

2008 Corporate Governance Report of Fortis Bank Polska SA

FORTIS BANK

The Report has been prepared pursuant to the Warsaw Stock Exchange Regulations, Resolution no. 1013/2007 of the Warsaw Stock Exchange Management Board dated 11 December 2007 and Ministry of Finance Ordinance dated 19 February 2009, regarding current and periodical information submitted by issuers of securities.

1) Indication of corporate governance rules that the issuer is subject to

On July 4, 2007, the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych S.A.) adopted new corporate governance rules defined in "The Best Practices in Companies Listed on WSE" under Resolution No. 12/1170/2007. The new document became effective on January 1, 2008 thus replacing the existing "Best Practices in Public Companies 2005".

While appreciating the role and contribution of the corporate governance in corporate culture development in Poland, the Bank keeps up with all issues related to the evolution of "The Best Practices..." internally and monitors their functioning. The existing corporate governance reports and the contents of the "The Best Practices in Companies Listed on WSE" that the Bank complies with, are published on the Bank's website, in the Investor Relations tab.

2) Corporate governance rules that have not been applied by the issuer, with their non-application circumstances and reasons, manner of removal of their effects, if any, likewise steps undertaken to mitigate risk of a rule non-application in the future.

In comparison to *the Best Practices in Public Companies in 2005*, new corporate governance rules of listed companies reduce the minimum number of independent supervisory board members, from the half of its composition to two members. Moreover, as regards supervisory board members' independence criteria and operation of the supervisory board committees, the document refers to *the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board*. Independent members of the Bank's Supervisory Board fulfil the independence criteria set out in the Supervisory Board Regulations approved by the General Meeting. They however do not satisfy one of the independence criteria recommended by the EC, i.e. the limitation of the tenure to maximum 12 years.

Except for the above issue, in 2008, Fortis Bank Polska SA observed all the corporate governance rules defined in the "The Best Practices in Companies Listed on WSE."

3) Basic features of internal controls and risk management systems applied in the Bank, with respect to the process of preparation of financial statements and consolidated financial statements.

In Fortis Bank Polska S.A., there is a management system including risk management system and internal controls. The management system is described in the Bank's Statute.

The objective of internal controls that include: risk controls, checking compliance of the Bank's activity with law provisions and internal regulations and internal audit, is to support decision-making processes to contribute to ensuring:

- effectiveness and efficiency of the Bank's business,
- reliability of financial reporting,
- compliance of the Bank's business with law provisions and internal regulations.

The Supervisory Board, Board of Executives, managerial staff and all the remaining employees of the Bank participate in the internal control process, which covers operation of all organizational units of the Bank's head office, branches and subsidiaries.

The quality of internal controls is checked by the Audit Department. It operates in compliance with the binding law provisions, in particular the Banking Law, and other regulations issued by the Polish banking supervision as regards internal audit and internal control system, rules and methodology of Fortis Audit Services, International Standards for the Professional Practice of Internal Auditing, likewise internal regulations of the Bank and the Department. Tasks of the Audit Department include monitoring, examination and assessment, in an independent and objective manner, of the adequacy and effectiveness of the system of internal controls, and providing opinions concerning the Bank's management system, including the effectiveness of the management of risk related to the Bank's activity. The status of the Audit Department guarantees an autonomy and impartiality of its activity, and authority necessary for performing its objective. The Audit Department periodically, at least once a year, notifies the Supervisory Board on the inadequacies found together with conclusions resulting from the internal audit assignments conducted and actions undertaken to remove these inadequacies or fulfil recommendations.

The objective of the risk management system is to identify, measure or estimate and monitor the risk inherent in the Bank's activity. In the risk management system, the Bank:

- applies formalised rules to determine the level of risk assumed and risk management rules, likewise procedures aimed at identification, measurement or estimation and monitoring of the risk existing in the Bank's business, including also the expected risk level in the future; limits to mitigate the risk, and the code of conduct in case the limits are exceeded,
- has adopted a system of management reporting which enables the risk level to be monitored, and an organisational structure which is adjusted to the level and profile of the risk assumed by the Bank. The risk management system serves to ensure that detailed objectives for the Bank's business activity are correctly determined and accomplished.

At the Supervisory Board's level, there is the Audit Committee, whose key tasks include monitoring internal controls quality and the assessment of the financial information integrity, especially financial statements reported by Fortis Bank Polska S.A. and the Bank's subsidiaries. In particular, the Audit Committee supervises the financial reporting process and assesses internal and external control processes. The Audit Committee issues recommendations to the Supervisory Board regarding a selection, appointment or reappointment of an external auditor (statutory auditor), supervises work performed by statutory auditors, provides opinion on the audit plan submitted by the statutory auditors and monitors whether the rule of the external auditor's independence and objectivity is followed.

Separate and consolidated financial statements are prepared by all the Bank's units whose scopes of activity include the participation in that process. The process is coordinated by the Financial Reports Group which verifies correctness of information submitted, and is responsible for the final form of the reports. Financial statements prepared by the Financial Reports Group are forwarded to the Board of Executives, Accounting and Taxes Line Director and Accounting Policy Group for their opinion and approval. Additionally, semi-annual and annual financial statements are subject to a review / audit by the statutory auditor. Once the statements have been approved by the aforesaid units and sent to the Audit Committee for their information, financial statements are published.

The Bank supervises also the risk related to the activity of subsidiaries.

4) Description of activity of the General Meeting and its basic authority, likewise rights of shareholders along with the manner of rights exercise.

The General Meeting of Fortis Bank Polska S.A. acts under provisions of the Code of Commercial Companies and Partnerships, the Bank's Statute and the Regulations of the General Meeting of Fortis Bank Polska S.A. shareholders.

Pursuant to the Bank's Statute, reserved for the competence of the General Meeting shall be in particular the following issues:

- 1) consideration and approval of a report on the Bank's activity and financial statements, as well as consolidated statements, if their creation and approval is required, likewise discharge of the members of the Bank bodies of their duties,
- 2) adoption of resolutions regarding profit allocation and loss coverage, and if needed, a resolution setting the date of establishing the right to dividend (dividend date) and the dividend payment date. A dividend date can be set as at the day of passing the resolution or within the next three months, counting from this day,
- 3) all decisions pertaining to claims for losses incurred during establishment of the Bank, its management or supervision,
- 4) amendments to the Bank's Statute, including decisions taken to increase the Bank's share capital through a share issue,
- 5) election and recall of the Supervisory Board and its specific members,
- 6) determination of remuneration of the Supervisory Board members,
- 7) redemption of shares and determination of detailed conditions governing the redemption,
- 8) establishment and liquidation of capital types and funds, and defining their purposes, subject to Article 20,
- 9) merger or liquidation of the Bank and selection of liquidators,
- 10) approval of the Regulations of the Supervisory Board,
- 11) consideration of issues presented by the Supervisory Board or the Board of Executives,
- 12) adoption of resolutions regarding other matters which by virtue of binding regulations require a resolution to be adopted by the General Meeting.

The Rules of Procedure of the General Meeting of Shareholders of Fortis Bank Polska SA ensure appropriate conduct of the General Meeting likewise enable shareholders to exercise their rights:

- 1) The announcement about convening the (Annual or Extraordinary) General Meeting of Shareholders of Fortis Bank Polska SA including in particular: the place and date, agenda and information on the rules regarding participation in the Meeting, is published in the "*Monitor Sądowy i Gospodarczy*".
- 2) Authorised Shareholders can participate in the General Meeting in person or through their proxies.
- 3) The notification about the General Meeting is sent to the Supervisory Board members, Board of Executives' members and the Company's auditor, who should be present at the Meeting and provide explanations and information regarding the Company within the scope of their respective competence and to the extent necessary for settlement of issues discussed at the Meeting.
- 4) The Chairman may order breaks in the proceedings, for no longer than one hour, that do not defer the session; in other cases a resolution of the General Meeting is required. Breaks in the session cannot be aimed at hindering shareholders in the exercise of their rights.
- 5) Shareholders resolve to adopt the Meeting agenda. After the adoption, the agenda may not be changed. In matters not listed on the agenda, a resolution may not be adopted, unless the entire share capital is represented at the General Meeting, and the resolution is passed unopposed.
- 6) Resolutions of the General Meeting are adopted by the absolute majority of votes cast and are valid regardless of the amount of share capital represented at the General Meeting. In cases provided for in the Statute or the Code of Commercial Companies and Partnerships, resolutions

must be taken by qualified majority voting. In particular, resolutions regarding amendments to the Bank's Statute require the majority of 3/4 (75%) votes cast.

- 7) Resolutions are voted on at the call of the Chairman of the Meeting. The Chairman conducts a discussion about the subject matter of the proceedings and informs the Meeting participants about:
 - a. item on the Agenda that is subject to the vote,
 - b. contents of the motion which is to be voted on
 - c. designation of cards which are to be used in the vote,
 - d. number of votes required to approve the motion.
- 8) The Shareholders may vote in a traditional manner, i.e. by a show of hands or by using electronic devices. The Board of Executives of Fortis Bank Polska S.A. shall decide about the manner of voting depending on the number of Shareholders entitled to participate in the General Meeting. Before the first voting, the Chairman of the Meeting shall inform the Shareholders about the voting manner.
- 9) The voting is open. The secret ballot is ordained over motions regarding election to the Supervisory Board and removal of the Bank Authorities' members or liquidators, over motions regarding bringing them to justice, likewise in personal cases. Besides, it may be ordained on demand of at least one of the present Shareholders entitled to voting.
- 10) Persons entitled to voting at the Meeting, the Bank Board of Executives and the Supervisory Board have the right to put forward motions, i.e. to propose contents of resolutions. A written motion, addressed to the Fortis Bank Polska SA authorities is handed over to the Chairman of the Meeting. The motion should bear the first name and surname of the motion proposer and the number of supporting shares.
- 11) Any Shareholder objecting to a resolution has an opportunity to justify his/her objection.
- 12) A resolution not to consider an issue included in the agenda may be taken only if it is supported by material and sound reasons. A motion in this respect should be accompanied by a detailed justification. The General Meeting cannot adopt resolutions to remove an item from the agenda, or not to consider an issue, included in the agenda at the request of the shareholders.
- 13) Voting on issues placed on the agenda may be carried out only on issues related to the conduct of the Meeting. This voting procedure cannot apply to resolutions which may have impact on the exercise by the shareholders of their rights.
- 14) At the request of a participant in the General Meeting, his/her written statement on issues covered by the Meeting is recorded concisely in the minutes.
- 15) After the Agenda has been exhausted, the Chairman of the Meeting lodges a motion to close the Meeting. After the Meeting has been closed, no motions may be lodged.

In matters not regulated in these Rules of Procedure of the General Meeting of Shareholders of Fortis Bank Polska S.A., the provisions of the Bank Statute and the Code of Commercial Companies and Partnerships shall be applicable.

5) Information about the shareholder structure

The share capital of the Bank is PLN 503,135,400 and is divided into 16,771,180 shares with a nominal value of PLN 30 each.

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

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

Shareholder	Number of shares held	% of shares held	Number of votes at the AGM	% of votes at the AGM*
Fortis Bank S.A./N.V.	16 651 449	99.29%	16 651 449	99.29%
Others	119 731	0,71%	119 731	0,71%
Total	16 771 180	100%	16 771 180	100%

* In connection with a change of Fortis Bank SA/NV parent entity (currently the Belgian Federal Participation and Investment Company), Fortis Bank SA/NV cannot exercise its voting rights attached to the shares held until the Belgian Federal Participation and Investment Company obtains a relevant consent from KNF (the Polish Financial Supervision Authority), pursuant to Article 25 of the Banking Law Act of 29 August 1997.

On March 7, 2007 the Banking Supervision Commission issued a permit to Fortis S.A./NV based in Brussels and Fortis N.V. based in Utrecht, to exercise, through the agency of Fortis Bank S.A./NV based in Brussels, more than 75% of the voting rights at the Bank's Annual General Meeting. As a result of the permit and after the acquisition of new issue shares, Fortis Bank S.A./NV is entitled to exercise voting rights attached to all shares held, i.e. 16,636,072 shares representing 99.19% of the share capital and 16,636,072 voting rights at the Annual general Meeting of the Bank, that constitute 99.19% of total votes. One of conditions of granting the aforesaid permit is the majority shareholder's commitment to refrain from undertaking any actions leading to withdrawal of the shares of Fortis Bank Polska S.A. from the public trading on the Warsaw Stock Exchange (WSE, Giełda Papierów Wartościowych w Warszawie) until 2017, and to increase the liquidity of the Bank's shares quoted on the WSE up to at least 10-15% within 2 years of issuance of the aforesaid permit.

In connection with a difficult situation on the WSE, representatives of the Bank's main shareholder initiated a dialogue with KNF (the Polish Financial Supervision Authority, PFSA) to request postponement of the share liquidity increase date by one year, i.e. until the first half of 2010. On 20 March 2009 Fortis Bank Polska SA received a letter from the PFSA, in which PFSA stated that it had suspended the processing of an application for altering the due date of the commitment to increase the free float of shares of Fortis Bank Polska SA at the WSE. The consideration of the application was suspended in connection with a change of the ultimate parent entity of Fortis Bank Polska SA. The PFSA will expect the new investor to implement the commitment to increase Fortis Bank Polska SA share free float, having agreed on the new date taking into account the current market situation.

Until 10 October 2008, Fortis Bank Polska S.A. was part of Fortis, an international banking and insurance group. The ultimate parent entities were: Fortis SA/NV and Fortis N.V. In that period, Fortis Bank SA/NV based in Brussels was the Bank's parent entity.

Since 10 October 2008, the Bank has been part of a banking group where the parent entity is the Government of the Kingdom of Belgium, through the agency of the Belgian Federal Participation and Investment Company.

The Belgian Federal Participation and Investment Company is the major shareholder (holding 99.93% of shares) of Fortis Bank SA/NV based in Brussels, a company that is the direct parent entity of Fortis Bank Polska S.A. and an indirect parent entity of Dominet Bank S.A.

The Belgian Federal Participation and Investment Company based in Brussels at Avenue Louise 54/B1, founded on 16 September 1994, is a joint stock company of a holding nature which implements public interest projects; it is owned by the State Treasury of the Kingdom of Belgium.

The aim of the Federal Participation and Investment Company is to promote economic initiatives of the federal government of the Kingdom of Belgium, provide support to projects implemented by the federal government and perform special economic tasks assigned under an act or royal decree by that government. The Belgian Federal Participation and Investment Company carries also its activity using the mechanism of task delegation by the federal government of the Kingdom of Belgium. The Company performs its tasks also by holding blocks of shares (interest) in companies indicated by the government of the Kingdom of Belgium, which needs special assistance and monitoring. The Company holds minority blocks of shares in two out of four largest state enterprises in the Kingdom of Belgium (national lottery and post). The Belgian Federal Participation and Investment Company is also a shareholder, both majority and minority one, of several other state enterprises and private firms. Commitments assumed by the Belgian Federal Participation and Investment Company that are related to the support of the economic policy of the federal government of the Kingdom of Belgium, are fully secured by government guarantees.

Fortis Bank SA/NV based in Brussels remains the Bank's parent entity.

Under agreements signed in October 2008 by and between the Belgian State and BNP Paribas, a French financial and banking group, measures are undertaken to prepare the takeover of Fortis Bank SA/NV by BNP Paribas, a French financial and banking group. Ultimately, BNP Paribas is to acquire a 75% interest in Fortis Bank S.A./NV. The ownership issues are expected to be resolved by the end of the first half of 2009.

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

A tender offer to acquire shares of Fortis Bank Polska SA

On 10 January 2009, the Belgian Federal Participation and Investment Company that manages Fortis assets on behalf of the Belgian government, announced a tender offer to acquire shares of Fortis Bank Polska SA traded on the stock exchange. The shares were purchased by Dom Inwestycyjny of BRE Bank in favour of Fortis Bank SA/NV. The obligation to announce the tender to acquire shares resulting from law provisions was a consequence of the takeover of 99.93% of the Belgian Fortis Bank by the Belgian Federal Participation and Investment Company on 10 October 2008. The minority shareholders who were the addressees of the tender offer, on 10 January 2009 held 0.71% of shares of Fortis Bank Polska SA. The share price indicated in the tender offer was determined at PLN 154.85.

On 15 January 2009, the Board of Executives of Fortis Bank Polska SA announced that on 14 January 2009, the Polish Financial Supervision Authority decided to request the Belgian Federal Participation and Investment Company, i.e. the entity that had announced the tender offer to subscribe for up to 119,731 shares of Fortis Bank Polska SA, to increase the tender price up to PLN 222. The PFSA's request was the consequence of a compulsory buyback of Fortis Bank Polska SA shares by Fortis Bank SA/NV based in Brussels. The subscription for shares were made between 27 January and 27 February 2009.

On 4 March 2009, under the tender offer to acquire shares of Fortis Bank Polska SA, a transaction was entered into for 87,263 shares.

As a result of the aforesaid transaction, the number of Fortis Bank Polska SA shares held by Fortis Bank SA/NV increased up to 16,738,712, and therefore 99.81% of all the shares of Fortis Bank Polska SA.

6) The Bank's Statute

Any amendments to the Statute may be approved only by the General Meeting of Shareholders.

Fortis Bank Polska SA, which is a bank in the understanding of the Polish banking law, shall obtain a consent of KNF (the Polish Financial Supervision Authority) for amending the Bank's Statute as indicated in Article 34 para. 2 of the banking law.

The recent amendments to the Statute were resolved by the Extraordinary General Meeting on 21 February 2008. Amendments referred chiefly to the following issues:

- determination of the new scope of competence of the Board of Executives' President and members,
- adding regulations to the Statute regarding the operation of a management system at the Bank that comprises a risk management system and internal control system.

Acting under the authorisation arising out of Article 15 para. 3 item 12 of the Bank's Statute, the Supervisory Board of Fortis Bank Polska SA determined a consolidated text of the Statute that included the aforesaid amendments. The amended Statute was published on 29 July 2008.

7) Composition and rules of activity of managing and supervisory authorities of the company and their committees:

a. Compositions and rules of activity of the Board of Executives:

From 1 January until 30 June 2008, the FBP Board of Executives' composition was as follows:

Alexander Paklons	President of the Board of Executives
Jan Bujak	Senior Vice-President, Head of Finance and Legal Line
Bartosz Chytła	Vice-President, Head of Retail Banking Business Line (RB BL)
Jean – Luc Deguel	Vice-President, Head of the Commercial Banking Business Line (CB BL),
Thierry Lechien	Vice-President, Head of CB Credits
Jaromir Pelczarski	Vice-President, Head of TOPS

With regard to a resignation submitted on 30 June 2008 by Mr Bartosz Chytła, Vice-President of the BoE, the composition of the Board of Executives of Fortis Bank Polska SA from 1 July until 31 December 2008 was as follows:

Alexander Paklons	President of the Board of Executives; since 1 July 2008 also acting as the Head of Retail Banking Business Line (RB BL)
Jan Bujak	Senior Vice-President, Head of Finance and Legal Line
Jean – Luc Deguel	Vice-President, Head of the Commercial Banking Business Line (CB BL),
Thierry Lechien	Vice-President, Head of CB Credits

Jaromir Pelczarski

Vice-President, Head of TOPS

The activity of the Board of Executives of Fortis Bank Polska S.A. is governed by, apart from the Bank's Statute, detailed Regulations of the Board of Executives, approved by the Supervisory Board.

The Board of Executives (the Board) shall be composed of three to eight members, including the President of the Board of Executives, one or a number of Vice-Presidents of the Board and other members of the Board in the number that is to be defined by the Bank's Supervisory Board. Appointment of two Members of the Board, including the President, is made with consent of the banking supervision authority, given upon a request of the Bank's Supervisory Board. The tenure of the Board member is five years. Members of the Board shall be appointed for the period of a common tenure; a mandate of the Board member appointed prior to the expiry of a given tenure of the Board shall expire at the same time as mandates of the remaining members of the Board.

The Board of Executives manages the Bank's operating activity and represents the Bank before external parties. The scope of tasks of the Board includes primarily all the issues that are not reserved for the competence of other bodies of the Bank.

The Board of Executives meets at least once a month. Meetings of the Board are convened by the President of the Board of Executives who determines their agenda. Any other Executive may at any time report issues to the President that require consideration by the Board. A meeting of the Board can be convened by the President on his/her own initiative or by the Supervisory Board. Any Board member should be informed about the Board meeting and agenda not later than two days before the meeting. The agenda of the meeting may be supplemented upon the consent of all Executives. The limitation of the agenda does not require the presence of all the Executives. Members of the Supervisory Board, Bank management staff and other persons invited may participate in the Board of Executives' meetings with advisory opinions. A meeting can take place at any time and place provided that all the Executives can participate in the meeting.

The Board of Executives act collectively and make decisions in the form of resolutions. Resolutions of the Board are adopted by a majority of votes cast. In the event of equal number of votes "for" and "against", the President of the Board of Executives shall have the casting vote, while in case of his absence - other Executive who acts as the President's deputy. Resolutions of the Board shall be validly adopted if more than half of the Executives participate in the meeting. Resolutions of the Board are required in particular in the following cases:

- a) issues reserved for the exclusive authority of the Board by the law provisions and the Statute,
- b) issues reserved for the exclusive authority of the Board by the Board itself by way of resolution,
- c) issues assigned by the General Meeting or the Supervisory Board,
- d) reserved for the Executive Board in the regulator's recommendations,
- e) considered by the Board on demand of an Executive,
- f) approval of general terms and conditions regarding new Bank products and amendments thereof; however amendments to the general term and conditions of specific products resulting from a change of the common binding law and organizational changes at the Bank may be implemented without a resolution of the Board.

Other issues shall be decided by resolutions provided that they are considered by the Board.

The Board of Executives may adopt a resolution in lieu of a meeting, by voting in writing. The Board may adopt a resolution outside of a meeting using also means of direct communication at a distance, specifically electronic mail, teleconference or videoconference. A resolution is deemed adopted in the manner of voting in writing on the day on which the required number of votes "for" reaches the Management Office.

The Board of Executives is authorised to appoint standing committees to perform specific functions and coordinate work of organisational units of the Bank. The following standing committees work at Fortis Bank Polska SA:

- Risk and ALM Committee,
- CB BL and RB BL Credit Committees,
- Credit Risk Committee.

The Risk and ALM Committee reports directly to the Senior Vice-President of the Bank's Board of Executives. The Committee comprises all members of the Bank's Board of Executives and the Risk Line Director. The main tasks of the Committee include: determination and performance of the risk management strategy, taking decisions regarding projects and actions aimed at risk mitigation, asset and liability management, setting transfer prices, and appointment of supporting committees that are to support the Risk and ALM Committee's work. The Committee's meetings are held at least once a month and decisions are taken by way of resolutions adopted by the majority of votes.

The RB BL Credit Committee reports to the Vice-President of the Board of Executives responsible for the service of small enterprises and individual customers. The CB BL Credit Committee reports to the Vice-President of the Board of Executives responsible for Commercial Banking BL credits. Both Committees operate under the Credit Decision Making Regulation approved by the Supervisory Board, and pursuant to internal regulations. The Committees are composed of the President of the Board of Executives, the Senior Vice-President of the Board of Executives, Head of CB BL Credits, Head of CB BL, Head of RB BL Credits and Head of RB BL Credits. The primary task of both RB BL and CB BL Credit Committees is to take decisions on the following:

- granting, increase, decrease or renewal of loans and other products bearing credit risk, the establishment or change of legal collateral for loans, risk/rating classification determination/change,
- intensive care, settlements, LLR creation/change, write-offs/posting the debt to off-balance sheet statement,
- amendments to credit agreement conditions that do not significantly affect the credit relationship between a customer and the Bank.

The Credit Risk Committee reports to the Vice-President of the Board of Executives responsible for Commercial Banking BL Credits. The Committee is composed of: Head of CB BL Credits, Senior Vice-President of the Board of Executives, President of the Board of Executives, Risk Line Director and Head of RB BL Credits. The Committee meets at least once a month. The main tasks of the Committee include: approval of annual and quarterly plans, submitted by the Credits Line, of specific provisions to be established for expected credit portfolio risk; approval of justified adjustments to the specific provision plan recommended by the Credit Line; approval of IBNR methodologies and their results, recommended by the Risk Line; implementation of risk mitigating actions recommended by the Credit Risk Inspection Group.

The scope of activities of the President of the Board of Executives includes issues not reserved either to the Board or other Executives. During the President's absence, the Senior Vice President performs his/her duties, unless the President of the Board of Executives assigns this task to another Executive. The President's scope of activities includes in particular:

- a) Coordination and management of the Board's work,
- b) representing the Bank, when necessary jointly with other persons authorised to represent the Bank,
- c) informing Executives of essential matters and issues related to the current functioning of the Bank,
- d) appointing and recalling Bank employees to/from positions, the staffing of which he/she reserved for his/her decision,
- e) issuing orders,

- f) managing the Bank as a work place regarding issues governed by the Labour Law.

Within the framework of the function division the Executives are obliged to:

- a) manage the subordinated Bank's organizational units,
- b) decide on issues that belong to their scope of authority and monitor the decision implementation by the subordinated organizational units of the Bank,
- c) issue internal legal acts that regulate issues within their scope of authority,
- d) exercise the supervision and control over the implementation of the internal legal acts binding at the Bank by the subordinated organizational units.

In the event there is a conflict of interest between the company and the Executive, his/her spouse, relatives and relations by affinity up to the second degree, and any other persons who he/she is personally related with, the Executive should refrain from the participation in decision-making as regards such issues and may demand that it should be mentioned in the minutes.

b. Compositions and rules of activity of the Supervisory Board:

From 1 January until 25 September 2008, the FBP Supervisory Board's composition was as follows:

Jos Clijsters	Chairman
Werner Claes	Deputy Chairman
Antoni Potocki	Deputy Chairman
Zbigniew Dresler	
Peter Ullmann	
Marc Luet	(appointed to the Supervisory Board on 21 February 2008)
Lucas Willemys	

With regard to a resignation submitted by Mr Werner Claes and Mr Marc Luet, and the appointment of Mr Christopher Norris to the Supervisory Board, the composition of the Supervisory Board of Fortis Bank Polska SA from 26 September until 31 December 2008 was as follows

Jos Clijsters	Chairman
Antoni Potocki	Deputy Chairman
Zbigniew Dresler	
Peter Ullmann	
Christopher Norris	

Lucas Willemyns

The Supervisory Board of Fortis Bank Polska S.A. acts on the basis of the Bank's Statute and the Regulations of the Supervisory Board approved by the General Meeting.

The Supervisory Board shall comprise from seven to ten members. From 26 September 2008, the number of Supervisory Board members has been below the minimum required by the Statute. The composition of the Supervisory Board will be supplemented at the next General Meeting organised once the new parent entity of the principal shareholder has obtained the consent of the PFSA to exercise voting rights related to shares held.

The Supervisory Board shall elect a Chairman and two Vice-Chairmen from among its members. The tenure of the Supervisory Board member is five years. Members of the Supervisory Board shall be appointed for the period of a common tenure; a mandate of the Supervisory Board member appointed prior to the expiry of a given tenure of the Supervisory Board shall expire at the same time as mandates of the remaining members of the Supervisory Board.

The Chairman convenes the Supervisory Board's meetings, as required, however, at least once a quarter. The Supervisory Board's meeting is convened by a written notification, registered letter, courier delivery or fax, stating agenda of the meeting. The Supervisory Board's meetings shall be held in the Bank's registered office or at other place determined by a person responsible for convening the meeting. The President of the Board of Executives of the Bank shall participate in the Supervisory Board's meetings on account of his/her function. Other persons invited may attend the meetings.

The Supervisory Board's meetings may be convened at the request of the Board of Executives or one third of the Supervisory Board members, stating reasons and subject of the meeting. The Chairman shall convene such a meeting within 15 days from the day of submitting a motion. The meetings shall be presided over by the Chairman, and in case of his absence, by one of Deputy Chairmen.

The Supervisory Board makes decisions in the form of resolutions. Resolutions of the Supervisory Board are adopted by a majority of votes cast by members present at the meeting. In the event of equal number of votes "for" and "against", the Chairman of the Supervisory Board shall have the casting vote. Resolution of the Supervisory Board shall be regarded as validly adopted, if all members were invited at least 14 days before the meeting, and at least half of the members of the Board attend the meeting, including the Chairman and/or Deputy Chairman of the Board. The Supervisory Board members may participate in adopting resolutions by the Board by giving his/her vote in writing through another member of the Board.

In justified cases, the Supervisory Board can adopt resolutions outside of a meeting by voting in writing or using direct telecommunication means, in particular fax and e-mail. The Supervisory Board resolution adopted by voting in writing or using direct telecommunication means shall be valid provided that all members of the Board have been notified about the contents of the draft resolution.

Pursuant to the Bank's Statute, reserved for the competence of the Supervisory Board shall be in particular the following issues:

- 1) assessment of the Bank's financial statements,
- 2) assessment of the report of the Bank Board of Executives and its proposals pertaining to allocation of profit and covering losses, as well as presentation of annual reports with the results of the said assessments to the General Meeting,
- 3) approval of the draft annual budget, long-term programs of the Bank development and the Bank's business strategy likewise rules of the Bank's prudent and stable management,
- 4) approval of annual economic and financial plans of the Bank,
- 5) approval of the Bank Board of Executives motions regarding opening or liquidation of branches, sub-branches and representative offices of the Bank outside Poland,

- 6) approval of the Board of Executives motions regarding participation as a shareholder in establishment of another bank, company or another commercial organization, with the exclusion of the Stock Exchange investments concluded for a term no longer than 6 months,
- 7) appointment and recalling of the President of the Board of Executives of the Bank, Vice Presidents and Members of the Board of Executives as well as determination of their remuneration. The Board may delegate one or more of its members to a committee empowered to make decisions on remuneration of members of the Board of Executives.
- 8) selection, upon the Board of Executives' motion, of a statutory auditor to carry out the audit of the Bank's financial statements,
- 9) approval of general rules of making credit decisions, including regulations of the credit committees which are the authorised bodies to reach decisions related to loans and credits under the regulations,
- 10) adoption of resolutions regarding purchase or sale of real estate or a stake in such real estate and also regarding the purchase or sale of the right of perpetual usufruct,
- 11) adoption of resolutions on issuing bonds,
- 12) drawing up a consolidated text of the Bank's amended Statute and editorial changes according to the resolution of the General Meeting,
- 13) appointment of an Audit Committee composed of the Supervisory Board members basically to supervise the Audit Department activity,
- 14) approval of the Bank's compliance risk policy assumptions,
- 15) approval of internal procedures regarding internal capital estimation, capital management and capital planning processes.
- 16) approval of the internal control rules,

Pursuant to the Bank's Statute and the Regulations of the Supervisory Board, an Audit Committee and Committee for Compensation of the Board of Executives' Members are established within the Supervisory Board of Fortis Bank Polska S.A.

c. Composition and rules of activity of the Audit Committee:

In 2008, the FBP Audit Committee worked in the following composition:

Peter Ullmann	Chairman
Antoni Potocki	
Zbigniew Dresler	
Christopher Norris	Appointed effective 26 September 2008; resigned effective 31 January 2009.
Werner Claes	Resignation submitted effective 25 September 2008

The composition and rules of operation of the Audit Committee are determined in the *Regulations of the Supervisory Board* and the *Audit Committee Regulations* approved by the Supervisory Board.

The Audit Committee is established by the Supervisory Board (SuB) pursuant to its Regulations. The Audit Committee is composed of at least three and maximum five Supervisory Board Members,

including two independent Members. Within the scope defined in a SuB Resolution, the Audit Committee can hold decision-making powers.

The Audit Committee meets at least four times a year. A meeting can be held if there is at least half of the Committee members present. The scope of the Audit Committee competence includes in particular:

- a) monitoring the effectiveness of internal audit function, in particular by supervising the Audit Department activity and making recommendations on the appointment or removal of the head of the internal audit department and on the department's budget,
- b) periodical review of internal controls and in particular risk management systems, with a view to ensuring that the main risks including those related to compliance with existing legislation and corporate governance standards, are properly identified, managed and disclosed,
- c) assistance in monitoring the integrity of the financial information provided by the company,
- d) monitoring the external audit process, and in particular by ensuring the external auditor's independence and objectivity and monitoring the effectiveness of the external audit process, and the responsiveness of management to the recommendations made in the external auditor's management letter,
- e) making recommendations to the Supervisory Board in relation to the selection and appointment of the external auditor,
- f) ensuring good communication and co-operation between the external auditor, internal audit and the Supervisory Board.

The Audit Committee issues recommendations and provides opinions based on a consensus. The recommendations and opinions are presented to the Supervisory Board by the Committee Chairman.

The Audit Committee submits annual reports on its activity to the Supervisory Board. The Audit Committee Chairman forwards the Audit Committee recommendations and opinions to the President of the Board of Executives of the Bank.

d. Composition and rules of activity of the Committee for Compensation of the Board of Executives of Fortis Bank Polska SA.

The Committee for Compensation of the Board of Executives' Members of Fortis Bank Polska S.A. (Compensation Committee) is composed of:

Jos Clijsters	Chairman
Antoni Potocki	
Lucas Willemyns	

The composition and rules of operation of the Compensation Committee are determined in the *Regulations of the Supervisory Board* and the *Regulations of the Committee for Compensation of the Board of Executives' Members of Fortis Bank Polska S.A.* approved by the Supervisory Board.

The Compensation Committee is established by the Supervisory Board pursuant to its Regulations. At least one (1) member of the Committee should be an independent Supervisory Board Member. Within the scope defined in a SuB Resolution, the Committee can hold decision-making powers.

The Compensation Committee may be authorised in particular to make decisions related to compensation packages in favour of the Board of Executives' Members, including:

- a) approval of employment terms and conditions for members of the Board of Executives determined in employment contracts or manager's contracts,

- b) determination of principles of motivation programs for the Board of Executives and making decisions on payments of awards, bonuses and other benefits on this account,
- c) making formal decisions in terms of semi-annual adaptation of the compensation package to costs of living indexes and/or to foreign exchange rates, including expatriation premiums paid to expatriates, members of the Board of Executives.

The Compensation Committee can also prepare recommendations for the Supervisory Board in all other matters related to the employment and compensation package of the members of the Board of Executives, which would require a SuB resolution.

The Committee takes decisions based on a consensus. Should there be no consensus a given issue is submitted to the Supervisory Board to be decided upon.

Any decisions made by the Compensation Committee within the scope of its authorisation are immediately enforceable. The Chairman forwards the Compensation Committee's decisions to the President of the Board of Executives who undertakes appropriate actions to implement them.

Decisions can be taken at the Compensation Committee meetings or by voting in writing using direct telecommunication means, at the Chairman's initiative.

Decisions are formally finalised in the Management Office, where original copies of signed decisions are kept.