supervising persons:

- 9 (nine) loans, of which one in a foreign currency, in the total amount of PLN 2 357 thousand with the original maturity from 2 to 30 years inclusive;
- 4 (four) debit limits in the savings and checking accounts (ROR) totalling PLN 78 thousand, of which PLN 24 thousand was utilised as at the end of 2010;
- 4 (four) credit card limits totalling PLN 42 thousand, of which PLN 4 thousand were utilised as at the end of 2010
- guarantee of EUR 4 thousand issued for the period from 3 months up to 1 year.

**As at 31.12.09, the Bank granted:**

to the Supervisory Board's Members:

- 1 (one) credit card limit of PLN 29 thousand in total, of which PLN 19 thousand was used;
- guarantee of USD 5 thousand issued for the period from 5 up to 10 years;
- 1 (one) debit limit in the savings and checking account (ROR) of PLN 30 thousand;

to the Board of Executives' Members:

- 5 (five) credit card limits of PLN 61 thousand in total, of which PLN 20 thousand was used;
- 1 (one) foreign currency loan in the amount of PLN 77 thousand with the original maturity from 5 to 10 years, inclusive;
- 3 (three) debit limits in the savings and checking account in the total amount of PLN 105 thousand;

to Managing Directors:

- 19 loans totalling PLN 4,169 thousand, including 9 FC loans of the total of PLN 2,694 thousand with original maturity from 5 to over 30 years;
- 1 debit limit in the savings and checking account (ROR) of PLN 14 thousand, of which PLN 11 thousand was utilised as at the end of 2009;
- 15 credit card limits totalling PLN 115 thousand, of which PLN 18 thousand was utilised as at the end of 2009;

to persons related to managing and supervising persons:

- 2 (two) loans, of which one in a foreign currency, in the total amount of PLN 154 thousand with the original maturity from 10 to 30 years, inclusive;
- 3 (three) debit limits in the savings and checking accounts (ROR) totalling PLN 38 thousand, of which PLN 24 thousand was utilised as at the end of 2009;
- 2 (two) credit card limits totalling PLN 22 thousand, of which PLN 2 thousand was utilised as at the end of 2009.





### Information on indebtedness of employees related to loans granted from the Company Social Benefit Fund (ZFŚS)

The table below presents the level indebtedness of employees of Fortis Bank Polska SA related to loans granted from the Company Social Benefit Fund (ZFŚS).

#### Note 30.5

<b>Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
in PLN thousand	717	830

### Employee loans

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

#### Note 30.6

<b>Employee loans granted</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
in PLN thousand	183 341	162 220
According to the number of employees	1 687	1 607

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



## 31. Employee Benefits

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

### Note 31.1

<b>Employment:</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
FTEs	2 816	2 664
of which, having education:		
- higher	63%	64%
- BA	12%	8%
- secondary	25%	28%

Employee benefits consist of:

- Short-term employee benefits, including:
  - reserve for bonuses
  - reserve for unused vacation leaves
  - ZFŚS (Company Social Benefit Fund)
  - others
- Long-term employee benefits, including:
  - reserve for pension benefits

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

### Note 31.2

<b>Short-term employee benefits by titles (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Reserve for employee bonuses	12 890	14 900
Reserve for unused vacation leaves	8 719	9 736
ZFŚS (Company Social Benefit Fund)	1 180	1 345
Restructuring provisions	-	20 238
Others	6	41
<b>Total short-term employee benefits</b>	<b>22 795</b>	<b>46 260</b>

The Bank does not finance employee pension schemes.

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

Retirement severance pay, disability benefits and post-death benefits are governed by the relevant Labour Code provisions and are obligatory.



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

#### Note 31.3

<b>Current value of liabilities (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Retirement severance pay, disability benefits and post-death benefits	2 216	1 986
<b>Total long-term employee benefits</b>	<b>2 216</b>	<b>1 986</b>
<b>Liabilities recognised in the balance sheet</b>	<b>2 216</b>	<b>1 986</b>

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

#### Note 31.4

<b>Retirement severance pay, disability benefits and post-death benefits (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Present value of liabilities – opening balance</b>	<b>1 986</b>	<b>1 451</b>
Current employment costs (*)	249	849
Interest expense	111	91
Actuarial Profits (+) / Losses (-)	-79	-156
Benefits paid out (-)	-51	-139
Effect of the benefit program reduction	-	-110
<b>Present value of liabilities – ending balance</b>	<b>2 216</b>	<b>1 986</b>

(\*) in 2009, the item includes PLN 452 thousand of liabilities related to employees of former Dominet Bank SA.

#### Note 31.5

<b>Jubilee awards (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Present value of liabilities – opening balance</b>	-	<b>1 234</b>
Effect of the benefit program reduction	-	-1 234
<b>Present value of liabilities – ending balance</b>	-	-

In the table below, the minimum and maximum discount rates are presented along with the remuneration growth rate accounted for in the benefit valuation.

#### Note 31.6

<b>Actuarial assumptions for measurement</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Minimum discount rate	5,6%	4,5%
Maximum discount rate	5,0%	5,9%
Expected remuneration growth rate:		
- year 1	5,0%	5,0%
- year 2	5,0%	5,0%
- since year 3	5,0%	5,0%

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



### "Competence Development Academy- ARKa" training project

Fortis Bank Polska SA obtained from the Polish Agency of Enterprise Development a subsidy for the "Competence Development Academy- ARKa" training project under the "Development of Human Capital of Enterprises" of the Human Capital Operational Programme, co-financed from the funds of the European Social Fund. The subsidy amount is PLN 3,200 thousand. The project includes 26 training topics, e.g. change management, project and process management, financial analysis of enterprises, negotiation techniques, personnel management, time management and stress management. The training under the Project are addressed to all employees of the Bank. The Project lasted 22 months, from March 2009 through December 2010.

The notes below present revenues and expenses related to the "Competence Development Academy- ARKa" training programme.

#### Note 31.7

<b>Revenues related to the "Competence Development Academy- ARKa" training programme (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Fee And Commission Income	1 753	607

#### Note 31.8

<b>Costs related to the "Competence Development Academy- ARKa" training programme (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Personnel expenses - remuneration	-550	-774
Personnel expenses – surcharges on remuneration	-274	-133
Other costs - advisory services and consulting	-26	-48
Other costs - stationery	-17	-21
Other costs - business travels	-1	-5
Other costs - expenditure related to RE use	-3	-8
Other costs - rents	-176	-21
Other expenses - other	-825	-302
<b>Total</b>	<b>-1 872</b>	<b>-1 312</b>



## 32. Risk Management

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

The Bank divides monitoring, control and risk management processes 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 rules of risk management and control, determines the limit setting policy for all relevant risk types as well as risk control procedures.

### **Credit risk**

#### **Credit risk management**

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

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

The rules concerning credit risk assessment, measurement, acceptance, hedging, control and reporting, adopted by the Bank, have been specified in the credit risk management policy, that is consistent with the risk management strategy at FBP SA, likewise supports achievement of the objectives and observation of the rules set forth in the strategy.

The credit risk management is based on an integrated approach that covers both operational and strategic dimensions.

Further to that, in the strategic dimension the Bank defines its risk profile and adjusts business assumptions to it. The strategic credit risk management is related to such aspects of the Bank's activity as: management of the Bank's capital and goodwill, pricing policy, planning and budgeting. Such an approach is to maintain the capital adequacy and the assumed level of risk costs while generating an optimum asset profitability.

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

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

An operational dimension of credit risk management focuses on the management from the point of view of a single exposure or borrower. 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.

Credit decisions are made according to the decision-making model approved by the Bank's Supervisory Board, adjusted to the standards applicable in the BNP Paribas group. The decision-making model takes into consideration the business lines' structure, determines the number of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Amount limits of decision-making authorisations depend on two basic criteria: customer's rating and financing term. The model provides for a possibility of delegating authorisation powers of credit committees in an "4-eye mode" (by two persons) or "2-eye mode" (by one person) to ensure an efficiency of the decision-making process.

### **Rating system/ risk classification system pursuant to the IFRS**

The rating is determined for each client in relation to which the Bank's TOO exceeds EUR 1,000. Individual customers are covered by a risk assessment based on scoring models.

The creditworthiness of customers of the Bank is estimated based on Fortis Masterscale (FMS), a rating system that contains 17 rating classes to assess entities that fulfil the payment obligations ( $PD < 1$ ) and 3 rating classes for defaults.

Borrowers with reference to which there is a probability that the Bank will not recover all the receivables due, unless collateral is used, or which are in default for over 90 days regarding any material credit liability due to the Bank, are classified into the respective rating classes: 18, 19 or 20 and are assigned the default status. The default status is assigned in accordance with the risk classification system, adopted by the Bank, based on the IFRS. The catalogue of objective indicators (events of default) includes quantitative and qualitative data, such as the following:

- significant financial difficulties or bankruptcy risk,
- composition settlement,
- composition proceedings initiated,
- economic crime,
- termination of loan agreements by other banks,
- delinquent payments longer than 90 days of a loan principal and/or interest that have been continued in any account of the customer, or a credit limit granted to the customer that has been exceeded.

### **Credit risk measurement**

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 an impairment allowance is created (IBNR),
- impairment allowances for incurred and reported losses,
- expected losses,
- unexpected losses.

Expected losses reflect the amount of the most probable credit loss from the economic point of view (taking into account a discount over time and outlays incurred in the debt restructure and recovery process), expected within one year, from the portfolio of credit exposures towards performing borrowers at the beginning of the period. Expected losses constitute the basic category of risk costs and are calculated using the following three risk components: PD - Probability of Default, EAD - Exposure at Default and LGD - Loss Given Default.

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

The calculation of the Incurred But Not Reported losses (IBNR) is based on the likelihood that a given credit exposure is reclassified from the performing portfolio into the portfolio of individually impaired assets in a given period of time, referred to as the Loss Identification Period (LIP), and subsequently the exposure is assigned the default status.



Impairment allowances for IBNR losses are computed and posted on a monthly basis.

Impairment allowances for identified losses (exposures with a default status) are computed and booked monthly, based on the loan portfolio balance (balance sheet and off-balance sheet items) as at the end of a month, in which they have been booked.

### Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of write-downs for impairment and provisions for off-balance sheet commitments as at 31 December 2010 and comparative data as at 31 December 2009.

#### Note 32.1.1

<b>Information on exposure quality (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Cash and cash equivalents</b>	<b>998 763</b>	<b>679 027</b>
- receivables without impairment	999 500	680 105
- Write-downs for impairment of IBNR losses	-737	-1 078
<b>Financial assets held for trading</b>	<b>194 290</b>	<b>664 305</b>
- securities	91 699	487 149
- derivative financial instruments	102 591	177 156
measurement to fair value	106 737	203 182
fair value adjustment for credit risk	-4 146	-26 026
<b>Due from banks</b>	<b>159 013</b>	<b>1 573 242</b>
- receivables without impairment	159 118	1 573 359
- Write-downs for impairment of IBNR losses	-105	-117
<b>Loans to customers</b>	<b>13 151 131</b>	<b>13 811 556</b>
- receivables without impairment	12 149 893	12 754 929
- receivables impaired, including where the impairment is:	2 236 775	2 072 053
determined on a case-by-case basis	1 368 231	1 353 585
determined using a collective method	868 544	718 468
- write-downs for impairment for incurred and reported losses	-1 153 854	-910 752
determined on a case-by-case basis	-633 453	-540 210
determined using a collective method	-520 401	-370 542
- Write-downs for impairment of IBNR losses	-81 683	-104 674
<b>Investments - Available for Sale</b>	<b>3 247 825</b>	<b>2 785 800</b>
<b>Other investments</b>	<b>18 208</b>	<b>18 208</b>
<b>Off-balance sheet commitments granted</b>	<b>4 380 725</b>	<b>3 385 450</b>
- off-balance sheet commitments without impairment	4 274 060	3 233 872
- off-balance sheet liabilities impaired, including where the impairment is:	120 837	199 973
determined on a case-by-case basis	83 198	121 420
determined using a collective method	37 639	78 553
- provisions for off-balance sheet commitments	-5 948	-42 258
determined on a case-by-case basis	-4 554	-39 225
determined using a collective method	-1 394	-3 033
- Write-downs for impairment of IBNR losses – off-balance sheet commitments	-8 224	-6 137



### Note 32.1.2

<b>Analysis of gross receivables from customers (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Performing receivables without impairment	11 621 128	12 018 150
Non-performing receivables without impairment	528 765	736 779
Receivables with impairment determined on a case-by-case basis (with a provision)	1 202 497	1 209 605
Receivables with impairment determined on a case-by-case basis (without a provision)	165 734	143 980
Receivables with impairment determined collectively (with a provision)	844 154	707 714
Receivables with impairment determined collectively (without a provision)	24 390	10 754
<b>Total due from customers, gross</b>	<b>14 386 668</b>	<b>14 826 982</b>

The table below presents the FC analysis of loans to customers, which are neither past-due nor impaired as at 31 December 2010, along with comparative data as at 31 December 2009.

### Note 32.1.3

<b>Performing receivables without impairment as per currencies (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
CHF	4 207 948	3 960 955
EUR	1 747 680	2 125 947
PLN	5 596 908	5 870 355
USD	68 592	60 893
<b>Total</b>	<b>11 621 128</b>	<b>12 018 150</b>

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 31 December 2010, along with comparative data as at 31 December 2009, is presented in the table below.

### Note 32.1.4

<b>Performing receivables without impairment (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
1-7	733 135	732 805
8-10	1 745 873	2 581 074
11-12	1 839 919	1 814 830
13-17	851 306	784 664
Unrated	6 450 895	6 104 777
- of which mortgage loans	4 787 652	4 381 592
<b>Total</b>	<b>11 621 128</b>	<b>12 018 150</b>

The following table presents receivables from customers which have been impaired, broken down by rating classes as at 31.12.2010 along with comparative data as at 31.12.2009.

### Note 32.1.5

<b>Receivables impaired (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
- determined on a case-by-case basis	1 368 231	1 353 585
18	-	132 702
19	971 723	936 460
20	388 400	278 833
Unrated	8 108	5 590
- determined using a collective method	868 544	718 468
18	-	1 839
19	8 129	4 001
20	54 312	48 707
Unrated	806 103	663 921
<b>Total</b>	<b>2 236 775</b>	<b>2 072 053</b>

The "Unrated" category covers the Bank's customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. Under the rules of the Fortis Masterscale system, which is in force at the Bank, rating assignment procedure is applied only to commercial customers (business entities) with respect to which the Bank's TOO exceeds EUR 1000 per customer.





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

**Note 32.1.6**

<b>Past-due periods of non-performing receivables, without impairment (in PLN thousand)</b>	<b>31.12.2009</b>	<b>31.12.2009</b>
from 1 to 30 days	404 894	407 850
from 31 to 60 days	81 299	263 139
from 61 to 90 days	34 832	51 030
from 91 days up	7 740	14 760
<b>Total non-performing receivables without impairment</b>	<b>528 765</b>	<b>736 779</b>

The table below presents types of collateral accepted by the Bank to secure credits and loans granted to customers as at 31.12.2010 and comparative data as at 31.12.2009.

**Note 32.1.7**

<b>Nominal value of collateral established in favour of the Bank (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Financial collateral - cash and cash equivalents	526 706	578 186
Financial collateral - other	989 503	965 203
Non-financial collateral - tangible	25 144 691	25 273 097
Guarantees and sureties	2 947 450	2 522 136
<b>Total collateral received</b>	<b>29 608 350</b>	<b>29 338 622</b>

The collateral presented above includes the following collateral types:

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

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 66,849 thousand as at 31 December 2010 and PLN 30,692 thousand as at 31 December 2009.

Below there is an analysis of credit exposures (excl. banks) broken down by business lines as at 31 December 2010 and comparative data as at 31 December 2009.

**Note 32.1.8**

<b>Credit exposures broken by business lines 31.12.2010 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Total</b>
Balance sheet credit exposures	10 309 204	4 077 464	14 386 668
Off-balance sheet credit exposures	889 566	3 295 730	4 185 296
<b>Total credit exposures, gross</b>	<b>11 198 770</b>	<b>7 373 194</b>	<b>18 571 964</b>
Write-downs for impairment for incurred and reported losses	-711 831	-442 023	-1 153 854
Provisions for off-balance sheet commitments	-2 583	-3 365	-5 948
Write-downs for Incurred But Not Reported losses (IBNR)	-71 965	-17 942	-89 907
- balance sheet receivables	-69 150	-12 533	-81 683
- off-balance sheet commitments	-2 815	-5 409	-8 224
<b>Total credit exposures, net</b>	<b>10 412 391</b>	<b>6 909 864</b>	<b>17 322 255</b>



<b>Credit exposures broken by business lines 31.12.2009 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Enterprise and Transaction Banking</b>	<b>Total</b>
Balance sheet credit exposures	10 018 600	4 808 382	14 826 982
Off-balance sheet credit exposures	929 676	2 448 179	3 377 855
<b>Total credit exposures, gross</b>	<b>10 948 276</b>	<b>7 256 561</b>	<b>18 204 837</b>
Write-downs for impairment for incurred and reported losses	-521 105	-389 647	-910 752
Provisions for off-balance sheet commitments	-4 325	-37 933	-42 258
Write-downs for Incurred But Not Reported losses (IBNR)	-93 333	-17 478	-110 811
- balance sheet receivables	-89 709	-14 965	-104 674
- off-balance sheet commitments	-3 624	-2 513	-6 137
<b>Total credit exposures, net</b>	<b>10 329 513</b>	<b>6 811 503</b>	<b>17 141 016</b>

#### Note 32.1.9

<b>Segment / Risk family 31.12.2010</b>	<b>Credit exposure value</b>				<b>Total</b>
	<b>Retail Banking</b>		<b>Enterprise and Transaction Banking</b>		
	<b>in PLN thousand</b>	<b>in %</b>	<b>in PLN thousand</b>	<b>in %</b>	
Without impairment	9 909 798	88	6 304 554	86	16 214 352
With impairment:	1 288 972	12	1 068 640	14	2 357 612
- determined on a case-by-case basis	413 765	-	1 037 665	-	1 451 430
- determined using a collective (portfolio) method	875 207	-	30 975	-	906 182
<b>Total credit exposures, gross</b>	<b>11 198 770</b>	<b>100</b>	<b>7 373 194</b>	<b>100</b>	<b>18 571 964</b>

<b>Segment / Risk family 31.12.2009</b>	<b>Credit exposure value</b>				<b>Total</b>
	<b>Retail Banking</b>		<b>Enterprise and Transaction Banking</b>		
	<b>in PLN thousand</b>	<b>in %</b>	<b>in PLN thousand</b>	<b>in %</b>	
Without impairment	9 909 767	91	6 023 044	83	15 932 811
With impairment:	1 038 509	9	1 233 517	17	2 272 026
- determined on a case-by-case basis	308 432	-	1 166 573	-	1 475 005
- determined using a collective (portfolio) method	730 077	-	66 944	-	797 021
<b>Total credit exposures, gross</b>	<b>10 948 276</b>	<b>100</b>	<b>7 256 561</b>	<b>100</b>	<b>18 204 837</b>

The table below presents an analysis of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 31 December 2010 along with comparative data as at 31 December 2009.

#### Note 32.1.10

<b>Mortgage loans for private individuals 31.12.2010</b>	<b>PLN</b>	<b>FC</b>	<b>Total</b>
Balance sheet value (in PLN thousand)	737 824	4 313 670	5 051 494
Average maturity (years)	23,7	26,4	25,8
Average LTV (%)	78%	86%	85%

<b>Mortgage loans for private individuals 31.12.2009</b>	<b>PLN</b>	<b>FC</b>	<b>Total</b>
Balance sheet value (in PLN thousand)	594 024	3 938 910	4 532 934
Average maturity (years)	25,4	27,0	26,0
Average LTV (%)	80,7	86,2	85,5



### Note 32.1.1

<b>Analysis of mortgage loans portfolio, gross (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Performing receivables without impairment	4 787 653	4 381 592
Past-due receivables without impairment	179 648	95 285
Receivables with impairment determined on a case-by-case basis (with a provision)	5 259	4 850
Receivables with impairment determined on a case-by-case basis (without a provision)	-	-
Receivables with impairment determined collectively (with a provision)	78 017	50 958
Receivables with impairment determined collectively (without a provision)	917	249
<b>Total mortgage loans, gross</b>	<b>5 051 494</b>	<b>4 532 934</b>

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

### Note 32.1.12

<b>Delinquency periods of past-due mortgage loans, without impairment (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
from 1 to 30 days	150 332	76 894
from 31 to 60 days	23 979	15 724
from 61 to 90 days	5 337	2 667
<b>Total of past-due mortgage loans, without impairment</b>	<b>179 648</b>	<b>95 285</b>

The table below presents currency analysis of mortgage loans as at 31.12.2010 and comparative data as at 31.12.2009.

### Note 32.1.13

<b>Mortgage loans as per currencies (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
CHF	4 234 238	3 878 941
EUR	73 766	55 126
PLN	737 824	594 024
USD	5 666	4 843
<b>Total mortgage loans</b>	<b>5 051 494</b>	<b>4 532 934</b>



The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken down by sectors, as at 31 December 2010 and comparative data as at 31 December 2009.

Note 32.1.14

Credit portfolio by sectors	31.12.2010		31.12.2009	
	in PLN thousand	in %	in PLN thousand	in %
Natural persons	7 494 280	40,35	7 118 971	39,10
Wholesale	1 766 678	9,51	1 876 822	10,31
Commercial construction and engineering	1 263 175	6,80	1 243 866	6,83
Education, medical care	1 233 412	6,64	1 503 933	8,26
Machines	979 405	5,27	832 588	4,57
Other services	851 462	4,58	751 197	4,13
Retail trade	791 500	4,26	701 459	3,85
Food, tobacco, beverages	599 771	3,23	548 547	3,01
Chemicals and plastics	412 477	2,22	516 503	2,84
Furniture and electrical industry	366 599	1,97	180 572	0,99
Vessels	361 062	1,94	448 446	2,46
Sports, tourism, culture and arts	329 730	1,78	342 590	1,88
Wood, woodwork	292 157	1,57	377 601	2,07
Motor vehicles	291 205	1,57	273 060	1,50
Communications	260 496	1,40	16 087	0,09
Financial institutions	213 146	1,15	143 724	0,79
Ceramics and glass	177 767	0,96	194 773	1,07
Transport	172 515	0,93	171 628	0,94
Textiles, leather articles	95 170	0,51	120 223	0,66
Paper and stationery	93 242	0,50	101 218	0,56
Administration services	91 766	0,49	133 237	0,73
Print shops and publishers	74 128	0,40	59 925	0,33
Other means of transport	43 094	0,23	105 185	0,58
Production of metals and non-metals	22 231	0,12	101 106	0,56
residential construction	9 235	0,05	30 135	0,17
Other production	81 273	0,44	63 335	0,35
Others	204 988	1,13	248 106	1,37
<b>Total credit portfolio by sectors</b>	<b>18 571 964</b>	<b>100,00</b>	<b>18 204 837</b>	<b>100,00</b>

Credit risk concentration

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

Pursuant to Article 71 of the Banking Law Act, maximum limits for the Bank as at 31 December 2010 were as follows:

- PLN 451,826 thousand (under the law, 25% of the Bank's equity) as regards the Bank's exposure towards each entity or entities affiliated by capital or management, where none of them is affiliated with the Bank;
- PLN 361,461 thousand (under the law, 20% of the Bank's equity) as regards the Bank's exposure towards each entity or entities affiliated by capital or management, where any of such entities is the Bank's parent entity or subsidiary, or a subsidiary of the Bank's parent entity;
- PLN 180,730 thousand (under the law, 10% of the Bank's equity) as regards the limit that defines the level that determines large exposure.

The Bank did not exceed the maximum exposure limit towards any customer or capital group as stipulated under the Banking Law Act, either in 2010 or in 2009.

In 2010 and in a comparative period of 2009, the Bank obtained no financial or non-financial assets by taking over collateral established in order to improve the credit terms and conditions.



## Liquidity, FX and interest rate 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;
- not exceed the risk level acceptable by the BNP Paribas Group.

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

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

## **Liquidity Risk**

The Bank identifies the following liquidity types:



- immediate liquidity – within a current day,
- future liquidity – for a period exceeding the current day, which may be further broken down by the following:
  - current liquidity – within the term up to 10 days
  - short-term liquidity – up to 3 months,
  - mid-term liquidity – from 3 months up to 1 year,
  - long-term liquidity – above one year.

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

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

The Bank's strategy consists in the following:

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

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

As at 31.12.10, the structure of loans disbursed was as follows:

- EUR 200 million – maturity in February 2011;
- PLN 20 million – maturity in April 2011;
- PLN 130 million – maturity in May 2011;
- PLN 140 million – maturity in June 2011;
- CHF 440 million – maturity in July 2011;
- PLN 100 million – maturity in September 2011;
- CHF 439 million – maturity in June 2012;
- EUR 2.5 million – maturity in June 2012;
- EUR 300 million – maturity in June 2012;
- CHF 295 million – maturity in June 2012;
- CHF 250 million – maturity in October 2012;
- EUR 50 million – maturity in July 2015;
- PLN 80 million – maturity in June 2017;
- EUR 100 million – maturity in September 2017;
- PLN 60 million – maturity in April 2019;
- EUR 20 million – maturity in April 2019.

Additionally, as at 31.12.2010, the Bank held bonds issued in the total value of PLN 60 million, maturing in July 2014.



The table below presents an analysis of balance sheet items and derivative instruments broken down by residual maturities as at 31.12.2010 and comparative data as at 31.12.2009.

**Note 32.2**

<b>31.12.2010 (in PLN thousand)</b>	<b>Without any maturity determined</b>	<b>up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-3 years</b>	<b>3 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Cash and cash equivalents	-	-	-	-	-	-	-	<b>1 172 860</b>
Financial assets held for trading	-	15 909	11 024	54 360	48 867	11 697	52 433	<b>194 290</b>
Due from banks	-105	157 745	1 373	-	-	-	-	<b>159 013</b>
Loans to customers	999 221	1 436 252	384 752	1 422 687	2 263 280	1 484 382	5 160 557	<b>13 151 131</b>
Investments available for sale	23 948	899 428	158 903	664 299	388 872	235 916	876 459	<b>3 247 825</b>
Other investments	18 208	-	-	-	-	-	-	<b>18 208</b>
Other assets	-	-	-	-	-	-	-	<b>612 908</b>
<b>Long position</b>	<b>1 041 272</b>	<b>2 509 334</b>	<b>556 052</b>	<b>2 141 346</b>	<b>2 701 019</b>	<b>1 731 995</b>	<b>6 089 449</b>	<b>18 556 235</b>
Financial liabilities held for trading	-	10 588	18 881	21 579	11 669	8 704	26 278	<b>97 699</b>
Due to banks	-	201 453	8 387	50 319	326 271	120 207	39 137	<b>745 774</b>
Due to customers	12 403	5 439 239	1 743 347	685 311	327 993	570	2 912	<b>8 211 775</b>
Loans and credit facilities received	-	792 060	-	1 782 116	4 311 268	198 015	80 000	<b>7 163 459</b>
Liabilities related to issuance of debt securities	-	-	-	-	-	30 000	-	<b>30 000</b>
Subordinated liabilities	-	30 000	-	-	-	-	535 236	<b>565 236</b>
Other liabilities	-	-	-	-	-	-	-	<b>1 742 292</b>
<b>Short position</b>	<b>12 403</b>	<b>6 473 340</b>	<b>1 770 615</b>	<b>2 539 325</b>	<b>4 977 201</b>	<b>357 496</b>	<b>683 563</b>	<b>18 556 235</b>
<b>Gap – balance sheet</b>	<b>1 028 869</b>	<b>-3 964 006</b>	<b>-1 214 563</b>	<b>-397 979</b>	<b>-2 276 182</b>	<b>1 374 499</b>	<b>5 405 886</b>	
<b>Derivative instruments</b>								
Amounts bought	-	<b>1 936 147</b>	<b>2 126 670</b>	<b>2 214 745</b>	<b>952 649</b>	<b>575 079</b>	<b>874 917</b>	<b>8 680 208</b>
Amounts sold	-	<b>1 925 175</b>	<b>1 659 044</b>	<b>2 218 559</b>	<b>953 358</b>	<b>575 079</b>	<b>874 917</b>	<b>8 206 132</b>
<b>Gap – off-balance sheet</b>	<b>-</b>	<b>10 972</b>	<b>467 625</b>	<b>-3 814</b>	<b>-709</b>	<b>-</b>	<b>-</b>	<b>474 075</b>

<b>31.12.2009 (in PLN thousand)</b>	<b>Without any maturity determined</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Cash and cash equivalents	-	-	-	-	-	-	-	<b>832 724</b>
Financial assets held for trading	-	1 922	53 798	337 349	229 712	7 966	33 558	<b>664 305</b>
Due from banks	-117	1 533 170	1 765	7 441	-	30 983	-	<b>1 573 242</b>
Loans to customers	1 058 838	1 815 859	290 609	1 566 636	2 514 615	1 551 359	5 013 640	<b>13 811 556</b>
Investments available for sale	19 933	1 010 342	168 602	831 093	418 696	-	337 134	<b>2 785 800</b>
Other investments	18 208	-	-	-	-	-	-	<b>18 208</b>
Other assets	-	-	-	-	-	-	-	<b>626 014</b>
<b>Long position</b>	<b>1 096 862</b>	<b>4 361 293</b>	<b>514 774</b>	<b>2 742 519</b>	<b>3 163 023</b>	<b>1 590 308</b>	<b>5 384 332</b>	<b>20 311 849</b>
Financial liabilities held for trading	-	22 634	26 547	53 082	33 253	6 568	29 390	<b>171 474</b>
Due to banks	-	1 531 498	8 700	52 198	183 866	139 195	95 697	<b>2 011 154</b>
Due to customers	561 142	5 475 648	1 535 925	1 539 385	128 505	525	2 963	<b>9 244 093</b>
Loans and credit	-	821 640	1 217 084	874 497	3 257 672	150 000	240 000	<b>6 560 893</b>



facilities received								
Liabilities related to issuance of debt securities	-	-	-	-	-	30 000	-	<b>30 000</b>
Subordinated liabilities	-	-	-	-	-	30 000	552 984	<b>582 984</b>
Other liabilities	-	-	-	-	-	-	-	<b>1 711 251</b>
<b>Short position</b>	<b>561 142</b>	<b>7 851 420</b>	<b>2 788 256</b>	<b>2 519 162</b>	<b>3 603 296</b>	<b>356 288</b>	<b>921 034</b>	<b>20 311 849</b>
<b>Gap – balance sheet</b>	<b>535 720</b>	<b>-3 490 127</b>	<b>-2 273 482</b>	<b>223 357</b>	<b>-440 273</b>	<b>1 234 020</b>	<b>4 463 298</b>	<b>-</b>
<b>Derivative instruments</b>								
Amounts bought	-	<b>1 501 665</b>	<b>1 362 546</b>	<b>2 083 165</b>	<b>1 325 843</b>	<b>537 191</b>	<b>1 355 648</b>	<b>8 166 058</b>
Amounts sold	-	<b>1 513 340</b>	<b>1 360 052</b>	<b>2 067 256</b>	<b>1 325 383</b>	<b>537 191</b>	<b>1 355 648</b>	<b>8 158 870</b>
<b>Gap – off-balance sheet</b>	<b>-</b>	<b>-11 675</b>	<b>2 494</b>	<b>15 909</b>	<b>460</b>	<b>-</b>	<b>-</b>	<b>7 188</b>

### **FX Risk**

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

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

Moreover, the level of the Bank's exposure to the market currency risk is at all times limited by a ceiling through a system of intraday limits and day-end limits. In accordance with the Bank's policy, the Fixed Income and Treasury Line manages the market risk level by managing the Bank's FX position through entering into FX transactions with customers and other banks. In order to efficiently and accurately manage the FX position, the Treasury Department uses the Bank's information system that continuously provides the up-to-date information in respect of:

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

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

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

Information on the FX position and VAR limit utilisation is presented in the table below:

#### **Note 32.3.1**

<b>Information on FX risk (in PLN thousand)</b>	<b>31.12.2010</b>		<b>31.12.2009</b>	
Position limit utilisation	45%	11 349	15%	21 873
VaR limit utilisation	27%	54	9%	112





The utilisation of limits for FX risk portfolio was as follows

### Note 32.3.2

1.01.2010 – 31.12.2010	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	4%	30%	94%
<b>Global FX position</b>	1%	20%	125%

1.01.2009 – 31.12.2009	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	2%	9%	47%
<b>Global FX position</b>	3%	9%	22%

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 31.12.2010 along with comparative data as at 31.12.2009.

### Note 32.3.3

FX position components (in PLN thousand)	31.12.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
HUF	74	253	75	198
CZK	979	1 184	15 069	15 066
AUD	63	198	457	136
JPY	26	166	2 866	94
USD	249 887	453 020	198 663	207 554
CAD	923	853	851	472
GBP	14 395	14 171	9 510	9 997
DKK	556	546	849	892
NOK	1 242	1 628	1 056	2 668
CHF	4 456 827	4 576 171	5 075 978	5 299 449
SEK	590	878	1 212	751
EUR	2 016 649	4 000 563	2 638 400	4 033 495
PLN	11 811 544	9 502 853	12 364 634	10 737 701
Other convertible currencies	2 480	3 751	2 229	3 376
<b>Total</b>	<b>18 556 235</b>	<b>18 556 235</b>	<b>20 311 849</b>	<b>20 311 849</b>

## **Interest Rate Risk**

The Bank's strategy with respect to exposures to market interest rate risk consists in the Bank's making operations resulting in assuming open interest rate risk positions in order to generate a positive financial result. The level of the Bank's exposure to the market interest rate risk is limited, pursuant to the guidelines of the "Interest Rate Risk Policy", through an adopted system of limits.

The market interest rate risk is concentrated in the two separate portfolios: ALM portfolio and Treasury portfolio managed by the Fixed Income and Treasury Line. Under the Bank's policy the interest rate risk is analysed in each of the said portfolios separately, as well as on the level of the entire banking portfolio, which includes the entire ALM portfolio and part of the Treasury portfolio which is excluded from the Bank's trading portfolio.

Transactions included in the banking portfolio, which are not concluded nor initiated by ALM, constitute an essential part of the ALM portfolio. These transactions are initiated and concluded by RB and ETB lines within available products, approved by the Bank's Board of Executives.

The ALM portfolio also includes transactions that hedge the market risk generated by transactions concluded with the Bank's customers, likewise the securities portfolio.

ALM is responsible for management of long- and short-term liquidity.

The Treasury holds its own securities portfolio, enters into transactions on the interbank market, and is responsible for management of short-term liquidity.

The Bank's policy indicates the following basic analysis types to assess an interest rate risk:

- Value at Risk (VaR), computed with the 99% confidence level and for various periods of keeping a fixed interest rate risk position for the banking and trading portfolio;



- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios;
- Duration of Equity – assigning the Bank’s capital position a hypothetical time limit in such a way that an average weighted duration of assets of a given portfolio is equal to the average weighted duration of this portfolio liabilities;
- sensitivity to the parallel shift of the interest rate curve by 100 basis points;
- Modified Duration (N) – a determination of the first derivative of a function describing the present value of the portfolio depending on the variable, i.e. the interest rate.

The analyses constitute an integral part of the system of limiting the interest rate risk at the Bank. Particular analyses are carried out for relevant portfolios on a daily, monthly or quarterly basis, depending on an analysis type and portfolio, for which they are performed.

Moreover, the Bank carries out analyses of sensitivity to extreme interest rate changes - significantly higher than usually observed (stress tests).

Information on interest rate risk

As at the end of 2010 and in the comparative period of 2009, the Bank’s interest rate change risk was the following:

#### Note 32.4.1

2-month VaR on the banking portfolio (in PLN thousand)	31.12.2010	31.12.2009
		31 622

#### Note 34.4.2

Bp sensitivity (+1bp): 31.12.2010 (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	0.01	-1.33	-2.11	-0.18	0.01	-3.60
M1	12.52	2.08	11.37	0.55	0.11	26.63
M3	-7.73	1.44	-12.10	0.11	-	-18.28
M6	1.23	-0.02	-18.94	0.15	-	-17.58
M9	-	0.09	0.52	-4.14	-	-3.53
M12	-	0.07	-10.99	-4.33	-	-15.25
Y2	-	0.06	3.28	21.99	-	25.33
Y3	-	0.91	-38.14	2.00	-	-35.23
Y5	-	0.76	-159.01	-	-	-158.25
Y10	-	0.43	-171.91	-	-	-171.48
<b>Total</b>	6.03	4.49	-398.03	16.14	0.12	-

Bp sensitivity (+1bp): 31.12.2009 (in PLN thousand)	CHF	EUR	PLN	USD	Others	Total
D7	5.2	-0.6	-0.4	-0.1	0.0	4.1
M1	1.8	2.6	-13.9	0.6	0.1	-8.8
M3	-28.8	-13.5	23.5	0.3	-	-18.5
M6	-15.8	-3.0	-6.6	0.4	-	-25.0
M9	-	0.2	0.9	0.6	-	1.7
M12	-	0.2	7.3	0.4	-	7.9
Y2	-	-0.4	-3.4	0.1	-	-3.7
Y3	-	-0.5	-0.9	0.0	-	-1.4
Y5	-	0.5	0.2	-	-	0.7
Y10	-	0.1	0.0	-	-	0.1
<b>Total</b>	-37.6	-14.4	6.6	2.3	0.1	-

Interest rate limits utilisation since the beginning of 2010 was as follows:



### Note 32.4.3

1.01.2010 – 31.12.2010	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	3%	32%	90%
<b>Global interest rate position</b>	3%	21%	46%

1.01.2009 – 31.12.2009	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	26%	75%	172%
<b>Global interest rate position</b>	30%	63%	105%

As at 31 December 2010, no established liquidity limits were exceeded.

### **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 2010, the counterparty risk calculation included the following transaction types included in the Bank's trading portfolio:

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

The Bank monitors the amounts of adjustments made to the fair value of FX transactions (FX forward) and FX options on account of credit risk. If a need arises, the amounts are corrected.

### **Fair value**

#### Note 34.5.1

Fair value table (in PLN thousand)	31.12.2010		31.12.2009	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	1 172 860	1 172 857	832 724	832 695
Due from banks	159 013	156 965	1 573 242	1 567 038
Loans to customers	13 151 131	12 099 416	13 811 556	12 233 299
Due to banks	745 774	751 947	2 011 154	1 999 803
Due to customers	8 211 775	8 206 974	9 244 093	9 243 144
Loans and credit facilities received	7 163 459	7 094 383	6 560 893	6 241 080
Liabilities related to issuance of debt securities	30 000	28 885	30 000	29 988
Subordinated liabilities	565 236	537 817	582 984	478 252

The Bank calculates fair values of transactions not measured at fair value by discounting all transaction flows using interest rates curves characteristic for each group of transactions.

An interest rate curve used to calculate the fair value of the Bank's liabilities and receivables consists of:

1. for liabilities (e.g. customer deposits, interbank deposits):

- interest rate curve free of credit risk,
- current (as of the last day of the year) cost of acquisition of financing sources above an interest rate curve free of credit risk.



2. for receivables (e.g. customer loans, interbank placements):

- interest rate curve free of credit risk,
- current (as of the last day of the year) cost of acquisition of financing sources above an interest rate curve free of credit risk,
- market margin reflecting credit risk.

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

### **Operational risk**

The operational risk management consists in continuous operational risk identification, analysis, monitoring, control and mitigation processes, including determination of relevant scopes of responsibility for the above processes 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: "Operational Risk Management Strategy and Policy at 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. With this end in view, the Bank's Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Operational Permanent Control Department of the Compliance and Control Line. Additionally, co-ordination over the process of operational risk management in the units belonging to the Technology, Operations & Process Services Area is the responsibility of the Information Security and Business Continuity Department. As for definition and implementation of the Bank's strategy in terms of Bank insurance as a risk mitigation method, it falls within the competence of the Risk Transfer Group in the Facility Management and Procurement Line.

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, as well as monitoring, mitigation and reporting of the 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 registration of all operational losses. The loss recording process is supervised by the Operational Permanent Control 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 controls the operational risk level on the basis of, performed regularly, permanent operational controls defined for the most essential areas of the Bank's activity. The system of permanent operational controls is being implemented at present.

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 covering the operational risk, the Bank uses the Basic Indicator Approach.

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

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved *modus operandi* of such incidents, the Bank extended and regularly enhances the process of counteraction, detection and examination of such cases. There is a specialised unit, the Fraud Protection Department that sees to accomplishment of these objectives.

### **Compliance risk**

The Bank considers its image and trust, which is systematically built in relationship with its customers, counterparties, shareholders and employee, one of the primary 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.

Therefore, 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 present and future position of the Bank in relation to its competitors and the public, a Compliance Risk Management Policy at Fortis Bank Polska SA has been implemented. 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 binding regulations. The Compliance Department oversees the said processes.

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

Additionally, there have been internal regulations of an ethical nature implemented, i.e. Code of Conduct of Employees, Regulations regarding employees' personal transactions or Rules for managing conflict of interests, which are presently applicable. With respect to ensuring compliance, the regulations related to acting in the interest of customers, in particular arising under the law provisions such as the financial instrument trading act, which is a transposition of the EU MiFID, play an important role.

### **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 (SZBI in Polish). The system is built on the basis of a process approach with respect to the applied security measures that are driven by a need of a continued improvement of products and services provided to customers.

System measures, 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 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.

Fortis Bank Polska implements a plan of actions under ISMS 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.

One of the paramount objectives of the Bank is ensuring a continuous operation of financial services, likewise ensuring the security of employees and customers as well as the Bank's tangible and intangible assets in crisis situations.

The Business Continuity Management Policy is in line with the guidelines of BNP Paribas, likewise international standards and best practices concerning business continuity management.

The Bank carries out analyses of business continuity, develops business continuity plans that precisely describe actions that should be taken to restore business functions before, during and after a critical incident.

The Bank makes tests of emergency solutions for critical processes in order to ensure their appropriate quality.

The Crisis Management enables the organisation to operate efficiently in crisis conditions and recover the normal business activity.

In 2010, in the process of supervision over the Information Security Management System conducted by an external auditor of Fortis Bank Polska SA, the System underwent a repeated assessment of its compliance with the requirements of the international standard ISO/IEC 27001.

The audit was successful and resulted in maintaining the respective certification of the Information Security Management System of Fortis Bank Polska within the ISO /IEC 27001 standard for 2011.

The information security process and business continuity management in the Bank are coordinated by the Information Security and Business Continuity Department, Information Security and Business Continuity Committee and specialised units that perform their tasks in the following specific information security areas: Information Systems and Technology Line, Facility Management and Procurement Line, Compliance and Control Line and Human Resources.



## **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 results usually from external factors, it can be mitigated by efficient management actions.

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

Strategic risk shall 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.

Bank reputation risk shall mean 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 Group 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.

## **Capital management**

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

The New Capital Accord comprises three pillars:

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

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

To determine capital requirement for market risk, the capital requirement for interest rate risk and FX risk are calculated first. Total capital requirement for general interest rate risk is calculated for original positions by maturity, and total capital requirement for FX risk is calculated using a basic approach.

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





Within Pillar II, the Bank fulfils duties related to the internal capital computation under Resolution No. 383/2008 of the Polish Financial Supervision Authority dated 17 December 2008 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process. For all risks that have been considered material, internal capital estimation methodologies have been developed. They are used by the Bank to make monthly internal assessments of the internal capital needs.

In order to fulfil its duties under Pillar III, the Bank publishes information, on the Bank's website, on measurement of risks identified in the Bank's activity, and on own funds required to cover those risks.

The scope and detailed rules of determination of capital requirements on account of specific risk types are stipulated in Resolution No. 369/2010 of the Polish Financial Supervision Authority dated 12 October 2010 regarding the scope and specific rules of determination of capital requirements on account of particular risk types.

The manner of calculation of equity capital used in the capital adequacy ratio computation is governed by Resolution no. 367/2010 of the Polish Financial Supervision Authority dated 12 October 2010 regarding other reductions of Tier 1 funds (...).

### Current situation with respect to capital adequacy

The present policy of the Bank regarding maintaining adequate level of equity funds refers to the capital adequacy category, solvency ratio and the structure of equity funds described in the Banking Law and its relevant administrative law provisions. The basic goal of the Bank in the analysed period is to maintain the equity funds at the level that guarantees solvency ratio of at least 9.5%.

In order to counteract an occurrence of risk of exceeding the limit of 9.5% determined for solvency ratio, the Bank actively manages its capita position. It refers to actions aimed at increasing own equity funds and actions leading to limitation of risk generated while conducting its activity.

#### Note 32.6.1

<b>Capital adequacy (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Risk-weighted off-balance sheet assets and liabilities	<b>11 903 804</b>	<b>12 553 857</b>
Share capital	1 206 175	1 206 175
Additional capital	125 745	554 415
Reserve capital together with retained earnings	-78 010	-
General risk fund for unidentified risk related to banking operations	45 639	45 639
Subordinated liabilities included in equity funds	559 236	582 984
Other elements of the equity capital included in the capital adequacy ratio calculation	-9 626	-441 608
<b>Gross equity capital, total</b>	<b>1 849 159</b>	<b>1 947 605</b>
<b>Deductions</b>		
Capital shares in financial entities	18 196	18 196
Net intangible assets	23 659	42 182
<b>Total deductions</b>	<b>41 856</b>	<b>60 378</b>
<b>Net equity capital</b>	<b>1 807 304</b>	<b>1 887 227</b>
<b>Short-term capital</b>	<b>11 226</b>	<b>-</b>
including current profit on the Trading Portfolio	11 226	-
<b>Total equity capital plus short-term capital</b>	<b>1 818 530</b>	<b>1 887 227</b>
<b>Capital charge for:</b>		
Credit risk	969 184	1 026 671
Market risk	1 832	5 062
Operational risk	105 003	106 805
<b>Total capital requirement</b>	<b>1 076 019</b>	<b>1 138 538</b>
<b>Capital adequacy ratio</b>	<b>13,52%</b>	<b>13,26%</b>

\* In connection with the amendment to Resolution no. 369/2010 of the Polish Financial Supervision Authority (KNF) dated 12 October 2010 amending the KNF Resolution on detailed rules and manner of public disclosure of the capital adequacy qualitative and quantitative information by banks, KNF specifies precisely that computation of capital requirement for operational risk applying the Basic Indicator





Approach is made on the basis of the data for the previous three years. Thereby it removes a doubt as to the requirement as at the last day of a year. For data comparability purposes, a capital adequacy ratio has been recalculated.

As at 31 December 2010 the Bank recorded an increase of the capital adequacy ratio, which amounted to 13.52% due to limitation of requirements for credit risk, in comparison to 13.26% as at the end of December 2009. The ratio expresses the proportion between the Bank's capital and its exposure on account of specific risk types.

#### Note 32.6.2

<b>Minimal capital requirements (in PLN thousand)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Credit risk	969 184	1 026 671
Market risk, including:	1 832	5 062
- general interest rate risk	1 832	5 062
Operational risk	105 003	106 805
<b>Total capital requirement</b>	<b>1 076 019</b>	<b>1 138 538</b>

In 2010, the Bank's equity funds (as a category computed for purposes of calculating a capital adequacy ratio) decreased by 3.6% as compared to the end of 2009 to the level of PLN 1,819 million.

The additional capital value dropped significantly, from PLN 554.4 million in 2009 down to PLN 125.7 million in 2010. It was mainly the result of covering the loss by the Bank, effected in 2009.

The value of the Bank's subordinated liabilities included into Tier 2 funds decreased by PLN 23.7 million. Effective July 2010 roku, pursuant to the provisions of the Banking Law Act, the Bank decreases the amount of subordinated bonds included in the equity funds by 20% (nominal value of the bonds – PLN 30 million). Moreover, the decrease of the equity funds resulted from the strengthening of zloty against euro (by 3.6%).

Simultaneously, risk-weighted off-balance sheet assets and liabilities dropped by 5.2% to PLN 11,904 million.

The Bank's capital situation in 2010 remained stable what allowed the Bank to continue its business activity and carry out plans in a safe manner.



## 33. Events after the Balance Sheet Date

### 33.1. Conclusion of a loan agreement with the European Bank for Reconstruction and Development

On 26 January 2011, a loan agreement was signed between the European Bank for Reconstruction and Development (EBRD) and the Bank under which EBRD granted the Bank a loan up to EUR 30 million.

The Bank will obtain funds allocated for financing of investment projects of small and medium-sized enterprises within the Sustainable Energy Financing Facility Programme.

The financing period will be five years of the agreement signing date, i.e. until 2016. The loan interest rate was determined based on EURIBOR 3M, increased by a margin.

The agreement implementation depends on acquiring a guarantee from Fortis Bank SA/NV.

### 33.2. Conclusion of a significant agreement with a customer not affiliated with the Bank

On 26 January 2011 the Bank signed a syndicated agreement with a customer not affiliated with the Bank; consequently, the value of agreements concluded with this customer within the past 12 months amounts to the total of PLN 200 million.

Under the consortium, the Bank granted to the customer a revolving loan up to the maximum amount of PLN 100 million. Funds under the loan will be allocated to the customer's current operating activity and refinancing previous obligations. The loan repayment deadline is fixed for 6 July 2016. The loan interest rate has been established based on the WIBOR interest rate increased by a margin. The financing terms correspond to market conditions.

The agreement does not provide for any contractual penalties of a cash nature. The agreement has not been concluded subject to any condition or time limit.

The aggregate value of the agreements concluded with this customer within the last 12 months meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank's equity.

### 33.3. Redemption of subordinated bonds

On 28 January 2011, Fortis Bank Polska SA redeemed the subordinated bonds issued by Dominet Bank SA through the agency of BRE Bank S.A. on 29 July 2004, under the agreement dated 13 July 2004, which were taken over by Fortis Bank Polska SA on 31 July 2009, in the amount of PLN 31 million, as a result of its merger with Dominet Bank SA. The Bank included the subordinated loans into its Tier 2 funds.

### 33.4. Redemption of own issue bonds

On 29 January 2011, Fortis Bank Polska SA redeemed the own issue bonds, acquired as a result of the merger of Fortis Bank Polska SA and Dominet Bank SA on 31 July 2009, in the amount of PLN 30 million. On 22 July 2004 Dominet Bank S.A. concluded an agreement with BRE Bank S.A. regarding an organisation of Corporate Bonds Issue Programme. Inscribed corporate bonds, with the nominal value of PLN 100,000, were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004 in the amount of PLN 30 million.

### 33.5. Preliminary agreement on sale non-current assets held for sale

On 21 January 2011, a preliminary agreement for sale of real estate situated in Lubin, at ul. Księcia Ludwika I no. 3, specified in the balance sheet under „Non-current assets held for sale”, was signed.

The final sale agreement will be concluded in July 2011.

### 33.6. Facility Letter Agreement signed with BNP Paribas SA in 2011

On 9 February 2011, a facility letter agreement dated 31 January 2011 was signed between BNP Paribas SA based in Paris and the Bank. Under agreement, the Bank was granted by BNP Paribas SA an uncommitted funding facility up to the equivalent of EUR 1,800 million. Under the funding facility the Bank may draw down tranches denominated in EUR, CHF or PLN.



The agreement covers funds of CHF 250 million disbursed 29 October 2010 (current report no 31/2010 dated 29 October 2010) and replaces the credit line with Fortis Finance Belgium SCRL/CVBA based in Brussels that expired 4 February 2011 (current report no 55/2009 dated 31 December 2009).

The tranche of PLN 800 million was disbursed 4 February 2011. The financing period for the aforementioned tranche is three years of the disbursement date, i.e. until 4 February 2014. The tranche interest rate was defined based on WIBOR 3M.



## 34. Other Material Information

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

The shareholder structure as at 31 December 2009 was follows:

Balance as at 31.12.09	Number of shares held	% of the share capital	Number of votes at the AGM*	% of the total number of votes at the GM
<b>Fortis Bank S.A./N.V.</b>	18 848 593	78,13%	18 848 593	78,13%
<b>Dominet SA</b>	5 243 532	21,74%	5 243 532	21,74%
<b>Others</b>	31 381	0,13%	31 381	0,13%
<b>Total:</b>	24 123 506	100,00%	24 123 506	100,00%

The shareholder structure as at 31 December 2010 and as at the day of forwarding the annual report for 2010, i.e. as at 14 March 2011, was as follows:

Balance as at 31.12.10	Number of shares held	% of the share capital	Number of votes at the GM	Share (%) in the total number of votes at the GM
<b>Fortis Bank SA/NV*</b>	18 848 593	78,13%	18 848 593	78,13%
<b>Dominet SA</b>	5 243 532	21,74%	5 243 532	21,74%
<b>Others</b>	31 381	0,13%	31 381	0,13%
<b>Total:</b>	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 S.A.

The Bank's share capital amounts to PLN 1,206,175,300 and is divided into 24,123,506 ordinary, bearer shares with nominal value of PLN 50 per each share.

In 2010 and until the report publication date, i.e. 14 March 2011, the Bank has not taken yet any actions to introduce L and M series shares to stock exchange trading. All other series A to K shares are admitted to trading and listed on the stock exchange.

### 34.2. Information on the owner of Fortis Bank Polska SA

**BNP Paribas SA**, based in Paris is the higher level parent company in relation to Fortis Bank Polska SA. The share capital of BNP Paribas SA amounts to EUR 2,396 million and is divided into 1,198,153,534 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 BNP Paribas SA Group employs over 200 thousand employees and is present in over 80 countries worldwide. Belgium, France, Italy and Luxembourg are the Group's key markets in Europe. The Group has been operating in Poland through a number of subsidiaries, in particular Fortis Bank Polska SA and BNP Paribas SA 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 at the same time the parent entity of Fortis Bank SA/NV based in Brussels and presently operates under the BNP Paribas Fortis brand.

**Fortis Bank SA/NV, based in Brussels** is the parent entity of Fortis Bank Polska SA, which holds 99.87% of the Bank's shares, of which 78.13% directly, while 21.74% through Dominet SA. The share capital of Fortis Bank SA/NV 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.

Since May 2009, intensive works have been carried out with the view to integration of Fortis Bank SA/NV and BNP Paribas under BNP Paribas Fortis brand.

**Dominet SA**, based in Warsaw is a credit, leasing and insurance intermediary operating mainly on the motor vehicle purchase financing market. The share capital of the company is PLN 2,971,349.



### **34.3. Financing of Fortis Bank Polska SA by the Fortis group**

As at 31.12.10, the structure of loans disbursed was as follows:

- EUR 200 million – maturity in February 2011;
- PLN 20 million – maturity in April 2011;
- PLN 130 million – maturity in May 2011;
- PLN 140 million – maturity in June 2011;
- CHF 440 million – maturity in July 2011;
- PLN 100 million – maturity in September 2011;
- CHF 439 million – maturity in June 2012;
- EUR 2.5 million – maturity in June 2012;
- EUR 300 million – maturity in June 2012;
- CHF 295 million – maturity in June 2012;
- CHF 250 million – maturity in October 2012;
- EUR 50 million – maturity in July 2015;
- PLN 80 million – maturity in June 2017;
- EUR 100 million – maturity in September 2017;
- PLN 60 million – maturity in April 2019;
- EUR 20 million – maturity in April 2019.

Additionally, as at 31.12.2010, the Bank held bonds issued in the total value of PLN 60 million, maturing in July 2014.

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

As at 31 December 2010 and as at the report publication date, i.e. 14 March 2011, none of the Board of Executives' and Supervisory Board's Members held any shares issued by Fortis Bank Polska SA or other financial instruments related to them.

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

Since 2001, proceedings have been continued before the Office for Competition and Consumer Protection ("the Office"), instituted at the request of the Polish Organisation of Commerce and Distribution (POHID) in Warsaw, as regards practices that limit competition on the payment card market and that are applied by VISA and MasterCard likewise 20 banks, including Fortis Bank Polska SA. The competition limitation charge referred to an agreement signed on collecting interchange fees. In the opinion of the Office, such fees are charged unduly which in turn affects prices of consumer goods. The Office President issued a decision under which a penalty of PLN 2.9 million was imposed on Fortis Bank Polska SA. The decision was given the order of immediate enforceability. In this respect, the Bank made a complaint on the decision of the Office President. On 13 November 2008, the District Court in Warsaw, the Court of Competition and Consumer Protection issued a decision stating that determination of commissions when accepting card payments did not constitute a practice that would restrict competition. The Office's President made an appeal against the said decision and the Bank applied for a dismissal of the appeal. On 22 April 2010, the Appellate Court overruled the decision of the court of first instance and asked for the reconsideration of the case. To secure against any unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 31 December 2010, the total value of the formal claims against the Bank regarding the FX derivatives made by the customers amounts to PLN 40.5 million.



The highest claim in this group concerns the amount of PLN 27.6 million. In September 2010, a customer claimed a payment of EUR 7 million arising from the disputed option transactions.

### **34.6. Description of factors and events, especially atypical ones, having a material effect on the financial results generated.**

In August of 2010, the Bank implemented a change consisting in basing the identification of impairment evidence with respect to cash and car loans granted to individuals, solely on evidence related to a given exposure rather than all exposures of the customer as it was so far. This change aimed at adjusting the Bank's standard to the BNP Paribas Group standards applied to exposures of the Personal Finance segment (which is a part of the RB business line). Upon its implementation, the change resulted in a release of impairment provisions of approximately PLN 7.5 million, i.e. less than 0.7% of the total balance of provisions for impaired exposures as at the end of 2010.

### **34.7. Other Important Events**

#### **Fortis Bank Polska SA operating activity optimisation project**

In 2010, the Bank undertook actions aimed at an enhancement of business effectiveness and optimisation in the context of the integration with Dominet Bank SA completed in 2009 and new integration tasks, likewise benefits related to the integration within the BNP Paribas SA Group. The measures undertaken were to improve the Bank's financial performance and constituted part of the rehabilitation program.

On 9 March 2010 the Bank was notified about the approval by the Polish Financial Supervision Authority of the "Rehabilitation Programme for Fortis Bank Polska SA".

The programme is implemented with a view to reducing various risk areas in the Bank's further activity and improving the efficiency of operation, which is expected to result in a net profit to be generated and improvement of the main economic indicators for the Bank. The programme implementation is scheduled to be completed by 31 December 2012.

Some positive effects of the programme implementation have already been noticed especially as regards the reinforcement of credit risk management. The Bank's capital and liquidity situation have considerably improved.

KNF has positively assessed the Bank's operations to date, what resulted in a significant improvement of the Bank's capital and liquidity position. KNF obliged the Bank's Board of Executives to complete implementation of the programme and presentation of quarterly reports on the implementation progress.

#### **Disclosure related to the Bank's contingent liabilities**

In the Bank's assessment, as at 31 December 2010 there are contingent liabilities that may arise on account of completion of blank promissory notes endorsed within a transaction of sale of claims in 1998 by Cuprum Bank without excluding the right of recourse against Cuprum Bank, of which the Bank is the legal successor. In 2009 and 2010, there were two cases of presenting for payment such promissory notes, which were completed, inconsistently with the promissory note declarations, for the amounts that exceeded many times the value of the claims, to secure which, they were issued. Despite this fact, it is possible that in some cases the Bank may be obligated to redeem such promissory notes provided that they are completed and presented for payment to the Bank. The promissory notes that have been so far completed and presented for payment to the Bank have been taken into account by the Bank to calculate a legal risk reserve. The contingent liabilities arise from the remaining blank promissory notes that are still held by third parties. The Bank is not able to estimate the amount of such liabilities, because of the unknown amount for which such promissory notes may be completed and presented for payment. It is also unknown whether in relation to all such promissory notes, the conditions resulting in the Bank's obligation to redeem the promissory notes are satisfied or not, in particular due to a possible lapse of a limitation period for the promissory notes completion or their incorrect completion.



## Changes in the composition of the Supervisory Board

**As at 31 December 2010, the Bank Supervisory Board's composition was as follows:**

- |    |                 |                            |
|----|-----------------|----------------------------|
| 1. | Camille Fohl    | - Chairman                 |
| 2. | Jarosław Bauc   | - Deputy Chairman          |
| 3. | Lars Machenil   | - Deputy Chairman          |
| 4. | Monika Bednarek | Supervisory Board's member |
| 5. | Jean Deullin    | Supervisory Board's member |
| 6. | Mark Selles     | Supervisory Board's member |
| 7. | Andrzej Wojtyna | Supervisory Board's member |

In 2010, there were the following changes in the composition of the Supervisory Board:

Mr Reginald De Gols resigned from his function in the Bank's Supervisory Board from 1 April 2010. The reason of Mr De Gols' resignation was his intention to leave the BNP Paribas Fortis group in connection with his retirement.

On 29 April 2010, the General Meeting of Shareholders appointed the Supervisory Board for a five-year tenure ending with the Annual General Meeting approving of the Bank's financial statement for 2014 fiscal year. Three new members of the Supervisory Board have been appointed: Mr Mark Selles, Mr Lars Machenil and Mr Jean-Marie Bellafiore, representing the BNP Paribas group.

At the same time, on the date of the Annual General Meeting the tenure of Mr Antoni Potocki, Vice President of the Bank's Supervisory Board and Mr Zbigniew Dresler, Member of the Bank's Supervisory Board.

The Extraordinary General Meeting of Shareholders, which took place on 29 June 2010, appointed to the Supervisory Board, effective 1 July 2010, the following new members until the end of the current tenor: three independent members – Ms Monika Bednarek, Mr Jarosław Bauc and Mr Andrzej Wojtyna, and also Mr Jean Deullin who represents BNP Paribas Personal Finance. At the same time, the Extraordinary General Meeting of the Bank's Shareholders discharged Mr Jean-Marie Bellafiore from his function of the Supervisory Board member effective 30 June 2010, and appointed Mr Jean Deullin to the Supervisory Board.

On 30 August 2010, the Supervisory Board appointed Mr Jarosław Bauc as the Deputy Chairman of the Supervisory Board of Fortis Bank Polska SA.

Effective 30 September 2010, Mr Jos Clijsters resigned from his function of the Deputy Chairman and membership in the Bank's Supervisory Board, a member of which, he was since 1 July 2005.

On 5 November 2010, the Supervisory Board appointed Mr Lars Machenil as the Deputy Chairman of the Supervisory Board.

## Changes in the Management Board

**As at 31 December 2010, the Bank Executive Board's composition was as follows:**

- |    |                        |  |
|----|------------------------|--|
| 1. | Frédéric Amoudru       | - President of the Board of Executives |
| 2. | Jan Bujak              | - Senior Vice-President                |
| 3. | Jacek Obłękowski       | - Vice-President                       |
| 4. | Jaromir Pelczarski     | - Vice-President                       |
| 5. | Michel Thebault        | - Vice-President                       |
| 6. | Philippe Van Hellefont | - Vice-President                       |
| 7. | Marta Oracz            | - Member of the Board of Executives    |
| 8. | Stephane Rodes         | - Member of the Board of Executives    |

In 2010, there were the following changes in the composition of the Board of Executives:



At a meeting held on 30 April 2010, the Bank Supervisory Board appointed the Board of Executives with the existing composition for the subsequent five-year tenure ending with the Annual General Meeting approving of the financial statement for the fiscal year 2014.

At the same time, the Supervisory Board appointed Ms Marta Oracz a member of the Fortis Bank Polska SA Board of Executives effective from 1 June 2010.

On 18 June 2010 the Bank Board of Executives appointed Mr. Frédéric Amoudru, Vice President of the Board of Executives and General Manager of the BNP Paribas Group in Poland, to the position of the President of the Board of Executives of the Bank effective from the date of approval by the Polish Financial Supervision Authority of the appointment, 1 July 2010 at the earliest.

From 1 July 2010 until the Polish Financial Supervision Authority gives its consent, the Supervisory Board has appointed Mr Frédéric Amoudru to perform duties of the President of the Board of Executives of the Bank.

Mr. Alexander Paklons submitted his resignation from the function of President of the Board of Executives and from his membership in the Bank Board of Executives, effective 30 June 2010. Mr. Alexander Paklons assumed his duties in Fortis Bank Polska SA since February 2005.

Furthermore, the Supervisory Board accepted Mr. Jean-Luc Deguel's resignation from the function of Vice President of the Board of Executives effective 30 June 2010. Mr. Deguel joined the Bank on 1 June 1998 when he was appointed to the Board of Executives as a representative of Generale Bank (later Fortis Bank).

At the same time, the Supervisory Board appointed Jean-Philippe Stéphane Rodes a member of the Fortis Bank Polska SA Board of Executives effective from 1 July 2010 until the end of the current tenor.

On 14 September 2010, Mr Frédéric Amoudru obtained the required consent of the KNF and thus his appointment to the position of the President of the Board of Executives became effective.

### **Material agreements with entities unrelated with the Fortis Bank Polska SA capital group**

#### **Conclusion of a significant agreement with a customer not affiliated with the Bank**

On 2 April 2010, the Bank signed a master agreement on currency transactions with a customer not affiliated with the Bank; consequently, the total value of agreements concluded with the customer within the past 12 months amounted to PLN 154 million.

The largest agreement with the said customer pertains to a guarantee line concluded on 15 January 2010, as amended, with the credit limit of PLN 134 million. The credit limit is a non-revolving limit and the financing term is three years, i.e. till 14 January 2013.

The guarantee granting terms and conditions are not different from market conditions.

The aggregate value of the agreements concluded with this customer within 12 months meets the criteria of a significant agreement, because the value of the agreements exceeded 10% of the Bank's equity.

#### **Credit Agreement with the European Investment Bank**

On 30 November 2009, a credit agreement was signed between European Investment Bank (EIB) based in Luxembourg and the Bank under which agreement EIB granted the Bank a credit line up to EUR 50 million. The Bank obtained funds allocated for financing of investment projects of small and medium-sized enterprises.

Financing details shall be defined for each credit tranche disbursed separately. Maximum repayment term for a credit tranche is 12 years. A fixed or variable interest rate will depend on the currency of the tranche disbursed (EUR, PLN, GBP, USD): relevant reference rate (EURIBOR, WIBOR, LIBOR) plus margin.

The first tranche in the amount of PLN 80 million was disbursed in September 2010.

Fortis Bank SA/NV, based in Brussels, granted a guarantee for performance of the Bank's obligations arising under the





credit agreement.

**Information about granting by the issuer or its subsidiary any suretyships for loans or credit facilities or issuance of guarantees – in total to one entity or its subsidiary, if the total value of the existing suretyships or guarantees constitutes the equivalent of at least 10% of the group's equity.**

On 17 July 2009, Fortis Bank Polska S.A. signed an agreement with a Customer not affiliated with the Capital Group of Fortis Bank Polska S.A., which amended the terms and conditions of the credit agreement dated April 25, 2008. The amendments concerned 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. In 2010, annexes to the agreement were signed, which do not change any principal terms or conditions of the agreement. The total value of guarantees granted under this line exceeds 10% of the Group's equity capital.

### **34.8. Statements of the Bank's Board of Executives**

#### **Correctness and reliability of reports presented**

To the best knowledge of the Board of Executives of the Bank, the annual financial data and comparative data presented in the Annual Financial Statement of Fortis Bank Polska Spółka Akcyjna for the period ending on 31 December 2010, were prepared pursuant to the applicable accounting principles and they accurately, reliably and clearly reflect the property and financial situation of the Bank and its financial result obtained.

#### **Entity authorised to audit the financial statements**

Mazars Audyt Sp. z o.o., an entity authorised to audit financial statements, which reviewed the annual financial statement of Fortis Bank Polska SA for the period ending on 31 December 2010, has been chosen pursuant to the provisions of law. The above entity and statutory auditors engaged to perform the audit meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.



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

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14.03.2011	Frédéric Amoudru President of the Board of Executives	..... signature
14.03.2011	Jan Bujak Senior Vice President of the Board of Executives Financial Director	..... signature
14.03.2011	Jacek Obłəkowski Vice President of the Board of Executives	..... signature
14.03.2011	Jaromir Pelczarski Vice President of the Board of Executives	..... signature
14.03.2011	Michel Thebault Vice President of the Board of Executives	..... signature
14.03.2011	Philippe Van Hellemont Vice President of the Board of Executives	..... signature
14.03.2011	Marta Oracz Member of the Board of Executives	..... signature
14.03.2011	Stephane Rodes Member of the Board of Executives	..... signature

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