

Fortis Bank Polska SA

Abbreviated Interim Separate Financial  
Statements  
Fortis Bank Polska Joint Stock Company  
for the First Half of 2009

**FORTIS BANK**

## Table of Contents

Table of Contents.....	2
1. Financial Highlights .....	3
2. Financial statements of Fortis Bank Polska SA .....	4
Additional Notes to Financial Statements .....	8
3. Information on Fortis Bank Polska SA.....	8
4. Accounting Policies.....	9
5. Comparability with Previously Published Reports .....	22
6. Segment Reporting.....	24
7. Additional Notes to the Separate Income Statement.....	26
8. Cash and cash equivalents.....	28
9. Financial Assets and Liabilities Held for Trading.....	29
10. Receivables .....	30
11. Investments - Available for Sale .....	32
12. Liabilities.....	33
13. Subordinated liabilities.....	34
14. Information on Related Party Transactions.....	35
15. Risk Management.....	40
16. Events after the Balance Sheet Date.....	48
17. Other Material Information.....	50

## 1. Financial Highlights

Financial Highlights	in PLN thousand		in EUR thousand	
	30 June 2009 (YTD)	30 June 2008 (YTD)	30 June 2009 (YTD)	30 June 2008 (YTD)
Interest income	415 243	467 127	91 900	134 325
Fee and commission income	65 217	101 427	14 434	29 166
Total income, net	163 861	352 283	36 265	101 301
Gross profit/loss	-275 011	151 737	-60 865	43 633
Net profit/loss	-231 150	122 388	-51 157	35 193
Net cash provided by operating activities	1 261 383	882 945	279 166	253 895
Net cash provided by investing activities	-1 072 694	-799 965	-237 406	-230 034
Net cash provided by (used in) financing activities	349 097	845 797	77 261	243 213
Total net cash flow	537 786	928 777	119 021	267 074
Total assets	20 080 066	18 394 917	4 492 587	5 484 144
Due to banks	994 690	3 896 751	222 546	1 161 753
Due to customers	8 187 783	7 120 476	1 831 883	2 122 854
Loans and credit facilities received	8 294 839	5 183 433	1 855 835	1 545 356
Equity	986 463	1 270 154	220 705	378 676
Number of shares	16 771 180	16 771 180		
Book value per share (in PLN / EUR)	58,82	75,73	13,16	22,58
Diluted book value per share (in PLN / EUR)	58,82	75,73	13,16	22,58
Capital adequacy ratio	9,39%	10,88%		

Key items in the balance sheet, income statement and cash flow statement in the financial statements for the first half of 2009 and the corresponding financial figures for the first half of 2008 have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet and book value per share as at the end of the first half of 2009 have been converted into EUR at the mid-rate binding as at 30 June 2009 published by the National Bank of Poland on 30 June 2009, i.e. EUR 1 = PLN 4.4696; comparative financial data as at the end of the first half of 2008 have been converted into EUR at the mid-rate binding as at 30 June 2008, published by the National Bank of Poland on 30 June 2008, i.e. EUR 1 = PLN 3.3542;
- particular items in the income statement and cash flows, and earnings per share as at the end of the first half of 2009 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through June 2009, i.e. EUR 1 = PLN 4.5184, whereas comparative data as at the end of the first half of 2008 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through June 2008, i.e. EUR 1 = PLN 3.4776.

## 2. Financial statements of Fortis Bank Polska SA

<b>Profit &amp; Loss Account (in PLN thousand)</b>	<b>Notes</b>	<b>1.01.2009 - 30.06.2009</b>	<b>1.01.2008 - 30.06.2008</b>
Interest income	7.1	415 243	467 127
Interest expense	7.2	-236 621	-284 524
Net interest income		178 622	182 603
Fee and commission income	7.3	65 217	101 427
Fee and commission expense	7.4	-5 671	-5 454
Net fee and commission income		59 546	95 973
Dividend and other investment income		244	-
Net trading income	7.5	-88 850	66 273
Net gain/loss on available-for-sale financial assets		6 300	-
Net profit (loss) on hedging transactions		-	56
Other revenues		7 999	7 378
Total income, net		163 861	352 283
Personnel expenses		-85 217	-94 125
Depreciation of fixed assets and intangible fixed assets		-21 307	-17 132
Other expenses	7.6	-76 653	-65 376
Net impairment losses	7.7	-255 695	-23 913
Gross profit/loss		-275 011	151 737
Income tax expense		43 861	-29 349
Net profit/loss		-231 150	122 388

<b>Separate report of total income (in PLN thousand)</b>	<b>1.01.2009 - 30.06.2009</b>	<b>1.01.2008 - 31.12.2008</b>	<b>1.01.2008 - 30.06.2008</b>
<b>Net profit (loss) for the year</b>	<b>-231 150</b>	<b>78 191</b>	<b>122 388</b>
Profits / losses not recognised in income statement (investments available for sale)	7 178	-22 655	-7 642
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	-1 363	4 305	1 452
<b>Profits/losses not recognised in the income statement (investments available for sale) - net</b>	<b>5 815</b>	<b>-18 350</b>	<b>-6 190</b>
Net profits / losses recognised in income statement (investments available for sale)	-6 313	3 846	-
Deferred tax - profits/losses recognised in the income statement (investments available for sale)	1 199	-731	-
<b>Profits / losses recognised in income statement (investments available for sale) - net</b>	<b>-5 114</b>	<b>3 115</b>	<b>-</b>
<b>Total income</b>	<b>-230 449</b>	<b>62 956</b>	<b>116 198</b>

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

<b>Balance Sheet (in PLN thousand)</b>	<b>Note s</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
<b>ASSETS</b>				
Cash and cash equivalents	8	2 031 736	1 494 888	1 637 916
Financial assets held for trading	9	1 171 221	1 372 145	305 977
Due from banks	10	339 294	606 373	2 001 690
Loans to customers	10	13 846 427	14 823 117	12 654 281
Investments - Available for Sale	11	2 231 619	1 218 990	1 377 257
Property, Plant and Equipment		129 415	112 926	117 349
Intangible Assets		39 497	25 896	23 734
Deferred tax assets		192 280	96 586	32 889
Other assets		98 577	135 383	243 824
<b>Total assets</b>		<b>20 080 066</b>	<b>19 886 304</b>	<b>18 394 917</b>
<b>LIABILITIES</b>				
Financial liabilities held for trading	9	637 426	961 601	275 438
Due to banks	12	994 690	2 276 963	3 896 751
Due to customers	12	8 187 783	6 387 532	7 120 476
Loans and credit facilities received	12	8 294 839	8 198 200	5 183 433
Subordinated liabilities	13	670 440	417 240	335 420
Current tax liabilities		24 987	56 890	14 598
Other liabilities		269 728	354 092	283 261
Provisions		13 710	16 874	15 386
<b>Total liabilities</b>		<b>19 093 603</b>	<b>18 669 392</b>	<b>17 124 763</b>
<b>EQUITY CAPITAL</b>				
Share capital		503 135	503 135	503 135
Share premium		341 847	308 656	308 656
Other capital		389 983	344 983	344 983
Revaluation reserve		-17 352	-18 053	-9 008
Retained earnings		-	-	-
Net profit (loss) for the year		-231 150	78 191	122 388
<b>Total equity</b>		<b>986 463</b>	<b>1 216 912</b>	<b>1 270 154</b>
<b>Total liabilities and equity</b>		<b>20 080 066</b>	<b>19 886 304</b>	<b>18 394 917</b>

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

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

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 01.01.09</b>	<b>503 135</b>	<b>308 656</b>	<b>78 191</b>	<b>-</b>	<b>344 983</b>	<b>-18 053</b>	<b>1 216 912</b>
Total income in the First Half of 2009	-	-	-	-231 150	-	701	-230 449
Distribution of retained earnings	-	<b>33 191</b>	<b>-78 191</b>	-	<b>45 000</b>	-	-
<b>Balance as at 30.06.2009</b>	<b>503 135</b>	<b>341 847</b>	<b>-</b>	<b>-231 150</b>	<b>389 983</b>	<b>-17 352</b>	<b>986 463</b>

**Statement of Changes in Shareholders' Equity in 2008 (in PLN thousand)**

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 01.01.08</b>	<b>503 135</b>	<b>308 656</b>	<b>161 783</b>	<b>-</b>	<b>183 200</b>	<b>-2 818</b>	<b>1 153 956</b>
Total income in 2008	-	-	-	78 191	-	-15 235	62 956
Distribution of retained earnings	-	-	-161 783	-	161 783	-	-
<b>Balance as at 31.12.08</b>	<b>503 135</b>	<b>308 656</b>	<b>-</b>	<b>78 191</b>	<b>344 983</b>	<b>-18 053</b>	<b>1 216 912</b>

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

	Share capital	Share premium	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 01.01.08</b>	<b>503 135</b>	<b>308 656</b>	<b>161 783</b>	<b>-</b>	<b>183 200</b>	<b>-2 818</b>	<b>1 153 956</b>
Total income in the First Half of 2008	-	-	-	122 388	-	-6 190	116 198
Distribution of retained earnings	-	-	-161 783	-	161 783	-	-
<b>Balance as at 30.06.08</b>	<b>503 135</b>	<b>308 656</b>	<b>-</b>	<b>122 388</b>	<b>344 983</b>	<b>-9 008</b>	<b>1 270 154</b>

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

<b>Cash Flow Statement (in PLN thousand)</b>	<b>01.01.2009 - 30.06.2009</b>	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2008 - 30.06.2008</b>
<b>Cash and cash equivalents, gross, opening balance</b>	<b>1 495 348</b>	<b>711 109</b>	<b>711 109</b>
<b>Gross profit/loss</b>	<b>-275 011</b>	<b>102 585</b>	<b>151 737</b>
<b>Adjustments for:</b>	<b>1 536 394</b>	<b>-2 062 083</b>	<b>731 208</b>
Depreciation	21 307	38 222	17 132
Impairment losses	260 751	66 495	22 310
Profits/losses on investing activities	9 744	3 499	1 927
Changes in operational assets and liabilities:	1 328 328	-2 113 481	730 207
- financial assets and liabilities held for trading	-123 251	-358 624	21 381
- due from banks	267 027	477 913	-917 528
- loans to customers	717 273	-3 692 514	-1 479 526
- change in the balance of available for sale investments	-375	-5 385	-4 286
- due to banks	-1 282 273	48 214	1 668 002
- due to customers	1 800 251	80 104	813 048
- liabilities due on account of credits and loans received	742	1 117 622	670 840
- liabilities due on account of a subordinated loan	-	59 040	-22 780
- other assets and liabilities	-51 066	160 149	-18 944
Income tax (current and deferred)	-83 736	-56 818	-40 368
<b>Net operating cash flows</b>	<b>1 261 383</b>	<b>-1 959 498</b>	<b>882 945</b>
Purchase of available-for-sale investments	-7 388 950	-1 185 781	-775 926
Purchase of property, plant and equipment and intangible fixed assets	-61 755	-45 199	-23 634
Proceeds from sales of available-for-sale investments	6 377 397	560 176	-
Proceeds from sales of property, plant and equipment	1 289	2 628	539
Other investment expenses	-675	-1 869	-944
<b>Net cash provided by investing activities</b>	<b>-1 072 694</b>	<b>-670 045</b>	<b>-799 965</b>
Increase in the balance of loans and credit facilities	1 822 817	5 405 496	982 629
Issuance of subordinated liabilities	253 200	-	-
Repayment of loans and credit facilities	-1 726 920	-1 991 714	-136 832
<b>Net cash provided by (used in) financing activities</b>	<b>349 097</b>	<b>3 413 782</b>	<b>845 797</b>
<b>Cash and cash equivalents, gross, ending balance (Note 8)</b>	<b>2 033 134</b>	<b>1 495 348</b>	<b>1 639 886</b>
<b>Change in cash and cash equivalents</b>	<b>537 786</b>	<b>784 239</b>	<b>928 777</b>

Cash Flow Statement is prepared using an indirect method.

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

## Additional Notes to Financial Statements

### 3. Information on Fortis Bank Polska SA

#### Basic data on the Issuer

Fortis Bank Polska S.A. ("the Bank"), with its registered office in Warsaw at ul. Suwak 3, was entered in the register of entrepreneurs of the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. KRS 0000006421. The Bank was assigned statistical number (REGON) 003915970, and tax identification number (NIP) 676-007-83-01.

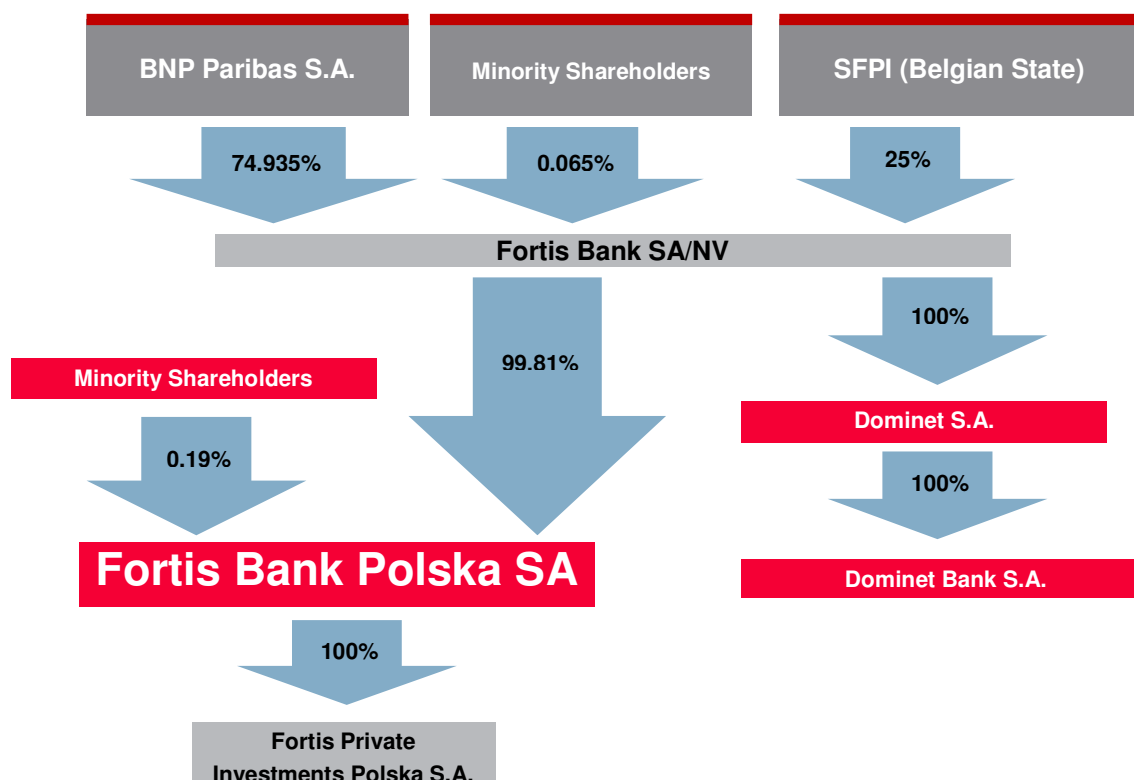
The Bank is a company with an indefinite period of operation, and its business has no seasonal or periodical nature.

#### The Group's structure

As at 30 June 2009, the Bank was part of an international banking group where the ultimate parent entity was BNP Paribas SA based in Paris. Fortis Bank SA/NV based in Brussels remains the Bank's direct parent entity.

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

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



#### Scope of business of the Bank:

The scope of the Bank's business covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality, and brokerage activities.



## 4. Accounting Policies

### **Basis of presentation**

This Abbreviated interim separate financial report of the Bank has been prepared pursuant to the International Accounting Standard 34 *Interim Financial Reporting* (IAS 34), approved by the EU, and other binding provisions. This financial report does not contain all information required for annual separate financial statements and therefore, it should be read together with the separate financial statement of Fortis Bank Polska SA for the year ended on 31 December 2008. The Separate Financial Statement of Fortis Bank Polska SA for the year ended on 31 December 2008 is available on the Bank's website: [www.fortisbank.com.pl](http://www.fortisbank.com.pl).

Pursuant to 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 No. 33/2009, item 259), the Bank shall publish its financial statement for the period of six months ending on 30 June 2009, which is considered a current interim reporting period.

These abbreviated separate financial statements of the Bank were approved for publishing by the Bank Board of Executives on 3 August 2009.

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

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force as at 30 June 2009:

- Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*, binding for annual periods starting on or after 1 July 2009;
- Amendments to IAS 39 *Financial Instruments – Recognition and Measurement* binding for annual periods starting on or after 1 July 2009;
- Interpretation IFRIC 17 *Distributions of Non-cash Assets to Owners*, binding with respect to annual periods starting on or after 1 July 2009.

Other standards and interpretations that have not become effective yet and have not been mentioned in these financial statements are not material from the Bank's standpoint. The Bank did not use the option of an earlier adoption of standards and interpretations that were approved by the European Commission but that have or will become effective after the balance sheet date only. In the opinion of the Bank's Board of Executives, the implementation of new standards and interpretations will not materially affect the Bank's financial statements.

### **Basis for the financial statements**

The interim financial statements were 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 by the Bank in the foreseeable future.

The interim financial statements of the Bank were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, 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 interim financial statements were stated in Polish zlotys (PLN), and all the values were given in PLN thousands, unless indicated otherwise. The functional currency is Polish zloty (PLN).

In the current reporting period the Bank made no material amendments to the accounting policies applied. Since 1 January 2009, the Bank presents information on segments pursuant to the requirements of IFRS 8; moreover, since 1 January 2009, the Bank has applied the amendments to IAS 1 *Presentation of Financial Statements* and introduced total income report.

### **Comparative data**

The financial statements present financial data for the period from 01.01.2009 through 30.06.2009 as at 30.06.2009 and comparative data for the period from 01.01.2008 through 30.06.2008 and from 01.01.2008 through 31.12.2008, and as at 30.06.2008 and 31.12.2008.

### **Accounting Estimates**

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

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

#### Fair value

The fair value of financial instruments that are not traded on an active market is measured using valuation models using the market yield curve. Some variables used in such models require the adoption of expert estimations. Change of the models adopted or a different estimation of variables could affect the estimation of fair values determined using such models. In the estimation of fair values, the Bank takes into consideration customer credit risk and applies a developed methodology of adjustment of the measurement to fair value on that account, as described in Section "The fair value of financial instruments." The most significant parameter that does not come from an active market and is used by the Bank to measure financial instruments is a counterparty risk component. In connection with a considerable counterparty risk growth, the Bank made an additional estimation of the level of that risk in derivative instrument transactions, including FX options, entered into with customers. The estimation was made as at a balance sheet date assuming the level of derivative instrument valuations as at that day and taking into account risk assessment as at that day. The Bank regularly monitors the level of risk related to concluded transactions in derivative instruments. The main factors affecting changes of estimated counterparty risk include:

- changes of the fair value of derivative instruments, correlated with e.g. FX rates and interest rates,
- changes with respect to counterparty credit risk.

Considering a strong variability of economic environment, there is an uncertainty as regards the estimations made.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Useful lives and residual values

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

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

#### Other Accounting Estimates

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

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

In addition to the above 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 statements and financial results.

#### **Foreign currencies**

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

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

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

The 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.

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.

#### Classification and measurement

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

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

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

The 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

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

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

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

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

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

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

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

The 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),

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

#### Financial assets available for sale

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

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

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

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

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

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

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

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

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

#### Other financial liabilities.

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

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

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

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

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

#### 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.

In the measurement of financial instruments, the Bank takes into consideration 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 cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.

In the analysis, a possibility is considered of taking additional financing by customers to cover unsettled transactions that do not hedge their contracts settled in foreign currencies.

An estimation of the measurement adjustment is determined using dedicated analytical tools taking into account a materiality criterion.

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.

Considering the uncertainty, actual results can differ from estimated values.

#### **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 made no setoff referred to above.

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

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

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

#### **Derivative instruments**

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

Derivative instruments in the Bank include the following transactions:

##### a) IRS Contracts

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

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

**b) FX Forward Contracts**

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

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

**c) FX Swap Contracts**

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

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

**d) Interest Rate Options**

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

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

**e) FX Options**

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

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

**f) FRA Contracts**

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

**g) CIRS Contracts**

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

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

#### h) OIS Contracts

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

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

#### i) Futures contracts

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

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

#### Derivative instruments that are hedging instruments

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

The fair value is hedged to limit a risk that fair value changes resulting from a specific risk related to financial assets and liabilities held, or a specific part thereof, may affect the financial result.

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

In 2009, the Bank has not applied hedge accounting while in 2008, interest rate risk hedge accounting was used.

#### **Embedded derivatives**

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

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

#### **Asset Impairment**

##### Financial assets

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

As at each balance sheet date, the 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 remaining receivables (individual customers and business entities of exposure up to the tier of EUR 50 thousand),



write-offs are set using recoverability parameters, determined by models, on account of voluntary repayments and collateral value (portfolio analysis of future cash flows).

The Bank creates 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.

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

#### Non-financial Assets

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

As at each balance sheet date, the 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.

#### **Cash and cash equivalents**

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

#### **Due from Banks and Loans to Customers**

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

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

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

Rules governing impairment estimation are presented above.

#### **Property, Plant and Equipment**

Property, plant and equipment include assets of foreseeable useful life longer than one (1) year, that are complete and used by the 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 a total material value of a purchase of low-value assets, they are capitalised by the Bank.

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

Useful lives of fixed assets are as follows:

<b>No.</b>	<b>Specification</b>	<b>Useful life</b>
1.	Leasehold improvements	<b>10 years</b>
2.	Structural cabling	<b>10 years</b>
3.	IT equipment	<b>3-10 years</b>
4.	Telephone equipment	<b>6 years</b>
5.	Vehicles	<b>3-4 years</b>
6.	Furniture	<b>10 years</b>
7.	Cash and vault equipment	<b>5 years</b>
8.	Cash registers, armoured safes and safes	<b>10 years</b>
9.	Other equipment	<b>5 years</b>
10.	Operating software	<b>5 years</b>

#### **Non-Current Assets Held for Sale and Discontinued Operations**

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

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

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

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

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

#### **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 years.

### **Due to customers**

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

### **Employee Benefits**

#### Long-Term Obligations to Employees

The Bank measures reserves established for retirement severance pay, 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. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Under this method, the cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. The value of obligations on account of one-time retirement benefits, disability benefits 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.

#### Short-term Obligations to Employees

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

### **Provisions**

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

The Bank 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.

### **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.

**Shareholders' equity**

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

**Share Issue Costs**

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

**Dividends on Ordinary Shares**

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

**Other Equity Capital Components**

Other components that are recognised in equity refer to:

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

**Earnings per Share**

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

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

**Interest Income and Expense**

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

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

**Fees and Transaction Costs**

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

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

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

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

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

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

Net profit/loss on transactions in financial instruments includes:

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

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

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the 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 available 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.

### **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.

### **Segment Reporting**

#### 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, including Private Banking)
- Merchant Banking Business Line (GMK and CB BL)
- Asset & Liability Management (ALM) and support units (horizontal functions) are the Bank's Head Office units, except the Global Markets BL, which belongs to the Merchant Banking Business Line.

#### Geographical segments

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

In the first half of 2009, the Bank consolidated the results of Private Banking and Retail Banking Business Line.

Furthermore in the reporting period, no changes in the Bank's structure of operating segments occurred as compared to the situation presented in the Bank's separate financial statement for the year ended on 31 December 2008.

## 5. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data, published previously in the report for the first half of 2008 as at 30 June 2008, in the annual report for 2008 as at 31 December 2008, to ensure data comparability.

<b>Balance sheet as at 30 June 2008</b>				
<b>Item</b>	<b>1st Half of 2008 Report</b>	<b>1st Half of 2009 Report</b>	<b>Difference</b>	<b>Change description</b>
<b>Cash and cash equivalents</b>	3 231 063	1 637 916	-1 580 048	Receivables on account of unsettled FX spot and FX swap transactions - banks
			-13 099	Receivables on account of unsettled FX spot and FX swap transactions - customers
<b>Due from banks</b>	421 642	2 001 690	1 580 048	Receivables on account of unsettled FX spot and FX swap transactions - banks
<b>Due from customers</b>	12 641 182	12 654 281	13 099	Receivables on account of unsettled FX spot and FX swap transactions - customers
<b>Due to banks</b>	8 409 344	3 896 751	-4 512 593	Loans and credit facilities received
<b>Due to customers</b>	7 791 316	7 120 476	-670 840	Loans and credit facilities received
<b>Loans and credit facilities received</b>	-	5 183 433	4 512 593	Loans and credit facilities received
<b>Total changes</b>	<b>32 494 547</b>	<b>32 494 547</b>	<b>-</b>	

<b>Balance sheet as at 31 December 2008</b>				
<b>Item</b>	<b>2008 Annual Report</b>	<b>1st Half of 2009 Report</b>	<b>Difference</b>	<b>Change description</b>
<b>Due to banks</b>	7 554 483	2 276 963	-5 277 520	Loans and credit facilities received
<b>Due to customers</b>	9 308 212	6 387 532	-2 920 680	Loans and credit facilities received
<b>Loans and credit facilities received</b>	-	8 198 200	5 277 520	Loans and credit facilities received
<b>Total changes</b>	<b>16 862 695</b>	<b>16 862 695</b>	<b>-</b>	

<b>Cash flow statement for the period from 1 January through 30 June 2008</b>				
<b>Item</b>	<b>1st Half of 2008 Report</b>	<b>1st Half of 2009 Report</b>	<b>Difference</b>	<b>Change description</b>
<b>Operating cash flows</b>				
<b>Cash and cash equivalents, gross, opening balance</b>	1 590 779	711 109	-855 758	Receivables on account of unsettled FX spot and FX swap transactions - banks
			-23 841	Receivables on account of unsettled FX spot and FX swap transactions - customers
			-71	Other due from banks
<b>Profits/losses on account of FX rate differences</b>	-22 780	-	22 780	Changes to unrealised FX differences on account of a subordinated loan
<b>Due from banks</b>	-193 238	-917 528	-724 290	Changes to Receivables on account of unsettled FX spot and FX swap transactions - banks
<b>Due from customers</b>	-1 490 268	-1 479 526	10 742	Changes to Receivables on account of unsettled FX spot and FX swap transactions - customers
<b>Due to customers</b>	1 483 888	813 048	-670 840	Changes to Loans and credit facilities received from customers
<b>Liabilities due on account of credits and loans received</b>	-	670 840	670 840	Changes to Loans and credit facilities received from customers
<b>Liabilities due on account of a subordinated loan</b>	-	-22 780	-22 780	Changes to unrealised FX differences on account of a subordinated loan
<b>Other assets and liabilities</b>	-19 015	-18 944	71	Changes to Others due from banks

## Cash flow statement for the period from 1 January through 31 December 2008

Item	2008 Annual Report	Report for 1st half of 2009	Difference	Change description
<b>Operating cash flows</b>				
<b>Due to banks</b>	889 506	48 214	-841 292	Changes to Loans and credit facilities received from banks
<b>Due to customers</b>	356 434	80 104	-276 330	Changes to Loans and credit facilities received from customers
<b>Liabilities due on account of credits and loans received</b>	-	1 117 622	1 117 622	Changes to Loans and credit facilities received from banks and customers
<b>Liabilities due on account of a subordinated loan</b>	-	59 040	59 040	Changes to unrealised FX differences on account of a subordinated loan
<b>Financial cash flows</b>				
<b>Issuance of subordinated liabilities</b>	59 040	-	-59 040	Changes to unrealised FX differences on account of a subordinated loan

## 6. Segment Reporting

## Income Statement of Fortis Bank Polska SA by Business Segments

1 Jan. 2009 – 30 Sept. 2009 (in PLN thousand)	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	195 291	196 643	23 309	415 243
Transfer prices expense (internal)	-150 668	-301 168	-34 397	-486 233
Interest expense (external)	-93 402	-143 219	-	-236 621
Transfer prices income (internal)	121 222	304 906	60 105	486 233
<b>Net interest income</b>	<b>72 443</b>	<b>57 162</b>	<b>49 017</b>	<b>178 622</b>
<b>Other transfer prices (internal)</b>	1 581	87 501	-89 082	-
Fee and commission income (external)	35 591	27 910	1 716	65 217
Fee and commission expense (external)	-4 292	-408	-971	-5 671
<b>Net fee and commission income</b>	<b>31 299</b>	<b>27 502</b>	<b>745</b>	<b>59 546</b>
Dividend and other investment income (external)	-	-	244	244
Net trading income (external)	-3 416	-85 434	-	-88 850
Net gain/loss on available-for-sale financial instruments (external)	-	441	5 859	6 300
Net profit (loss) on hedging transactions (external)	-	-	-	-
Other income (external)	5 304	2 213	482	7 999
<b>Total income, net</b>	<b>107 211</b>	<b>89 385</b>	<b>-32 735</b>	<b>163 861</b>
Personnel expense (external)	-34 625	-12 756	-37 836	-85 217
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-21 307	-21 307
Other expenses (external)	-16 404	-5 113	-55 136	-76 653
Net impairment losses (external)	-44 635	-211 060	-	-255 695
Costs allocation - rebilling (internal)	-86 621	-18 493	105 114	-
<b>Gross profit/loss</b>	<b>-75 074</b>	<b>-158 037</b>	<b>-41 900</b>	<b>-275 011</b>
Income tax expense	11 973	25 206	6 682	43 861
<b>Net profit/loss</b>	<b>-63 101</b>	<b>-132 831</b>	<b>-35 218</b>	<b>-231 150</b>

1 Jan 2008 – 30 June 2008 (in PLN thousand)	Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
Interest income (external)	201 623	232 602	32 902	467 127
Transfer prices expense (internal)	-151 980	-318 777	-26 950	-497 707
Interest expense (external)	-73 029	-210 936	-559	-284 524
Transfer prices income (internal)	101 793	331 204	64 710	497 707
<b>Net interest income</b>	<b>78 407</b>	<b>34 093</b>	<b>70 103</b>	<b>182 603</b>
<b>Other transfer prices (internal)</b>	441	40 122	-40 563	-
Fee and commission income (external)	52 291	47 476	1 660	101 427
Fee and commission expense (external)	-4 066	-482	-906	-5 454
<b>Net fee and commission income</b>	<b>48 225</b>	<b>46 994</b>	<b>754</b>	<b>95 973</b>
Dividend and other investment income (external)	-	-	-	-
Net trading income (external)	33 360	32 913	-	66 273
Net gain/loss on available-for-sale financial	-	-	-	-



assets (external)				
Net profit (loss) on hedging transactions (external)	-	-	56	<b>56</b>
Other income (external)	4 999	1 772	607	<b>7 378</b>
<b>Total income, net</b>	<b>165 432</b>	<b>155 894</b>	<b>30 957</b>	<b>352 283</b>
Personnel expense (external)	-42 062	-20 713	-31 350	<b>-94 125</b>
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-17 132	<b>-17 132</b>
Other expenses (external)	-12 945	-2 741	-49 690	<b>-65 376</b>
Net impairment losses (external)	-13 047	-10 791	-75	<b>-23 913</b>
Costs allocation - rebilling (internal)	-82 788	-14 977	97 765	-
<b>Gross profit/loss</b>	<b>14 590</b>	<b>106 672</b>	<b>30 475</b>	<b>151 737</b>
Income tax expense	-2 822	-20 632	-5 895	<b>-29 349</b>
<b>Net profit/loss</b>	<b>11 768</b>	<b>86 040</b>	<b>24 580</b>	<b>122 388</b>

in PLN thousand		Retail Banking	Merchant Banking	ALM and support units (horizontal functions)	Total
<b>Assets</b>	<b>30.06.2009</b>	8 732 176	10 368 621	979 269	<b>20 080 066</b>
	<b>31.12.2008</b>	9 070 928	9 651 699	1 163 677	<b>19 886 304</b>
	<b>30.06.2008</b>	7 210 061	9 358 917	1 825 939	<b>18 394 917</b>
<b>Liabilities</b>	<b>30.06.2009</b>	4 762 184	14 141 031	1 176 851	<b>20 080 066</b>
	<b>31.12.2008</b>	3 851 398	14 650 143	1 384 763	<b>19 886 304</b>
	<b>30.06.2008</b>	3 943 027	13 017 208	1 434 682	<b>18 394 917</b>

## 7. Additional Notes to the Separate Income Statement

Below there is selected information on revenues and expenses of the Bank for the first half of 2009 and comparative data for the first half of 2008.

### Note 7.1

<b>Interest income (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
Cash and cash equivalents	12 336	39 491
Due from banks	2 319	9 142
Investments available for sale	34 682	28 222
Due from customers	359 093	388 314
Securities held for trading	6 813	1 958
<b>Total interest income</b>	<b>415 243</b>	<b>467 127</b>

### Note 7.2

<b>Interest expense (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
Due to banks	-16 929	-36 245
Due to customers	-142 237	-138 666
Loans and credit facilities received	-67 569	-99 183
Subordinated loans	-8 937	-9 352
Derivative hedging instruments	-	-559
Others	-949	-519
<b>Total interest expense</b>	<b>-236 621</b>	<b>-284 524</b>

### Note 7.3

<b>Fee and commission income (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
Custody services and securities trading	1 289	1 331
Cash settlements services	25 515	27 347
Guarantees and contingent liabilities	7 846	7 525
Commissions related to granting credit facilities (amortised using the straight-line method)	13 471	11 514
Loan origination fees and commissions (incurred one time)	2 261	6 778
Fees and commissions related to derivative instrument buy/sell transactions	4 243	30 885
Income on account of agency in customer acquisition	1 346	3 553
Card related income	5 219	5 871
Income on asset management	283	736
Others	3 744	5 887
<b>Total fee and commission income</b>	<b>65 217</b>	<b>101 427</b>

### Note 7.4

<b>Fee and commission expense (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
Custody services and securities trading	- 197	-496
Card related expenses	-2 731	-2 165
Cash transactions expenses	-939	-1 478
Settlements	-754	-593
Others	-1 050	-722
<b>Total fee and commission expenses</b>	<b>-5 671</b>	<b>-5 454</b>

## Note 7.5

<b>Net trading income (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
Securities	1 606	-1 258
Derivative instruments, including	-149 792	1 259
- fair value adjustment on account for credit risk of derivative instruments	-60 766	-
Foreign exchange transactions	59 336	66 272
<b>Total net trading income</b>	<b>-88 850</b>	<b>66 273</b>

## Note 7.6

<b>Other costs * (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
- rents	-18 241	-13 412
- information technologies and systems	-10 602	-9 111
-marketing and advertising	-6 625	-9 651
- expenditure related to RE use	-3 804	-4 197
- postal and telecommunication services	-5 064	-5 452
- advisory services and consulting	-1 627	-3 235
- business travels	-2 348	-3 423
- training,	-1 936	-2 792
- municipal services:	-5 442	-2 936
- security	-2 272	-1 998
- stationery	-927	-1 522
- Banking Guarantee Fund costs	-3 620	-1 299
- compensation, penalties and fines	-935	-142
- other	-13 210	-6 206
<b>Total other costs</b>	<b>-76 653</b>	<b>-65 376</b>

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

## Note 7.7

<b>Net write-offs for impairment (in PLN thousand)</b>	<b>1.01.2009 – 30.06.2009</b>	<b>1.01.2008 – 30.06.2008</b>
Net cash and cash equivalents, including:	-938	-1 655
- write-offs for Incurred But Not Reported losses (IBNR)	-938	-1 655
Due from banks, net, including:	-51	-121
- write-offs for Incurred But Not Reported losses (IBNR)	-51	-121
Loans to customers, net, including:	-258 031	-22 717
- write-offs for credit receivables	-249 337	-16 182
- write-offs for Incurred But Not Reported losses (IBNR)	-9 312	-7 863
- income on account of receivables written-off,	618	1 328
Off-balance sheet liabilities, net, including:	3 153	958
- provisions for off-balance sheet commitments	3 298	1 126
- write-offs for Incurred But Not Reported losses (IBNR)	-145	-168
Other assets, net	155	-10
Other provisions, net	17	-368
<b>Total impairment losses, net</b>	<b>-255 695</b>	<b>-23 913</b>

In the first half of 2009 write-downs for impairments of loans to customers materially increased. The write-downs related mainly to loans granted by the Bank to businesses and resulted from the deterioration of the economic and financial situation of the latter.

## 8. Cash and cash equivalents

Note 8.1

<b>Cash and cash equivalents (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Cash at hand	131 676	355 984	200 147
Due from the central bank	220 516	14 671	433 509
Short-term due from banks, including:	1 680 942	1 124 693	1 006 230
- nostro accounts	12 855	325 574	51 285
- short-term deposits from banks	1 668 087	799 119	954 945
<b>Cash and cash equivalents, gross</b>	<b>2 033 134</b>	<b>1 495 348</b>	<b>1 639 886</b>
<b>Write-offs for impairment</b>	<b>-1 398</b>	<b>-460</b>	<b>-1 970</b>
- for Incurred But Not Reported losses (IBNR)	-1 398	-460	-1 970
<b>Total cash and cash equivalents, net</b>	<b>2 031 736</b>	<b>1 494 888</b>	<b>1 637 916</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 the first half of 2009 stood at PLN 284,401 thousand, at the end of 2008, it made up PLN 267,465 thousand, while at the end of the first half of 2008 it stood at PLN 315,424 thousand.

## 9. Financial Assets and Liabilities Held for Trading

Note 9.1

<b>Financial assets held for trading (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
<b>Held-for-trading securities, including:</b>	<b>486 220</b>	<b>255 154</b>	<b>41 831</b>
- treasury bonds	349 886	129 506	37 131
- treasury bills	136 334	125 648	4 700
<b>Derivative financial instruments, including:</b>	<b>685 001</b>	<b>1 116 991</b>	<b>264 146</b>
- foreign currency contracts, including	619 728	1 036 267	214 503
- fair value adjustment on account for credit risk	-67 003	-104 319	-
- interest rate contracts	65 273	80 724	49 643
<b>Total financial assets held for trading</b>	<b>1 171 221</b>	<b>1 372 145</b>	<b>305 977</b>

As at 30 June 2009, the valuation of not matured derivative transactions concluded with the Bank's customers and receivables arising out of derivative instrument transactions that were completed and unpaid by customers, was adjusted by write-downs for counterparty credit risk. The adjustment was determined by an analysis of the financial situation of specific customers and the assessment of their needs as regards the use of derivative instruments. The total adjustment amount related to including the counterparty credit risk stood at PLN 60,766 thousand. It is reported in the net trading income.

There is an uncertainty as to the amount of future settlements on account of the aforesaid derivative transactions, and the level of actual losses depends on further FX rate changes and counterparty financial standing.

Note 9.2

<b>Financial liabilities held for trading (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
<b>Derivative financial instruments, including:</b>	<b>637 426</b>	<b>961 601</b>	<b>275 438</b>
- foreign currency contracts	580 302	889 452	236 642
- interest rate contracts	57 124	72 149	38 796
<b>Total financial liabilities held for trading</b>	<b>637 426</b>	<b>961 601</b>	<b>275 438</b>

## 10. Receivables

Nota 10.1

<b>Due from banks (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Loans	75 002	75 000	75 000
Deposits	-	-	179 566
Debt securities not traded on an active market	-	-	149 792
Receivables on account of construction projects:	1 700	3 100	-
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	245 765	511 922	1 580 048
Other receivables	16 953	16 425	17 482
<b>Total due from banks, gross</b>	<b>339 420</b>	<b>606 447</b>	<b>2 001 888</b>
<b>Write-downs for impairment</b>	<b>-126</b>	<b>-74</b>	<b>-198</b>
- for Incurred But Not Reported losses (IBNR)	-126	-74	-198
<b>Total net due from banks</b>	<b>339 294</b>	<b>606 373</b>	<b>2 001 690</b>

Note 10.2

<b>Due from customers (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Loans to budgetary entities	400	420	442
Mortgage loans	4 668 938	4 501 796	3 152 948
Consumer loans and credit facilities	533 998	562 868	506 413
Commercial loans	9 117 887	9 969 916	9 196 900
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	41 825	44 534	13 099
Other receivables	2 469	3 256	-
<b>Total loans to customers, gross</b>	<b>14 365 517</b>	<b>15 082 790</b>	<b>12 869 802</b>
<b>Write-downs for impairment</b>	<b>-519 090</b>	<b>-259 673</b>	<b>-215 521</b>
- for incurred, reported losses	-462 076	-211 972	-158 600
- for Incurred But Not Reported losses (IBNR)	-57 014	-47 701	-56 921
<b>Total net loans to customers</b>	<b>13 846 427</b>	<b>14 823 117</b>	<b>12 654 281</b>

Note 10.3

<b>Write-offs for impairment (in PLN thousand)</b>	<b>Due from banks</b>	<b>Loans to Customers</b>	
	<b>Write-offs for Incurred But Not Reported losses (IBNR)</b>	<b>Write-off for impairment</b>	<b>Write-offs for Incurred But Not Reported losses (IBNR)</b>
<b>Balance as at 1 January 2009</b>	<b>-74</b>	<b>-211 972</b>	<b>-47 701</b>
Increases	-53	-303 016	-23 832
Decreases	1	53 679	14 519
Write-downs to provisions	-	7 932	-
FX rate differences	-	-8 699	-
<b>Balance as at 30 June 2009</b>	<b>-126</b>	<b>-462 076</b>	<b>-57 014</b>
<b>Balance as at 1 January 2008</b>	<b>-77</b>	<b>-145 351</b>	<b>-49 058</b>
Increases	-130	-129 181	-30 631
Decreases	133	63 167	31 988
Write-downs to provisions	-	4 917	-
FX rate differences	-	-5 524	-
<b>Balance as at 31 December 2008</b>	<b>-74</b>	<b>-211 972</b>	<b>-47 701</b>

<b>Balance as at 1 January 2008</b>	<b>-77</b>	<b>-145 351</b>	<b>-49 058</b>
Increases	-123	-53 745	-9 016
Decreases	2	37 563	1 153
Write-downs to provisions	-	1 283	-
FX rate differences	-	1 650	-
<b>Balance as at 30 June 2008</b>	<b>-198</b>	<b>-158 600</b>	<b>-56 921</b>

As at the balance sheet date the Bank made an update of write-downs for impairment of incurred but not reported losses (IBNR) taking into account changes in the macroeconomic environment.

## 11. Investments - Available for Sale

Note 11.1

<b>Investments available for sale at fair value (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Treasury bonds	718 310	826 886	1 069 037
Treasury bills	494 484	348 883	265 008
NBP Bonds	-	24 979	24 979
NBP cash bills	999 806	-	-
Shares and stock	19 019	18 242	18 233
<b>Total investments available for sale</b>	<b>2 231 619</b>	<b>1 218 990</b>	<b>1 377 257</b>

The Bank holds 100% of the share capital and 100% of total votes at the General Meeting of the Bank's subsidiary Fortis Private Investments Polska S.A. (FPIP). FPIP, the subsidiary, runs brokerage activity in Poland and has been controlled by the Bank since 23 December 1999. FPIP is measured at the acquisition cost including write-downs for impairment.



## 12. Liabilities

Note 12.1

<b>Due to banks (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
<b>Due to the central bank</b>	-	<b>325 000</b>	-
- Lombard loan	-	325 000	-
<b>Banks' deposits</b>	<b>742 786</b>	<b>1 438 513</b>	<b>2 315 026</b>
- Current	32 519	48 554	68 822
- Term	176 590	974 683	1 888 686
- Cash collateral	533 677	415 276	357 518
<b>Others</b>	<b>251 904</b>	<b>513 450</b>	<b>1 581 725</b>
<b>Total due to banks</b>	<b>994 690</b>	<b>2 276 963</b>	<b>3 896 751</b>

Note 12.2

<b>Due to customers (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Current deposits	1 204 232	1 192 980	1 335 518
Term deposits	6 724 745	4 915 383	5 557 189
Cash collateral	222 893	236 308	214 898
Others	35 913	42 861	12 871
<b>Total due to customers</b>	<b>8 187 783</b>	<b>6 387 532</b>	<b>7 120 476</b>

Note 12.3

<b>Loans and credit facilities received (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Loans and credit facilities received from banks	5 613 079	5 277 520	4 512 593
Loans and credit facilities received from other institutions	2 681 760	2 920 680	670 840
<b>Total loans and credit facilities received</b>	<b>8 294 839</b>	<b>8 198 200</b>	<b>5 183 433</b>

## 13. Subordinated liabilities

Note 13.1

<b>Change in subordinated liabilities (in PLN thousand)</b>	<b>01.01.2009 - 30.06.2009</b>	<b>01.01.2008 – 31.12.2008</b>	<b>01.01.2008 – 30.06.2008</b>
<b>Opening balance</b>	<b>417 240</b>	<b>358 200</b>	<b>358 200</b>
Increases	223 480	-	-
- on account of loans	89 392	-	-
- on account of bond issues	134 088	-	-
Decreases	-	-	-
- on account of loans	-	-	-
- on account of bond issues	-	-	-
FX rate differences	29 720	59 040	-22 780
<b>Ending balance</b>	<b>670 440</b>	<b>417 240</b>	<b>335 420</b>

Detailed information on the subordinated agreement and the bond issue are presented in the Chapter "Information on Related Party Transactions".

## 14. 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 concern bank operations made within regular business activity.

Note 14.1

<b>30.06.2009</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	1 623 773	-	4 334	1 628 107
Financial assets held for trading	187 207	-	7 138	194 345
Due from Banks and Loans to Customers	36 972	1	78 805	115 778
Other assets	4 871	451	449	5 771
<b>Total</b>	<b>1 852 823</b>	<b>452</b>	<b>90 726</b>	<b>1 944 001</b>

<b>Liabilities</b>				
Financial liabilities held for trading	441 905	-	-	441 905
Due to banks and customers	146 525	18 480	335 965	500 970
Loans and credit facilities received	-	-	8 294 839	8 294 839
Subordinated liabilities	-	-	670 440	670 440
Other liabilities	2 171	34	6 397	8 602
<b>Total</b>	<b>590 601</b>	<b>18 514</b>	<b>9 307 641</b>	<b>9 916 756</b>

<b>31.12.2008</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	1 106 389	-	-	1 106 389
Financial assets held for trading	205 148	-	-	205 148
Due from Banks and Loans to Customers	302 986	1	41 700	344 687
Other assets	10 451	211	197	10 859
<b>Total</b>	<b>1 624 974</b>	<b>212</b>	<b>41 897</b>	<b>1 667 083</b>

<b>Liabilities</b>				
Financial liabilities held for trading	717 080	-	-	717 080
Due to banks and customers	1 235 055	19 068	162 515	1 416 638
Loans and credit facilities received	-	-	8 198 200	8 198 200
Subordinated liabilities	-	-	417 240	417 240
Other liabilities	22 010	49	16 142	38 201
<b>Total</b>	<b>1 974 145</b>	<b>19 117</b>	<b>8 794 097</b>	<b>10 787 359</b>

<b>30.06.2008</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	863 111	-	40 456	903 567
Financial assets held for trading	133 611	-	-	133 611
Due from Banks and Loans to Customers	840 505	1	120 051	960 557
Other assets	17 909	605	21 184	39 698
<b>Total</b>	<b>1 855 136</b>	<b>606</b>	<b>181 691</b>	<b>2 037 433</b>

<b>Liabilities</b>				
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Financial liabilities held for trading	146 816	-	-	146 816
Due to banks and customers	1 065 591	18 926	476 007	1 560 524
Loans and credit facilities received	-	-	5 183 433	5 183 433
Subordinated liabilities	-	-	335 420	335 420
Other liabilities	4 852	67	19 159	24 078
<b>Total</b>	<b>1 217 259</b>	<b>18 993</b>	<b>6 014 019</b>	<b>7 250 271</b>

Note 14.2

<b>1.01.2009 – 30.06.2009</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Profit &amp; Loss Account</b>				
Interest income	4 634	-	1 266	5 900
Interest expense	-3 351	-511	-78 739	-82 601
Fee and commission income	6 024	605	793	7 422
Fee and commission expense	-717	-	-	-717
Net trading income	-315 764	-	563	-315 201
Net profit (loss) on hedging transactions	-	-	-	-
Other revenues	3 202	11	38	3 251

<b>1.01.2008 – 30.06.2008</b> <b>(in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Entities affiliated by management</b>	<b>Total</b>
<b>Profit &amp; Loss Account</b>				
Interest income	28 151	-	4 576	32 727
Interest expense	-2 556	-473	-116 003	-119 032
Fee and commission income	32 725	1 550	2 240	36 515
Fee and commission expense	-784	-	-1	-785
Net trading income	11 600	-	17	11 617
Net profit (loss) on hedging transactions	729	-	-	729
Other revenues	3 690	-	264	3 954

Note 14.3

<b>30.06.2009</b> <b>(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:	20 161	49	118 420	138 630
- items related to financing	-	49	90 518	90 567
- guarantees	20 161	-	27 902	48 063
Contingent liabilities received:	21 497	-	688 146	709 643
- items related to financing	-	-	674 535	674 535
- guarantees	21 497	-	13 611	35 108
Transactions in derivative instruments*	21 157 468	-	56 423	21 213 891

<b>31.12.2008</b> <b>(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:	38 164	49	148 499	186 712
- items related to financing	-	49	123 759	123 808
- guarantees	38 164	-	24 740	62 904
Contingent liabilities received:	1 252	-	-	1 252

- items related to financing	-	-	-	-
- guarantees	1 252	-	-	1 252
Transactions in derivative instruments*	17 295 111	-	-	17 295 111

<b>30.06.2008 (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:	17 692	49	250 199	267 940
- items related to financing	-	49	199 334	199 383
- guarantees	17 692	-	50 865	68 557
Contingent liabilities received:	18 793	-	31 547	50 340
- items related to financing	-	-	-	-
- guarantees	18 793	-	31 547	50 340
Transactions in derivative instruments*	14 090 251	-	-	14 090 251

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

### Material agreements with related parties

On 21 April 2009, the Bank signed a credit agreement with Fortis Finance Belgium SCRL based in Brussels on taking a EUR 50 million subordinated debt by the Bank from Fortis Finance Belgium SCRL. The funds were disbursed on 22 April 2009. The Agreement was concluded for 10 years, i.e., until 21 April 2019.

On 10 June 2009, the Bank signed an annex to the credit agreement with Fortis Finance Belgium SCRL based in Brussels dated 21 April 2009 on taking a EUR 50 million subordinated debt by the Bank from Fortis Finance Belgium SCRL. Under the annex, the subordinated loan amount has been reduced down to EUR 20 million and can be repaid after 5 years since the loan agreement signing date, under the terms and conditions specified in the annex. The remaining part of the debt, i.e. EUR 30 million, was repaid by the Bank on 23 June 2009. Moreover, the provisions regarding the loan status and the subordination have been adjusted to the contents of the law provision.

On 30 June 2009, the Bank obtained the Polish Financial Supervision Authority (KNF) consent to include the loan of EUUR 20 million as subordinated debt into Tier 2 capital of the Bank, pursuant to Article 127 of the Banking Law.

In relation to the decrease down to EUR 20 million of the subordinated loan amount taken from Fortis Finance Belgium and the repayment of the remaining portion of the debt (i.e. EUR 30 million), on 23 June 2009 the Supervisory Board decided about issuing subordinated inscribed bonds. Fortis Bank Polska SA offer regarding the bonds subscription was accepted by Fortis Finance Belgium SCRL/CBVA. On 29 June 2009, the parties signed an Underwriting Agreement that defined in detail the terms and conditions of the bond issue and subscription by the bondholder. The issue was entirely subscribed by Fortis Finance Belgium SCRL/CBVA based in Brussels.

The issue was organised as a private placement of 300 subordinated inscribed bonds of EUR 100,000 each, with an unspecified maturity, bearing interest at a variable rate equal to a 3-month EURIBOR rate plus margin. Redemption of the bonds will be subject to the consent of the Polish Financial Supervision Authority.

### Transactions with the Board of Executives, Supervisory Board and Managers

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 14.4

<b>in PLN thousand</b>	<b>01.01.2009 - 30.06.2009</b>	<b>01.01.2008 - 30.06.2008</b>
Board of Executives, including:	2 178	3 540
- remuneration	1 459	1 706
- benefits*	281	285
- other**	438	1 549
Supervisory Board	283	195
Managing Directors***	5 176	6 762

\* The "Benefits" item includes expenses related to medical care, company car (lump sum), accommodation and participation in the "Fortis Executives and Professionals Stock Option Plan" for shares of Fortis Bank NV.

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

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

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

**As at 30.06.09, the Bank granted:**

to the Supervisory Board's Members:

- one (1) credit card limit of PLN 29 thousand, of which PLN 13 thousand was used as at the end of the reporting period,
- one (1) guarantee of USD 5 thousand issued for the period from 5 up to 10 years;
- two (2) debit limits in the savings and checking accounts (ROR) totalling PLN 40 thousand, of which PLN 21 thousand were utilised as at the end of the reporting period;

to the Board of Executives' Members:

- five (5) credit card limits totalling PLN 65 thousand, of which PLN 12 thousand was used as at the end of the reporting period,
- one (1) foreign currency loan of PLN 98 thousand with the original maturity from 5 to 10 years, inclusive;
- two (2) debit limits in the savings and checking account in the total amount of PLN 100 thousand.

to Managing Directors:

- 18 loans totalling PLN 4,518 thousand, including 9 foreign currency loans of the total of PLN 3,308 thousand with original maturity from 3 to over 30 years;
- six (6) debit limits in the savings and checking accounts (ROR) totalling PLN 97 thousand, of which PLN 15 thousand was utilised as at the end of the reporting period;
- 14 credit card limits totalling PLN 112 thousand, of which PLN 23 thousand was utilised as at the end of the reporting period.

to persons related to managing and supervising persons:

- two (2) loans (of which, one (1) in a foreign currency) in the total amount of PLN 166 thousand with the original maturity from 10 to 30 years, inclusive;
- four (4) debit limits in the savings and loan accounts totalling PLN 43 thousand, of which PLN 24 thousand were utilised as at the end of the reporting period;
- four (4) credit card limits totalling PLN 35 thousand, of which PLN 2 thousand was utilised as at the end of the reporting period.

**As at 31 Dec 2008, the Bank granted:**

to the Supervisory Board's Members:

- one (1) credit card limit of PLN 29 thousand, of which PLN 25 thousand was used as at the end of the reporting period,
- one (1) guarantee of USD 5 thousand issued for the period from 5 up to 10 years;
- one (1) debit limit in the savings and checking accounts (ROR) in the amount of PLN 10 thousand;

to the Board of Executives' Members:

- six (6) credit card limits totalling PLN 75 thousand, of which PLN 20 thousand was used as at the end of the reporting period,
- one (1) foreign currency loan in the total amount of PLN 109 thousand with the original maturity from 5 to 10 years, inclusive;
- two (2) debit limits in the savings and checking account in the total amount of PLN 100 thousand.

to Managing Directors:

- 23 loans totalling PLN 6,115 thousand, including 14 FC loans of the total of PLN 5,065 thousand with original maturity from 3 to over 30 years;
- eight (8) debit limits in the savings and checking accounts (ROR) totalling PLN 107 thousand, of which PLN 22 thousand was utilised as at the end of the reporting period;
- 16 credit card limits totalling PLN 120 thousand, of which PLN 33 thousand was utilised as at the end of the reporting period.

to persons related to managing and supervising persons:

- eight (8) loans (of which, one (1) in a foreign currency) in the total amount of PLN 202 thousand with the original

- maturity from 3 months to 30 years, inclusive;
- three (3) debit limits in the savings and loan accounts totalling PLN 37 thousand, of which PLN 29 thousand were utilised as at the end of 2008;
- four (4) credit card limits totalling PLN 35 thousand, of which PLN 8 thousand was utilised as at the end of the reporting period.

**As at 30.06.2008, the Bank granted:**

to the Supervisory Board's Members:

- one (1) credit card limit of PLN 29 thousand, of which PLN 29 thousand was used as at the end of the reporting period,
- one (1) guarantee of USD 5 thousand issued for the period from 5 up to 10 years;

to the Board of Executives' Members:

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

to Managing Directors:

- 28 loans totalling PLN 5,541 thousand, including 18 foreign currency loans of the total of PLN 4,393 thousand with original maturity from 5 to over 30 years;
- eight (8) debit limits in the savings and checking accounts (ROR) totalling PLN 95 thousand, of which PLN 4 thousand was utilised as at the end of the reporting period;
- 19 credit card limits totalling PLN 119 thousand, of which PLN 26 thousand was utilised as at the end of the reporting period.

to persons related to managing and supervising persons:

- four (4) loans (of which, three (3) in foreign currencies) in the total amount of PLN 694 thousand with the original maturity from 5 to 30 years, inclusive;
- one (1) debit limit in the savings and loan accounts totalling PLN 50 thousand, of which PLN 27 thousand were utilised as at the end of the reporting period;
- three (3) credit card limits totalling PLN 16 thousand, of which PLN 7 thousand was utilised as at the end of the reporting period.

## 15. Risk Management

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

The Bank divides risk monitoring, control and management into the following categories:

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

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

The Bank risk management process and rules did not change as compared to the ones presented in the separate financial statement of the Bank for the year ended on 31 December 2008.

### Credit risk

Note 15.1.1

<b>Information on exposure quality (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
<b>Cash and cash equivalents</b>	<b>1 900 060</b>	<b>1 138 904</b>	<b>1 437 769</b>
- receivables without impairment	1 901 458	1 139 364	1 439 739
- write-downs for impairment of IBNR losses	-1 398	-460	-1 970
<b>Financial assets held for trading</b>	<b>1 171 221</b>	<b>1 372 145</b>	<b>305 977</b>
- securities	486 220	255 154	41 831
- derivative financial instruments, including	685 001	1 116 991	264 146
fair value adjustment on account for credit risk	-67 003	-104 319	-
<b>Due from banks</b>	<b>339 294</b>	<b>606 373</b>	<b>2 001 690</b>
- receivables without impairment	339 420	606 447	2 001 888
- write-downs for impairment of IBNR losses	-126	-74	-198
<b>Due from customers</b>	<b>13 846 427</b>	<b>14 823 117</b>	<b>12 654 281</b>
- receivables without impairment	13 264 101	14 611 998	12 580 075
- receivables impaired, including where the impairment is:	1 101 416	470 792	289 727
determined on a case-by-case basis	1 049 052	426 870	253 855
determined using a collective method	52 364	43 922	35 872
- write-downs for impairment for incurred and reported losses	-462 076	-211 972	-158 600
determined on a case-by-case basis	-431 797	-185 292	-136 852
determined using a collective method	-30 279	-26 680	-21 748
- write-downs for impairment of IBNR losses	-57 014	-47 701	-56 921
<b>Investments available for sale</b>	<b>2 231 619</b>	<b>1 218 990</b>	<b>1 377 257</b>
- securities	2 231 619	1 218 990	1 377 257
<b>Off-balance sheet commitments granted</b>	<b>3 710 642</b>	<b>4 913 551</b>	<b>4 875 956</b>
- off-balance sheet commitments without impairment	3 662 794	4 886 301	4 828 480
- off-balance sheet commitments impaired, including where the	57 627	40 175	59 158
determined on a case-by-case basis	56 831	39 226	58 508
determined using a collective method	796	949	650



- provisions for off-balance sheet commitments	-4 979	-8 270	-3 786
determined on a case-by-case basis	-4 453	-7 710	-3 455
determined using a collective method	-526	-560	-331
- Write-downs for impairment of			
- IBNR losses – off-balance sheet commitments	-4 800	-4 655	-7 896

## Note 15.1.2

<b>Analysis of gross loans to customer portfolio (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Performing receivables without impairment	12 949 135	14 216 410	12 332 303
Non-performing receivables without impairment	314 966	395 588	247 772
Receivables with impairment determined on a case-by-case basis with a provision	826 288	366 944	219 343
Receivables with impairment determined on a case-by-case basis without a provision	222 764	59 926	34 512
Receivables with impairment determined collectively, with a provision	51 091	42 970	33 288
Receivables with impairment determined collectively, without a provision	1 273	952	2 584
<b>Total loans to customers, gross</b>	<b>14 365 517</b>	<b>15 082 790</b>	<b>12 869 802</b>

## Note 15.1.3

<b>Performing receivables without impairment (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
1-7	1 231 913	2 414 105	2 517 276
8-10	2 757 498	4 015 296	3 494 885
11-12	2 259 786	2 128 125	1 127 855
13-17	1 110 377	752 407	202 266
Unrated	5 589 561	4 906 477	4 990 021
- of which mortgage loans	4 531 312	4 328 069	3 074 897
<b>Total</b>	<b>12 949 135</b>	<b>14 216 410</b>	<b>12 332 303</b>

## Note 15.1.4

<b>Impaired receivables (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
- determined on a case-by-case basis	1 049 052	426 870	253 855
18	213 695	90 014	15 050
19	604 755	175 935	116 260
20	224 243	152 833	119 556
Unrated	6 359	8 088	2 989
- determined using a collective method	52 364	43 922	35 872
18	512	237	376
19	1 120	412	407
20	4 933	4 057	6 325
Unrated	45 799	39 216	28 764
<b>Total</b>	<b>1 101 416</b>	<b>470 792</b>	<b>289 727</b>

The “unrated” category, referred to in Notes 15.1.3 and 15.1.4, covers the Bank’s customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. Under the Fortis Masterscale system binding at the Bank, the rating assigning procedure is applicable only to commercial customers with the Bank’s total credit exposure exceeding an equivalent of EUR 1,000

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

Note 15.1.5

<b>Past-due period of non-performing receivables, without impairment (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
from 1 to 30 days	248 187	354 341	181 893
from 31 to 60 days	24 153	16 043	37 982
from 61 to 90 days	12 626	17 139	3 251
from 91 days up	30 000	8 065	24 646
<b>Total non-performing receivables without impairment</b>	<b>314 966</b>	<b>395 588</b>	<b>247 772</b>

### Credit risk concentration

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

### Liquidity Risk

The Bank's main sources of financing are deposits of non-bank customers and and Fortis intragroup loans. The Bank is provided with a permanent source of financing through long-term loans.

As at 30 June 2009, the structure of loans disbursed was as follows:

- EUR 200 million – maturity in January 2010;
- CHF 440 million – maturity in March 2010;
- EUR 400 million – maturity in June 2010;
- CHF 297 million – maturity in October 2010;
- CHF 440 million – maturity in July 2011;
- CHF 734 million – maturity in June 2012;
- EUR 2.5 million – maturity in June 2012;
- EUR 100 million – maturity in September 2017,
- EUR 20 million – maturity in April 2019.

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

Note 15.2.1

<b>Liquidity gap (in PLN million)</b>	<b>Amount</b>	<b>Unused limit</b>	<b>Limit</b>	<b>% of the limit used</b>	<b>Limit has been exceeded</b>	
30.06.2009	10D	332	3 151	3 483	10%	Nie
	3M	969	1 714	2 683	36%	Nie
	1Y	-339	2 659	2 320	0%	Nie
31.12.2008	10D	3 318	-908	2 410	138%	Tak
	3M	5 599	-3 229	2 370	236%	Tak
	1Y	2 292	-340	1 952	117%	Tak
30.06.2008	10D	1 661	287	1 948	85%	Nie
	3M	1 293	655	1 948	66%	Nie
	1Y	653	793	1 446	45%	Nie

In the Bank's opinion, its liquidity situation as at 30 June 2009 is stable. No regulatory liquidity measures were exceeded.

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 31.12.2009 and comparative data as at 31.12.2008 and 30.06.2008.

Note 15.2.2

<b>30.06.2009 (in PLN thousand)</b>	<b>Without any maturity determine d</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>2 031 736</b>
Financial assets held for trading	-67 003	129 781	164 239	480 265	409 929	18 427	35 583	<b>1 171 221</b>
Due from banks	-125	327 320	2 264	9 835	-	-	-	<b>339 294</b>
Due from customers	577 712	2 469 690	361 502	1 425 616	2 066 640	1 573 085	5 372 182	<b>13 846 427</b>
Investments available for sale	18 822	999 806	29 737	476 129	376 092	-	331 033	<b>2 231 619</b>
Other assets	-	-	-	-	-	-	-	<b>459 769</b>
<b>Long position</b>	<b>529 406</b>	<b>3 926 597</b>	<b>557 742</b>	<b>2 391 845</b>	<b>2 852 661</b>	<b>1 591 512</b>	<b>5 738 798</b>	<b>20 080 066</b>
Financial liabilities held for trading	-	125 200	142 600	242 677	79 450	15 721	31 778	<b>637 426</b>
Due to banks	-	416 888	9 465	69 890	205 031	151 441	141 975	<b>994 690</b>
Due to customers	-	5 269 600	1 671 390	1 208 460	35 199	-	3 134	<b>8 187 783</b>
Loans and credit facilities received	-	-	-	3 971 576	4 323 263	-	-	<b>8 294 839</b>
Subordinated liabilities	-	-	-	-	-	-	670 440	<b>670 440</b>
Other liabilities	-	-	-	-	-	-	-	<b>1 294 888</b>
<b>Short position</b>	<b>-</b>	<b>5 811 688</b>	<b>1 823 455</b>	<b>5 492 603</b>	<b>4 642 943</b>	<b>167 162</b>	<b>847 327</b>	<b>20 080 066</b>
<b>Gap – balance sheet</b>	<b>529 406</b>	<b>-1 885 091</b>	<b>-1 265 713</b>	<b>-3 100 758</b>	<b>-1 790 282</b>	<b>1 424 350</b>	<b>4 891 471</b>	<b>-</b>
<b>Derivative instruments</b>								
Amounts bought	-	1 462 199	5 508 210	6 801 210	1 083 541	1 003 199	1 469 429	<b>17 327 788</b>
Amounts sold	-	1 458 634	5 617 793	6 911 795	1 078 392	1 003 199	1 469 429	<b>17 539 242</b>
<b>Gap – off-balance sheet</b>	<b>-</b>	<b>3 565</b>	<b>-109 583</b>	<b>-110 585</b>	<b>5 149</b>	<b>-</b>	<b>-</b>	<b>-211 454</b>
<b>31.12.2008 (in PLN thousand)</b>								
	<b>Without any maturity determine d</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>1 494 888</b>
Financial assets held for trading	-104 319	235 691	225 361	672 594	238 019	19 031	85 768	<b>1 372 145</b>
Due from banks	-74	591 172	3 735	4 999	6 541	-	-	<b>606 373</b>
Due from customers	211 005	2 955 491	742 467	1 709 768	2 139 867	1 518 109	5 546 410	<b>14 823 117</b>
Investments available for sale	18 242	-	49 500	387 911	282 796	34 829	445 712	<b>1 218 990</b>
Other assets	-	-	-	-	-	-	-	<b>370 791</b>
<b>Long position</b>	<b>124 854</b>	<b>3 782 354</b>	<b>1 021 063</b>	<b>2 775 272</b>	<b>2 667 223</b>	<b>1 571 969</b>	<b>6 077 890</b>	<b>19 886 304</b>
Financial liabilities held for trading	-	110 161	184 396	470 120	144 783	15 891	36 250	<b>961 601</b>
Due to banks	-	1 810 320	5 890	44 178	141 182	154 639	120 754	<b>2 276 963</b>
Due to customers	42	4 731 659	1 155 450	481 175	16 394	-	2 812	<b>6 387 532</b>
Loans and credit facilities received	-	-	-	-	6 042 459	2 155 741	-	<b>8 198 200</b>
Subordinated	-	-	-	-	-	-	417 240	<b>417 240</b>

liabilities								
Other liabilities	-	-	-	-	-	-	-	<b>1 644 768</b>
<b>Short position</b>	<b>42</b>	<b>6 652 140</b>	<b>1 345 736</b>	<b>995 473</b>	<b>6 344 818</b>	<b>2 326 271</b>	<b>577 056</b>	<b>19 886 304</b>
<b>Gap – balance sheet</b>	<b>124 812</b>	<b>-2 869 786</b>	<b>-324 673</b>	<b>1 779 799</b>	<b>-3 677 595</b>	<b>-754 302</b>	<b>5 500 834</b>	<b>-</b>
<b>Derivative instruments</b>								
Amounts bought	-	3 317 720	3 026 439	8 175 074	2 272 745	1 018 635	1 562 910	<b>19 373 523</b>
Amounts sold	-	3 198 363	2 985 866	8 113 354	2 264 397	1 018 502	1 562 910	<b>19 143 392</b>
<b>Gap – off-balance sheet</b>	<b>-</b>	<b>119 357</b>	<b>40 573</b>	<b>61 720</b>	<b>8 348</b>	<b>133</b>	<b>-</b>	<b>230 131</b>
<b>30.06.2008 (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>1 637 916</b>
Financial assets held for trading	-	36 398	80 796	99 610	29 743	15 509	43 921	<b>305 977</b>
Due from banks	1 579 850	80 053	183 822	151 860	6 105	-	-	<b>2 001 690</b>
Due from customers	87 320	2 911 459	625 735	1 642 397	2 006 699	1 257 369	4 123 302	<b>12 654 281</b>
Investments available for sale	18 233	-	98 627	315 187	274 415	303 694	367 101	<b>1 377 257</b>
Other assets	-	-	-	-	-	-	-	<b>417 796</b>
<b>Long position</b>	<b>1 685 403</b>	<b>3 027 910</b>	<b>988 980</b>	<b>2 209 054</b>	<b>2 316 962</b>	<b>1 576 572</b>	<b>4 534 324</b>	<b>18 394 917</b>
Financial liabilities held for trading	-	51 823	77 070	101 192	19 170	12 247	13 936	<b>275 438</b>
Due to banks	-	3 495 712	15 133	37 883	94 707	132 565	120 751	<b>3 896 751</b>
Due to customers	-	5 768 397	498 232	477 968	1 717	15 895	358 267	<b>7 120 476</b>
Loans and credit facilities received	-	-	-	-	2 306 131	2 877 302	-	<b>5 183 433</b>
Subordinated liabilities	-	-	-	-	-	-	335 420	<b>335 420</b>
Other liabilities	-	-	-	-	-	-	-	<b>1 583 399</b>
<b>Short position</b>	<b>-</b>	<b>9 315 932</b>	<b>590 435</b>	<b>617 043</b>	<b>2 421 725</b>	<b>3 038 009</b>	<b>828 374</b>	<b>18 394 917</b>
<b>Gap – balance sheet</b>	<b>1 685 403</b>	<b>-6 288 022</b>	<b>398 545</b>	<b>1 592 011</b>	<b>-104 763</b>	<b>-1 461 437</b>	<b>3 705 950</b>	<b>-</b>
<b>Derivative instruments</b>								
Amounts bought	-	1 963 636	2 795 306	6 458 517	1 905 583	897 720	944 950	<b>14 965 712</b>
Amounts sold	-	1 980 385	2 793 470	6 516 665	1 905 372	897 720	944 950	<b>15 038 562</b>
<b>Gap – off-balance sheet</b>	<b>-</b>	<b>-16 749</b>	<b>1 836</b>	<b>-58 148</b>	<b>211</b>	<b>-</b>	<b>-</b>	<b>-72 850</b>

### FX risk

Information on the FX position managed by the Treasury Department and VAR limit utilisation is presented in the table below:

Note 15.3.1

Information on FX risk (in PLN thousand)	30.06.2009	31.12.2008	30.06.2008
Position limit utilization	7%	10 965	16%
		24 381	12%
			17 599

VaR limit utilization 5% 61 25% 297 10% 124

The utilisation of limits for FX risk portfolio managed by the Treasury Department was as follows:

Note 15.3.2

1.01.2009 – 30.06.2009	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	2%	10%	35%
<b>Global FX position</b>	4%	9%	17%

1.01.2008 – 31.12.2008	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	2%	9%	75%
<b>Global FX position</b>	5%	12%	33%

1.01.2008 – 30.06.2008	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	2%	10%	36%
<b>Global FX position</b>	5%	13%	25%

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 30.06.2009 along with comparative data as at 31.12.2008 and 30.06.2008.

Note 15.3.3

FX position components (in PLN thousand)	30.06.2009		31.12.2008		30.06.2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>HUF</b>	236	286	80	670	93	163
<b>CZK</b>	2 595	2 652	479	776	58	577
<b>AUD</b>	311	456	163	209	295	187
<b>JPY</b>	46	770	980	193	6 536	735
<b>USD</b>	346 126	345 784	202 033	358 251	679 662	882 204
<b>CAD</b>	683	386	1 155	1 883	856	1 159
<b>GBP</b>	10 478	12 189	73 721	80 023	83 791	125 210
<b>DKK</b>	1 772	990	32 571	19 958	14 603	15 091
<b>NOK</b>	6 000	4 705	24 400	13 743	32 239	28 413
<b>CHF</b>	5 382 226	5 616 827	4 261 222	3 853 743	2 840 965	2 678 724
<b>SEK</b>	4 072	2 400	15 745	9 188	15 927	16 090
<b>EUR</b>	3 551 178	5 046 450	3 587 627	5 732 704	2 616 185	3 159 806
<b>SKK</b>	-	-	1 769	-	31	1 096
<b>PLN</b>	10 773 307	9 043 946	11 683 123	9 811 466	12 101 901	11 483 606
<b>Other convertible currencies</b>	1 036	2 225	1 236	3 497	1 775	1 856
<b>Total</b>	<b>20 080 066</b>	<b>20 080 066</b>	<b>19 886 304</b>	<b>19 886 304</b>	<b>18 394 917</b>	<b>18 394 917</b>

### Interest Rate Risk

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

Note 15.4.1

2-month VaR on the banking portfolio (in PLN thousand)	30.06.2009	31.12.2008	30.06.2008
	8 105	16 285	10 306

Note 15.4.2

<b>30.06.2009</b>						
<b>Bp sensitivity (+1bp)</b>	<b>CHF</b>	<b>EUR</b>	<b>PLN</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
<b>(in PLN thousand):</b>						
<b>D7</b>	2,73	2,96	-2,11	-0,11	-0,004	3,47
<b>M1</b>	-3,03	-1,59	4,63	0,56	0,1	0,67
<b>M3</b>	-41,90	-6,71	23,7	0,45	0,003	-24,46
<b>M6</b>	-32,23	-2,56	5,37	0,44	0	-28,98
<b>M9</b>	42,29	-0,4	-4,33	0,3	0	37,86
<b>M12</b>	27,36	-0,14	-6,93	0,28	0	20,57
<b>Y2</b>	0	-0,72	-19,29	0,04	0	-19,97
<b>Y3</b>	0	-1,01	-16,18	-0,21	0	-17,40
<b>Y5</b>	0	0,63	-52,33	0	0	-51,70
<b>Y10</b>	0	0,08	0,45	0	0	0,53
<b>Total</b>	-4,78	-9,46	-67,02	1,75	0,1	

<b>31.12.2008</b>						
<b>Bp sensitivity (+1bp)</b>	<b>CHF</b>	<b>EUR</b>	<b>PLN</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
<b>(in PLN thousand):</b>						
<b>D7</b>	5,6	2,1	-0,5	-	-	7,2
<b>M1</b>	1,5	6,0	-3,7	0,6	0,1	4,5
<b>M3</b>	-43,4	-9,2	-0,6	0,1	-	-53,1
<b>M6</b>	-25,7	-3,2	-0,7	-	-	-29,6
<b>M9</b>	-	0,1	-4,8	0,1	-	-4,6
<b>M12</b>	-	-0,5	-11,1	0,1	-	-11,5
<b>Y2</b>	-	-0,8	-4,3	0,1	-	-5,0
<b>Y3</b>	-	-0,7	-8,8	-	-	-9,5
<b>Y5</b>	-	2,3	-57,2	-	-	-54,9
<b>Y10</b>	-	0,4	-58,3	-	-	-57,9
<b>Total</b>	-62,0	-3,5	-150,0	1,0	0,1	

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

Since the beginning of 2009, the utilisation of interest rate risk limits for the portfolio managed by the Treasury Department was as follows:

Note 15.4.3

<b>1.01.2009 – 30.06.2009</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	34%	95%	172%
<b>Global interest rate position</b>	30%	61%	105%

<b>1.01.2008 – 31.12.2008</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	17%	39%	96%
<b>Global interest rate position</b>	14%	59%	88%

<b>1.01.2008 – 30.06.2008</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	17%	29%	51%
<b>Global interest rate position</b>	14%	47%	79%

### **Counterparty risk**

Balance-sheet equivalent as at 30 June 2009 amounted to PLN 837,942,000, and in the comparative periods as at 31 December 2008, it was PLN 1,392,142,000 and as at 30 June 2008 PLN 408,719,000.

### **Capital management**

#### **Capital adequacy**

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

The Bank rules of capital management did not change as compared to the ones presented in the separate financial statement of the Bank for the year ended on 31 December 2008.

Note 15.5.1

<b>Capital adequacy (in PLN thousand)</b>	<b>30.06.2009</b>	<b>31.12.2008</b>	<b>30.06.2008</b>
Total equity capital plus short-term capital	1 389 445	1 582 017	1 461 710
Total capital requirement	1 183 760	1 294 662	1 074 297
<b>Capital adequacy ratio</b>	<b>9,39%</b>	<b>9,78%</b>	<b>10,88%</b>

## 16. Events after the Balance Sheet Date

### 16.1. Integration of Fortis Bank Polska SA and Dominet Bank S.A.

On 9 January 2008, Fortis Bank Polska SA signed a Cooperation Agreement with Dominet Bank S.A., under which both parties thereto committed to undertake all necessary initiatives leading to the merger of Fortis Bank Polska SA and Dominet Bank S.A. The merger is to be effected by transferring the assets of Dominet Bank S.A. (the acquiree) to Fortis Bank Polska SA (the acquirer) in exchange for newly-issued FBP shares which will be allocated to the existing Dominet Bank shareholders, pursuant to Art. 492 § 1 of the Code of Commercial Companies and Partnerships. Fortis Bank Polska SA and Dominet Bank S.A. remained under joint control of Fortis Bank S.A./NV.

The basic reason why the merger of Fortis Bank Polska SA and Dominet Bank S.A. was effected was to form a nationwide universal bank which is active in all the market segments and has a dense nationwide sales network. The Board of Executives expects that the merger process realisation should bring significant value for shareholders thanks to synergy effects of anticipated income and costs resulting from the merger of operating activity of both banks.

On 26 June 2009 the Annual General Meeting of Shareholders passed a resolution on the merger of Fortis Bank Polska SA and Dominet Bank S.A. and accepted the merger plan announced in *Monitor Sądowy i Gospodarczy* of 9 December 2008, no. 240.

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

On 31 July 2009 the legal merger of Fortis Bank Polska SA and Dominet Bank S.A. was completed.

The merger of Fortis Bank Polska SA and Dominet Bank S.A. was carried out by transferring all Dominet Bank S.A. net assets over to Fortis Bank Polska SA in exchange for 5,243,532 inscribed ordinary shares, L series, in the nominal value of PLN 30 each, delivered by Fortis Bank Polska SA to the owner of Dominet Bank S.A. (i.e. to Dominet S.A.) for 73,647 shares of Dominet Bank S.A., following the agreed share exchange parity.

Consequently, the share capital of Fortis Bank Polska SA was increased by PLN 157,306 thousand up to PLN 660,441 thousand through the issuance of merger issue shares.

Series L shares will participate in profit distribution on equal terms with all other Fortis shares starting from 1 January 2009, that is for the fiscal year 2009.

As a result of the merger Dominet S.A. acquired 23.82% of shares giving right to exercise 23.82% of the voting rights at the General Shareholders Meeting.

Since the merger date, Fortis Bank Polska SA and Dominet S.A. have remained under joint control of Fortis Bank S.A./NV.

### 16.2. Accounting Rules Adopted for the Merger

Fortis Bank Polska SA adopted the book value method to be applied to the merger of Fortis Bank Polska SA and Dominet Bank S.A.

The book value method consists in adding together book values of assets and liabilities of the units that merge, i.e. without the valuation of the net assets of the acquired unit to fair value.

As the book value method was applied, the company's goodwill was not recognised for this transaction.

In the combined balance sheet statement, mutual transactions and equity of the acquired entity were eliminated. As a result of the share issue, the share capital of the acquiring entity (i.e. Fortis Bank Polska SA) grew by PLN 157,306 thousand up to PLN 660,441 thousand.

The difference between the balance sheet value of the net assets acquired, estimated at ca. PLN 136,296 thousand, and the nominal value of the merger shares issued, which is PLN (-21,010 thousand), was recognised in the equity funds of the acquirer. The above values are estimations which can change after the final settlement of the merger transaction.

Direct costs of the L series share issue incurred by the Bank have been settled against the additional capital.

The procedure of the bank merger accounting settlement has not been completed by the date of this semi-annual report, so all information presented below, figures in particular, may change.

After the merger, Fortis Bank Polska SA will 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 to 31 July 2009 will not be included in the result of the merged Bank for 2009.



31 July 2009 is the last balance sheet day for Dominet Bank S.A., so the accounting books will be closed and the last financial report will be prepared as at that date (pursuant to article 12 para. 2 item 4 and article 45 para. 1 of the Accounting Act). The first reporting period of the integrated Bank will be 31 August 2009.

### **16.3. Assets acquired and liabilities taken over as at the merger date**

As a result of the merger on 31 July 2009, the assets and liabilities specified below were transferred from Dominet Bank S.A. to Fortis Bank Polska SA. Data are presented according to the accounting principles applied by Dominet Bank S.A. (i.e. Polish Accounting Standards), with no transformation according to the accounting standards applied by Fortis Bank Polska SA (i.e. IFRS). The above values are estimations which can change after the final settlement of the merger transaction.

<b>Selected assets and liabilities acquired as a result of the merger (in PLN thousand)</b>	<b>31.07.2009</b>
<b>ASSETS</b>	
Cash and cash equivalents	630 145
Due from banks	30 765
Due from customers	2 304 788
Investments - Available for Sale	29 570
<b>LIABILITIES</b>	
Due to customers	2 181 956
Loans and credit facilities received	578 390
Liabilities related to issuance of debt securities	29 903
Subordinated liabilities	89 889

### **16.4. M series share issue**

On 26 June 2009, the Annual General Meeting of Shareholders adopted, among other things, the issue of 2,108,794 series M shares with a nominal value of PLN 50 each. On 3 August 2009, the Board of Executives of Fortis Bank Polska set the issuing price of the Series M shares at PLN 209 per share. The series M share issue was offered in a private placement. All the 2,108,794 series M shares were subscribed by Fortis Bank SA/NV. The issue value was PLN 440,738,000. On 12 August 2009, the subscription was closed and shares were allocated to Fortis Bank SA/NV. The shares were covered in full by cash contribution.

## 17. Other Material Information

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

In connection with a downturn in the global financial markets, the Bank has identified rising credit risk related to derivative contracts. An analysis of the situation of customers who entered into FX transactions, showed that some of the cash flows expected by exporters would not be generated or would be generated in the amount lower than estimated when contracts to hedge such cash flows were signed.

Another material factor that affects the ability of customers to settle their payment obligations in foreign currencies due to the Bank is the PLN exchange rate depreciation.

The Bank applied an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, including the assessment of cash flows generated by customers which cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.

The impact on the Bank of derivative instrument adjustments to fair values on account of counterparty credit risk is presented in the note regarding net trading income.

In order to reduce the risk of derivative transactions concluded with Bank customers, in view of the great volatility of FX rates against PLN, the Bank entered into a series of hedging transactions. These were option contracts signed to shield the Bank against the effects of potential and material weakening of the Polish currency. The Bank hedged the exposure on EUR/PLN currency pair that had the biggest share in the derivative transactions concluded with customers. The settlement dates for the hedging contracts fall in the second half of 2009.

Hedging transaction costs affect the bank's net income generated in the first half of the year.

### 17.2. Information on effects of changes in the group's structure

#### Information about the owner of Fortis Bank Polska SA

As a result of a takeover of Fortis activities by the Belgian, Dutch and Luxembourgian governments in September and October 2008, likewise following further agreements signed by the government of the Kingdom of Belgium and Fortis, there was a change in the ownership structure of the principal shareholder of Fortis bank Polska SA. Since 10 October 2008, the government of the Kingdom of Belgium held 99.93% of Fortis Bank SA/NV through the Belgian Federal Participation and Investment Company.

At the same time, in October the Belgian government reached an agreement with BNP Paribas, a financial and banking group registered in France, that subject to BNP Paribas' obtaining necessary permits, it would acquire a 75% interest in Fortis Bank SA/N.V. and 100% of Fortis Insurance Belgium from the Belgian State Treasury and would buy a 16% share of Fortis Banque Luxembourg (thus increasing its controlling interest up to 67%) from the Luxembourgian State Treasury. BNP Paribas announced taking control over Fortis Bank SA/NV along with its international subsidiaries, including Fortis Bank Polska SA.

Shareholders present at the General Meeting held on 28 and 29 April 2009 in Ghent and Utrecht approved the agreement dated 6 March 2009 signed by and between Fortis Holding, BNP Paribas and the Belgian Federal Participation and Investment Company, as regards the amended conditions of the planned transaction. Under provisions of the new agreement, the Belgian government was to transfer 75% of shares in Fortis Bank SA.NV (Fortis Bank Belgium) to BNP Paribas based on the valuation of 100% assets at EUR 11 billion, in exchange for shares of BNP Paribas issued at EUR 68 each, whereas Fortis Bank SA/NV was to acquire 25% of Fortis Insurance Belgium from Fortis Holding. As a result of the transaction finalised on 12 May 2009, BNP Paribas group has become the parent entity of the Bank's majority shareholder.

By taking over from SFPI the first tranche of shares in Fortis Bank SA/NV, BNP Paribas has become its majority shareholder and thereby indirectly purchased, on 12 May 2009, 16,738,712 shares of Fortis Bank Polska S.A., which account for 99.81% of the share capital and entitle to 99.81% of the total number of votes at the General Meeting of Fortis Bank Polska S.A.

On 20 May 2009, the Financial Supervision Authority granted permits to BNP Paribas based in Paris to exercise via Fortis Bank SA/NV based in Brussels i) more than 75% of the voting rights at the General Meeting of Shareholders of Fortis Bank Polska SA and ii) more than 75% of the voting rights at the General Meeting of Shareholders of Dominet Bank S.A. based in Lubin, under, among other things, the following conditions:

- 1) commitment to refrain from taking any actions towards the change of the business activity pursued

currently in Poland by Fortis Bank Polska SA into a branch office by 2017; Should a new branch office of BNP Paribas be opened in Poland, it will conduct an activity other than the banking activity pursued currently by Fortis Bank Polska SA and Dominet Bank S.A.

- 2) commitment to refrain from taking any actions leading to withdrawal of the shares of Fortis Bank Polska SA from the public trading on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie) until 2017 and increasing and maintaining the liquidity of the Bank's shares quoted on the Warsaw Stock Exchange to the level of at least 15% within 2 years of issuance of the aforesaid permits.

### **17.3. Information on changes to contingent liabilities**

In the first half of 2009, no material changes in contingent liabilities occurred.

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

In the reporting period, no material changes occurred in pending proceedings.

### **17.5. Change in the composition of the Supervisory Board**

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

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

The Annual General Meeting held on 26 June 2009 appointed Mr Camille Fohl and Mr Reginald de Gols to the Supervisory Board, effective 26 June 2009.

Effective 26 June 2009, the FBP Supervisory Board's composition is as follows:

- |                     |                   |
|---------------------|-------------------|
| 1. Camille Fohl     | - Chairman        |
| 2. Jos Clijsters    | - Deputy Chairman |
| 3. Antoni Potocki   | - Deputy Chairman |
| 4. Zbigniew Dresler |                   |
| 5. Lucas Willemyns  |                   |
| 6. Reginald De Gols |                   |

### **17.6. Change in the composition of the Board of Executives of Fortis Bank Polska SA**

On 1 April 2009, under the Supervisory Board's decision, Mr Jacek Obłəkowski took up a position of a Vice-President of the Board of Executives of Fortis Bank Polska SA, responsible for the Retail banking Business Line.

Mr Jacek Obłəkowski remains the President of the Management Board of Dominet Bank SA.

At the same time, to ensure an efficient merger of Fortis Bank Polska SA and Dominet Bank SA, on 1 April 2009:

- Mr Jan Bujak took up a position of a Vice-President of the Management Board of Dominet Bank SA based in Lubin,
- Mr Jaromir Pelczarski was delegated by the Supervisory Board of Dominet Bank SA to temporarily perform duties of a Vice-President of the Management Board of Dominet Bank SA based in Lubin.

At the meeting on 16 June 2009, the Supervisory Board took the following decisions regarding changes in the composition of the Board of Executives of Fortis Bank Polska SA:

- Mr Thierry Lechien was recalled from his function of Vice-president and member of the Board of Executives effective June 15, 2009,
- Mr. Philippe Van Hellemont was appointed as Vice-President of the Board of Executives, effective 16 June 2009 until the end of the current five-year tenure, ending on the date of the Bank's Annual General Shareholders Meeting approving financial statements for fiscal year 2009.

Effective 16 June 2009, the Board of Executives composition is as follows:

- |                      |  |
|----------------------|--|
| 1. Alexander Paklons | - President of the Board of Executives |
| 2. Jan Bujak         | - Senior Vice-President                |
| 3. Jean-Luc Deguel   | - Vice-President                       |

4. Jacek Obłękowski - Vice-President
5. Jaromir Pelczarski - Vice-President
6. Philippe Van Hellemont - Vice-President

#### **17.7. Resolutions of the General Meeting of Shareholders**

The Annual General Meeting held on 26 June 2009 adopted a number of important resolutions. The distribution of profit for the year 2008 was approved. The profit amounted to PLN 78,190,773.02 and was distributed in the following manner: a portion of the profit in the amount of PLN 33,190,773.02 was allocated to the additional capital and the remaining portion, i.e. PLN 45,000,000.00, to the general risk fund.

The AGM passed a resolution to transfer PLN 194,000,000.00 from the general risk fund to the reserve capital which in particular was allocated to increase the bank's share capital.

The shareholders adopted a resolution regarding the integration of Fortis Bank Polska SA and Dominet Bank S.A. The banks merged pursuant to the Code of Commercial Companies and Partnerships, by transferring all Dominet Bank's net assets over to Fortis Bank Polska SA in exchange for shares, which the latter delivered to the owner of Dominet Bank SA, i.e. Dominet SA. In this connection, the Shareholders decided to increase the share capital of Fortis Bank Polska SA from PLN 503,135,400.00 up to PLN 660,441,360.00 through the issue of 5,243,532 ordinary bearer Series L shares of PLN 30 nominal value each to be delivered to Dominet's shareholder.

The General Meeting resolved also to increase Fortis Bank Polska SA share capital by raising the nominal value of all shares issued by the Bank, including those issued in July, from PLN 30 to PLN 50.

In order to raise the share capital, the shareholders decided to organise a new series M share issue dedicated to Fortis Bank SA/NV, the majority shareholder.

As a result of the adopted resolutions regarding changes to share capital, it will eventually amount to PLN 1,206,175,300.00.

In view of the above decisions, the General Meeting adopted relevant amendments to the Bank's Statute.

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

26.08.2009	Alexander Paklons President of the Board of Executives	..... signature
26.08.2009	Jan Bujak Senior Vice-President of the Board of Executives Chief Financial Officer	..... signature
26.08.2009	Jean-Luc Deguel Vice-President	..... signature
26.08.2009	Jacek Obłəkowski Vice-President	..... signature
26.08.2009	Jaromir Pelczarski Vice-President	..... signature
26.08.2009	Philippe Van Hellemont Vice-President	..... signature