

Fortis Bank Polska SA

Board of Executives Report on Fortis Bank Polska S.A. Group Activity in 2008

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I. Summary of the Bank's activity in 2008

A. Introduction

In 2008, Fortis Bank Polska SA ("the Bank") presents for the first time its consolidated financial statements containing results of the Bank and the Bank's subsidiary - Fortis Private Investments Polska SA. The results of the group depend vastly on the Bank's separate results.

The year 2008 was exceptional for the entire financial sector in many aspects. On the one hand, the first three quarters saw a dynamic development of the sector in Poland following a fast development of the entire economy, while signals of a global economy slow-down and syndromes heralding so far undisclosed irregularities in the activity of banks and enterprises were noted in the USA and Western Europe. On the other hand, the fourth quarter revealed a direct effect of the situation on financial markets on both the Fortis group and individual performance of Fortis Bank Polska SA, including perturbations on global stock exchanges, dramatic volatility of Polish zloty FX rates, insufficient liquidity of the interbank market as well as the change of the ultimate parent entity of the majority shareholder. Fortis division following the intervention of the government of the Kingdom of Belgium to subsidise the group, had a significant adverse impact on the Bank's reputation.

The first three quarters of 2008 were for the Bank another period of dynamic development and improvement of financial results. New products were added to the Bank's offering and the sales of the existing ones increased. Customers regarded the Bank as an institution providing top-level financial services. As a result of the Warsaw Stock Exchange slump, investors decided to shift some of their savings from shares to more stable capital investment forms in the financial sector. The Bank welcomed the situation by offering customers a wide range of savings and investment products, which guaranteed a stable income and thus met customer expectations. The fourth quarter of 2008 was for the Bank a period of intensified measures to maintain the customer trust which suffered following the loss of Fortis reputation.

The Bank constantly analyses the situation on financial markets to adjust its activity accordingly. To reduce risk, the Bank undertakes actions to avoid the situation of many financial institutions after the mortgage crisis in the USA and the UK. To mitigate the risk, already in May 2008, i.e. when the financial crisis was not immediately obvious in Poland, the Bank decided to suspend granting foreign currency mortgage loans to individual customers (from 8 September till 24 October, the Bank temporarily restored foreign currency mortgage loans to the offering. It was available solely to a specific group of customers who met special criteria defined by the Bank). Nevertheless, the above measures failed to fully protect the Bank against the impact of the global crisis that had become increasingly apparent.

Irrespective of the market situation, the Bank has consistently been pursuing integration tasks. Due to an integration of Fortis Bank Polska SA and Dominet Bank SA, both banks have substantially adjusted their activities to create one strong institution. Exchange of experience between employees of both banks contributes to improvement and optimisation of processes in all fields of the Bank's activity. Dominet Bank SA has introduced additional labelling of its outlets, documents and letters to indicate its Fortis Bank group membership. As the management of both institutions wish to use the chance resulting from the merger of the two complementary banks and properly direct the potential of the new entity, they make every effort to achieve the expected effect of the integration process. The legal merger date of both entities was determined at 31 July 2009

B. Key factors and events that most affected the Group's financial performance in 2008

The Group's total assets as at 31 December 2008 were PLN 19,869,004 thousand and were higher than total assets as at the end of December 2007 by PLN 5,657,990 thousand, i.e. 40%.

The Bank's total income in 2008 stood at PLN 531,790 thousand, which represents an 8% fall in comparison to 2007. The net interest income increased by 37%, the net fee and commission income grew by 28% in comparison to the previous year, while the net trading income went down by 139%.

Interest income on loans to customers for 2008 stood at PLN 854,400 thousand and was higher by 61% than the result recorded for 2007 (PLN 530,974 thousand). In connection with growth of liabilities, interest expense also increased by 92%, i.e. from PLN 317,008 thousand as at the end of December 2007 up to PLN 609,171 thousand as at the end of December 2008.

The return on equity ratio (ROE) fell to 6.2% (as compared to 17.7% as at 31 December 2007), while the return on assets (ROA) was 0.4 % (as compared to 1.4% as at 31 December 2007). Earnings per share diminished to PLN 4.68.

Loans to customers increased by 32.4% in comparison to the end of 2007, i.e. up to PLN 14,823,117 thousand. Commercial loans accounted for the highest share in the structure of net loans to customers. Their share in the total net loans to customers made up 67% as at the end of December 2008, down from 73% recorded as at the end of December 2007. However, the value of commercial loans increased by 21% as compared to the end of December 2007.

The increase in volume of loans granted referred both to institutional customers: investment loans, including loans for the purchase or construction of commercial real estate, grew by 29% as compared to 31 December 2007; working capital loans went up by 9%, while overdraft credit facilities – by 18%; and individual customers: the balance of mortgage loans granted to individual customers increased by 69% in comparison to the level noted as at 31 December 2007.

As at the end of December 2008, the value of mortgage loans to individual customers stood at PLN 4,501,796 thousand. Their volume growth (by 69% in comparison to the end of December 2007) was to a significant extent attributable to higher FX rates.

As at the end of 2008, liabilities due to customers increased up to PLN 9,289,144 thousand in comparison to PLN 6,307,428 thousand noted at the end of 2007 (growth by 47.3%). Also due to banks increased by 28.1%. Terms deposits absolutely prevail in the structure of due to customers: PLN 4,896,315 thousand, representing 53% of all customer deposits. Sight deposits reached PLN 1,192,980 thousand as at the end of December 2008.

At the end of December 2008, the Group's personnel costs stood at PLN 181,958 thousand and were higher by 14% compared to the end of December 2007, when they amounted to PLN 160,198 thousand. The higher expenses were attributable chiefly to employment growth (average FTE number in 2008 was higher by 8% than the average FTE number in 2007) and to the increase in employee remuneration resulting from salary growth in the economy.

The Group's other expenses reached PLN 145,612 thousand and were higher by 5% compared to 2007, when they stood at PLN 138,918 thousand. The main items of other expenses are rent (PLN 28,837 thousand), marketing and advertising (PLN 21,536 thousand) and information systems and technologies (PLN 18,706 thousand).

In 2008, net impairment losses significantly increased, i.e. up to PLN -62,776 thousand, and were higher by 52% (PLN 21,467 thousand) than in the corresponding period of the previous year.

The lower than expected net profit for 2008 results from financial performance in the fourth quarter of 2008 which significantly differed from the results earned in the first three quarters of the year due to a negative valuation of derivative instruments. In the fourth quarter of 2008, the Group of Fortis Bank Polska SA suffered a net loss of PLN 105 million on that account, while the gross profit of PLN 102,974 thousand earned for the entire 2008 was lower by 52% than in 2007. The mandatory reductions of gross profit amounted to PLN 24,478 thousand. The Group's net profit amounted to PLN 78,496 thousand and was lower by PLN 99,098 thousand i.e. by 56% than the net profit earned in 2007.

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

Economy in 2008

GDP – growth rate and components

In 2008, the economic growth rate significantly slowed down in comparison to previous years. In that period, the GDP increased by 4.8% which was a much worse result than 6.7% recorded the year before and 6.2% noted in 2006. High dynamics of individual consumption was maintained (5.4% as compared to 5% the year before). However, the investment growth rate lost pace (to 7.9% from 17.6% recorded the year before).

As regards the sector structure, in 2008 the gross value added growth decelerated in all the major economy sectors. In the main sectors' group, the highest increase rate was noted in the construction sector, where the gross value added went up by 11.3% YOY. Considerably worse performance was recorded as regards market services (5.6% YOY) and the industrial sector (3.7% YOY). It should also be emphasised that the industrial sector noted the highest deceleration of growth in comparison to the previous year, with a growth rate falling from 9.9% recorded in 2007 down to 3.7% YOY in 2008.

Labour market

In the second half of last year, the situation on the labour market gradually deteriorated. The employment dynamics in the enterprises' sector increased in that period by 3.6% YOY which was a worse result than 5.5% recorded in the first half of the year. The salary pressure also gradually weakened. In the second half of 2008, the remuneration dynamics was 9.1% YOY, i.e. slightly less than 11.6% observed in the first six months of the year.

Exchange rate and inflation

In August 2008, the inflation reached the last year's maximum of 4.8% YOY. From then on, a fast inflation decrease was noted to finally reach 3.3% YOY at the end of 2008 thus being much lower than the year before (4% YOY).

In 2008, the Polish zloty market faced substantial variability. After a huge appreciation in the first months of 2008, in the second half of the year the Polish currency was under a strong depreciation pressure related to deteriorating liquidity conditions on global financial markets. At the end of the year, the EUR/PLN exchange rate was 4.1724, while the USD/PLN exchange rate stood at 2.9618, which signifies zloty depreciation by 39.7% and 24.4%, respectively, in comparison to levels recorded in June 2008.

Foreign trade and balance of payments

Last year, an imbalance gradually mounted in the balance of payments. In November 2008, the cumulated 12-month current account deficit was EUR -19.9 billion, i.e. much more than EUR -13.4 billion recorded the year before. The main reason of a higher current account deficit was an increase in the trade deficit. Attention should also be paid to the fact that a significant deterioration of direct investment inflow was seen last year. In November 2008, the aggregate 12-month inflow of direct investments reached EUR +12.4 billion, which was considerably less than the year before (EUR +17.5 billion).

Public finances

In 2008, the budget deficit stood at PLN -24.59 billion or 90.8% of the annual plan. The actual performance in comparison to the assumed plan was therefore noticeably worse than last year, when it was 56.4% of the plan.

Financial performance of enterprises

In the first three quarters of 2008, financial results of enterprises were much better than in the corresponding period of the previous year. The net financial result was an exception as it amounted to PLN 63.7 billion, which was less by 1.3% than the year before. The net profit was reported by 73.5% of enterprises (77.8% in the first three quarters of 2007). The highest net profit improvement was noted in the construction sector (growth by 57.6%), while the strongest net result deterioration was observed in the processing industry (fall by 10.6%).

The banking sector in the first half of 2008

Monetary policy of the NBP and interest rates of commercial banks

As a result of a significant global economy downturn observed in the second half of 2008, the Polish Monetary Policy Council stopped its interest rate rise series. What is more, in the last two months of the year, the PMPC started to loosen monetary policy and cut interest rates by 100 basis points. As at the end of the year, the NBP reference rate was 5.00%.

In 2008, the household deposit growth rate significantly accelerated. In December last year, such deposits grew by 26.4% YOY, i.e. much faster than the year before (10.7%). On the other hand, the dynamics in the enterprise sector considerably decelerated. As at the end of 2008, it was 4.9% YOY, as compared to 14.4% YOY recorded the year before. At the same time, high growth rate was maintained as regards loans to the private sector. Loans to households were growing at the average annual rate of 36.4% YOY while loans to the enterprise sector – at 25.6% YOY.

Financial performance of banks

In the first three quarters of 2008, the net income on banking activity in the sector amounted to PLN 36.9 billion. The above result was chiefly attributable to interest income and fee and commission income (at PLN 8.6 billion and PLN 22.1 billion, accordingly). A trend of credit production's growing faster than deposit base also continued. In effect, the difference between the value of loans and deposits went up to PLN 68 billion as compared to PLN 14.6 billion the year before.

II. SHAREHOLDERS and Stock performance on the Warsaw Stock Exchange

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 a relevant consent from KNF (the Polish Financial Supervision Authority).

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 was 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 constituted 99.19% of total votes.

One of conditions of granting the aforesaid permit was 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 two (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 the Polish Financial Supervision Authority (PFSA, *Komisja Nadzoru Finansowego*) 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 Société Fédérale de Participations et d'Investissement (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 Federal Participation and Investment Company based in Brussels at Avenue Louise 54/B1, founded on 16 September 1994, is owned by the State Treasury of the Kingdom of Belgium. It is a joint stock company of a holding nature which implements public interest projects.

In October 2008, Fortis holding, BNP Paribas and the Belgian Federal Participation and Investment Company signed an agreement regarding the takeover of Fortis activities in Belgium and Luxemburg, including a resale of 75% of Fortis Bank S.A./NV shares to French BNP Paribas. The said agreement was questioned by Fortis minority shareholders. As a result, it was subject to voting at the General Meeting which rejected the proposed transaction. On 6 March 2009, a new agreement was signed regarding amended terms of the transaction. The new agreement will be submitted to shareholders for approval at the next general meetings of shareholders of Fortis SA/NV in Brussels and of Fortis N.V. in Utrecht, to be held in April 2009. Following the change of the parent entity of Fortis Bank S.A./NV, the majority shareholder of Fortis Bank Polska SA cannot exercise voting rights attached to shares held until it receives a consent from the Polish Financial Supervision Authority, pursuant to Article 25 para. 1 of the Banking Law Act of 29 August 1997. On 30 March 2009, the Belgian Federal Participation and Investment Company filed an application to the Polish Financial Supervision Authority for a consent to exercise voting rights attached to shares of Fortis Bank Polska SA.

Furthermore, it is planned to register the share capital increase of Fortis Bank Polska SA up to PLN 660,441,360 on 31 July 2009. The legal merger of Fortis Bank Polska SA and Dominet Bank will be implemented pursuant to Article 492 § 1 section 1 of the Code of Commercial Companies and Partnerships, by transferring all Dominet Bank's net assets over to Fortis Bank Polska SA in exchange for 5,243,532 ordinary bearer Series L shares of PLN 30 nominal value each that Fortis Bank Polska SA will deliver to Dominet Bank's shareholder.

The Bank will undertake actions aimed at admission and introduction of the Merger Issue Shares into trading on the Warsaw Stock Exchange ("GPW"). In particular, Fortis will file an appropriate application to the Polish Financial Supervision Authority ("KNF") along with an information document prepared pursuant to relevant law provisions. Furthermore, Fortis will enter into an agreement on the registration of the Merger Issue Shares in the National Depository of Securities ("KDPW") and will file the application to the GPW Management Board for admission and introduction of the Merger Issue Shares into trading on the regulated market. In connection with the above, a resolution of the General Meeting of Fortis regarding the Merger will include also granting a power of attorney to the Bank's Board of Executives to enter into an agreement on registration of the Merger Issue Shares in the KDPW and on the share dematerialisation, likewise to apply for admission and introduction of the Merger Issue Shares into trading on the GPW.

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

Stock performance on the Warsaw Stock Exchange

The Bank's shares have been quoted on the primary market of the Warsaw Stock Exchange since November 7, 1994. From April 18, 2001 until January 18, 2004, the Bank's shares were traded in the two-fixing single price system. Under the Resolution of the Warsaw Stock Exchange Management Board, effective January 19, 2004, the existing trading system of the Bank's shares was replaced by a continuous trading system.

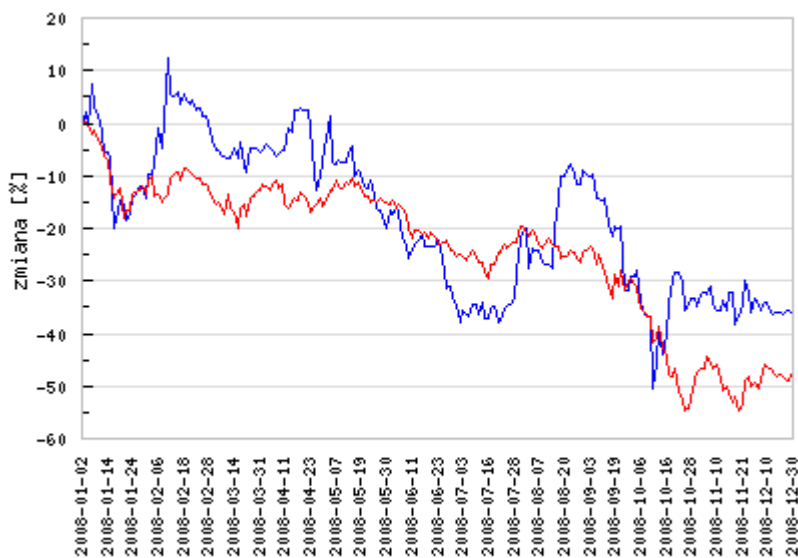
Since 1999, i.e. after Brussels-based Fortis Bank took over 98% of the Bank's shares, the liquidity of shares stood at a low level. At present, in trading there are 119,731 shares owned by other shareholders, i.e. 0.71% of all the Bank's shares.

At the first session in January 2008, the Bank's shares were traded at PLN 221.70. As at 30 December 2008, the Bank's share price went down to PLN 140.80, i.e. by almost 36.5 %. The slump of the Bank's share price reflects the general trend on the WSE. The average turnover in the Bank's shares in 2008 was 283 shares per session in comparison to 353 shares per session in 2007.

As of October 14, 2008 Fortis Bank Polska S.A. entered the Liquidity Support Program (Program Wspierania Płynności (PWP)), implemented under the WSE Management Board's Resolution No. 502/2008 dated 23 June 2008 (as amended). The Program is dedicated to all listed companies showing interest in an increased activity related to the presence on the regulated market and a permanent improvement of standards for market communication.

On 23 December 2008, the Bank signed an agreement with Copernicus Securities S.A. regarding the function of the Bank's market maker effective from January 1, 2009. The Bank's former market maker was Unicredit CAIB.

Quotations of the Bank shares from 2 January 2008 until 30 December 2008



Fortis Bank Polska SA

WIG 20

The WIG index slumped from 3421.25 as at 2 January 2008 to 1789.73 as at 31 December 2008 and WIG-banks sector sub-index stood at 4390.90 as at 31 December 2008 as compared to 7813.89 as at 02 January 2008.

A tender offer to acquire shares of Fortis Bank Polska SA

On 10 January 2009, Société Fédérale de Participations et d'Investissement, a company managing Fortis assets on behalf of the Belgian government, announced a tender offer to acquire 119,731 shares of Fortis Bank Polska SA traded on the stock exchange. The obligation to announce the tender offer resulted from a takeover of 99.93% of the Belgian Fortis Bank by Société Fédérale de Participations et d'Investissement in 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 reported that the Polish Financial Supervision Authority decided to increase the share price in the tender up to PLN 222. The subscription for shares were made between 27 January and 27 February 2009.

As a result of the tender offer, on 4 March 2009 Fortis Bank SA/NV entered into a transaction regarding 87,263 shares. In consequences of the above, the number of shares held by Fortis Bank SA/NV increased up to 16,738,712 or 99.81% of all shares of Fortis Bank Polska SA.

III. The Bank's products and services and development of banking business in 2008

A. Retail Banking

Products and services offered to Retail Banking Customers

Retail Banking (RB) business line provides service to Customers through a network of branches and via the external sales network. RB BL services three customer segments: small and medium enterprises of the annual turnover up to PLN 25 million, Personal Banking customers (affluent individual customers) and other individual customers.

Small and Medium Enterprises

The Bank offers Customers four sets of banking services: Fortis Class, Fortis Premium, Fortis Premium FX and Fortis Professional (addressed to Professionals, or liberal professions). Within the packages the Bank offers accounts, deposit products, payment cards, settlement services, loan products and e-banking services. Firms can also use products that facilitate settlements with their international business partners and hedge risks arising out of such cooperation.

For the small enterprises segment Customers, the Bank offers accounts and deposit products, including the following:

- current accounts and auxiliary accounts in PLN and foreign currencies,
- securities deposit account,
- term deposits in PLN with fixed and variable interest rates,
- foreign currency deposits in USD and EUR with fixed interest rate,
- overnight deposits.

The Bank offers its customers payment cards in VISA, the international payment organisation, including: Visa Business Classic cards, Visa Business Gold cards, and Visa Business Electron debit cards. Cards are accompanied by an insurance package, including (depending on the card type) e.g.: insurance against an unauthorised credit card use, insurance of cash withdrawn from an ATM, insurance of costs of warranty repairs of equipment purchased with a card, medical treatment and medical transport costs, and plenty of other insurance services. The Bank offers the following credit products for business entities:

- overdraft facility,
- revolving / non-revolving working capital loan in a loan account,

- debit limit,
- investment loan,
- investment loan granted to finance projects subsidised by the European Union,
- mortgage loan,
- mortgage facility,
- multipurpose credit line,
- general financing agreement,
- guarantee credit line.

Savings and investment products for SMEs:

- Open Investment Fund Fortis FIO. It is an umbrella fund comprising two sub-funds: Fortis Stock Subfund and Fortis Stable Growth Subfund. The Open Investment Fund Fortis FIO is managed by Fortis Private Investments Polska S.A. The fund is offered to natural persons, legal persons and organisational units without legal status.
- The Bank's offering includes also TFI DWS Polska, TFI BPH, TFI Skarbiec, Superfund TFI and TFI SEB investment funds.
- Negotiated deposits
- e-deposits (opened using the PI@net Internet banking system and the Contact Center),
- standard deposits
- Foreign currency deposits
- Overnight deposits

Furthermore, the Bank offers its Customers FX transactions related to FX risk and interest rate risk. Such transactions are serviced by the Global Markets (GMK) BL. For exporters and importers, the Bank offers also global trade finance products, such as e.g. letters of credit.

The Bank provides two remote access channels for the small enterprises segment customers:

- BiznesPI@net - Internet banking system,
- Contact Centre.

The above solutions enable comprehensive management of enterprise's bank accounts and products.

The BiznesPI@net system functionality is tailored to corporate customer needs and enables integration with finance and accounting systems, differentiation of user authorisations or definition of transfer approval schemes. BiznesPI@net is a comprehensive platform. In addition to making transfers and generating account statements, it provides for the management of other products used by the enterprise (e.g. payment cards, loans, deposits), filing applications, correspondence with the Bank, etc.

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

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

In cooperation with Fortis Commercial Finance Sp. z o.o., the Bank offers export factoring, recourse factoring and non-recourse factoring.

Personal Banking segment

The Bank offers packages of banking services to its individual customers: Gold and Platinum. These packages enable an effective and safe management of funds deposited on savings and checking accounts. The offering is addressed to high-net-worth individuals, i.e. management staff, enterprise

owners, specialists and people representing liberal professions.

Within the packages the Bank offers savings and investment products, loan products, credit and debit cards and e-banking services through a modern PI@net system.

Accounts and deposit products

Accounts and deposit products offered by the Bank to individual customers include in particular:

- Gold or Platinum Account in PLN, which combines deposit and credit offering; it is earmarked for depositing funds and making pecuniary settlements. The following products and services are available within the account:
 - credit facility in an account – Fast Loan,
 - Settlement services: standing orders, direct debits, domestic and international transfers,
 - Debit cards: Visa Electron
 - PI@net internet banking system,
 - Contact Centre.
- Foreign currency accounts in EUR and USD;
- Stock Investor's Accounts, earmarked for the service of investment portfolios (asset management service). The Bank maintains such accounts for customers using the services of Fortis Private Investment Polska SA.
- standard and negotiated deposits in PLN, USD and EUR,
- overnight deposits (a surplus of funds is automatically deposited on an overnight deposit),
- inflation-proof deposit (of variable interest rate pegged to the base rate /1M – WIBID/);
- e-deposits (opened using the PI@net Internet banking system and the Contact Center),
- promotional deposit "ExtraZysk" ("extra profit"),
- Pure Profit. An insurance policy and savings instrument which aims at financial security of a policyholder – in the event of living until the end of the insurance period, or a beneficiary – in the event of death of the policyholder.

Investment products

The Bank offers both Polish and international investment funds. Polish funds include:

- Open Investment Fund Fortis FIO. It is an umbrella fund comprising two sub-funds: Fortis Stock Subfund and Fortis Stable Growth Subfund. The Open Investment Fund Fortis FIO is managed by Fortis Private Investments Polska S.A. The fund is offered to natural persons, legal persons and organisational units without legal status. The Fortis FIO is also offered in a 50/50 combination with a bank deposit as the Fortis FIO Deposit, and as an Individual Pension Account (IKE Fortis FIO).
- The Bank's offering includes also TFI DWS Polska, TFI BPH, TFI Skarbiec, Superfund TFI and TFI SEB investment funds.

On 2 September 2008, the Bank's offering was extended by foreign funds of HSBC, one of the biggest asset management firms in the world. Under HSBC Global Investment Funds (HGIF) umbrella fund, 40 sub-funds were offered.

In addition to Fortis L foreign funds offered on an on-going basis and new HSBC funds, the Bank has periodical subscriptions for Fortis L Fix – foreign investment funds. They are term funds, mainly with the principal amount protection, and their profits are related to stock markets or other instrument markets. These funds are disbursed in various currencies. In the first half of 2008, two subscriptions of subfunds were organised: Fortis L Fix Bulls and Bears and Fortis L-Fix Everest.

Asset Management

In cooperation with Fortis Private Investments Polska S.A. (FPIP S.A.), the Bank offers asset management services for its Customers. Within the FPIP S.A.'s offering, there are the following model portfolios:

- Long-term debt securities portfolio,
- Treasury debt securities portfolio,
- Money market portfolio,
- Balanced portfolio 3x3,
- 6x3 Stock portfolio,
- Dividend portfolio (share portfolio),
- Debt securities portfolio in foreign currencies,
- active allocation portfolio with a defined proportion of shares – of the minimum value PLN 500,000 with an option, upon a prior consultation with a FPIP investment advisor, to construct an individual portfolio of a minimum initial value of at least PLN 1 million.

The FPIP's offering includes also investment fund portfolios:

- Polish funds portfolios of minimum PLN 500,000, including a debt securities portfolio, balanced portfolio and stock portfolio.
- International funds portfolios of minimum PLN 500,000, or the equivalent in USD or EUR, including a debt portfolio of international funds, balanced portfolio of international funds and stock portfolio of international funds.

Treasury bills transactions

The Bank provides an option to make Treasury bills transactions for minimum PLN 100,000. T-bills are financial instruments issued for a period of 1 week to 52 weeks. Treasury bills can be purchased in a treasury bill tender – on the primary market, or from Fortis Bank Polska S.A. – on the secondary market.

Insurance products

The Bank offers the following insurance products:

- Fortis DuoProfit., This product combines a 6M bank deposit with a life insurance with a single premium, and it is offered by Aegon TU.
- Fortis DuoProfit Regular. It is a life insurance offered by Aegon TU with a regular premium.

Under the insurance policy, the customer can invest funds in 70 Insurance Capital Funds, including: Union Investment, Legg Mason, Arka BZ WBK, ING, PKO/Credit Suisse, Pioneer.

Card products

The Bank offers its Customers payment cards in VISA, the international payment organisation. The Bank offers the following card products to Retail Banking BL individual Customers:

- Credit cards:
 - VISA Foto credit card,
 - Visa Classic credit card,
 - Visa Gold credit card,
 - Visa Platinum credit card;
- Debit cards:
 - Visa Electron
 - VISA Electron Youth Card.

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

Credit products

The Bank offers the following credit products to individual customers:

- Mortgage loans. The loans are earmarked for housing purposes, including: purchase of an apartment/house on the secondary or primary market, construction, redecoration, refinancing housing loans in other banks and refinancing costs incurred on account of the purchase/construction/redecoration of real estate.
- Savings and mortgage loan that combines a mortgage loan with a life insurance policy, offered in cooperation with Aegon TU insurance company.
- "Any Purpose" cash loan - the cash loan funds can be earmarked for debt consolidation or consumer purposes. Loan currency: EUR, PLN or USD.
- Overdraft facility. Holders of savings and checking accounts may use a "Fast Loan". The loan is granted and its amount established on the basis of an analysis of payments crediting the account, by transferring a limit from another bank.

Electronic Banking

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

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

Development of banking services for the Retail Banking Customers

In the second half of 2008, the Retail Banking Business Line modified its deposit offering and developed the offering of investment products and focused on the sale of mortgage loans. Since the beginning of 2008, the Bank has organised two subscriptions of structured products and introduced new TFI (investment fund companies) into the investment fund offering available through PI@net. In the analysed period, the Bank also added new sub-funds to the offering of international Fortis L Funds and promoted the Pure Profit savings-linked policy.

Effective 15 September 2008, Fortis Bank Polska customers holding a Visa Electron card can use free-of-charge cash withdrawals from Dominet Bank's ATMs.

In the third and fourth quarters of 2008, the mortgage loan service was modified, by e.g. a prolongation of the financing term and a change of WIBOR/LIBOR/EURIBOR rates from 6M into 3M rates. Since 15 May 2008, the Bank has been granting mortgage loans in PLN only. Between 8 September and 24 October 2008, the Bank temporarily restored foreign currency mortgage loans to its offering. The offering was a temporary promotion and it was available solely to a specific group of customers who met special criteria defined by the Bank. It could be used by customers of specific professions, earning income predetermined by the Bank or holding assets surpassing the minimum amount defined by the Bank.

Furthermore, in the period analysed, work started on a modification of the mortgage loan offering as regards financing types (it is planned to introduce new products likewise life and non-life insurance for borrowers).

B. Commercial Banking

Products and services offered to Commercial Banking Customers

Commercial Banking (CB) business line provides services through the network of its Business Centres. CB BL targets at medium corporate customers with an annual turnover over PLN 25 million. It focuses also on companies that are part of international capital groups, irrespective of their annual turnover.

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

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

Financing working capital

The business of the Bank is characterised by readiness to provide services tailored to individual Customer needs based on a thorough analysis of his expectations using an international network of partners.

The Bank offers working capital loans and, in cooperation with Fortis Commercial Finance, factoring to firms that are considering financing forms for their current operations.

In addition to financing Customer turnover, Fortis Commercial Finance offers also a number of additional services in the standard package:

- administration of customer receivables (e.g. monitoring of punctuality of repayments made by counterparties),
- invoice settlement (maintaining factoring accounts of the Customer and his counterparties, periodical reporting on the current receivables balance to the Customer),
- recovery of past-due receivables (e.g. by telephone reminders, legal actions, supervision over bailiff enforcement).

Financing investment projects

Enterprises that look for investment project financing the Bank offers:

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

FX risk and interest rate risk management

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

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

Within the FX risk management, the Bank offers:

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

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

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

The following products are available for the Bank's Customers under investing surplus of funds:

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

Liquidity management

Liquidity management, or cash management, include products that enable enhancement of company's funds on its bank accounts.

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

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

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

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

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

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

- Multi Bank Reporting (MBR),
- Remote Payment Initiation (RPI),
- Notional Cash Pooling,
- Cash Collection.

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

International trade

Trade transaction risk mitigation

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

Accounts receivable financing

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

Foreign bank guarantees

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

Export pre-finance

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

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

Export finance: Buyer Credit

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

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

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

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

European Union funds

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

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

Energy markets

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

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

Development of banking services for the Commercial Banking segment

In that business line, in the beginning of 2007 a new Cash Management Group was established to deal with specialised settlement products. Cash Collection was added to the Bank's offering. It consists in collecting money from the Customers, then counting it and booking to the Customer's account. In 2007, the Cash Management Group worked on a modification of products available and implementation of new versions of the solutions already known to Customers.

The Bank continued to develop its program addressed to Customers applying for an additional financing using the EU funds. The Bank was also involved in an educational activity: workshops, seminars and conferences were organised for the Commercial Banking BL Customers, with experts invited from consulting firms and institutions responsible for management and implementation of the EU funds. In 2008, the Bank made intensive efforts to boost the sales of Cash Collection to CB BL customers. The Bank made several vital modifications to the service, including e.g. a modification to enable posting payments from customer's outlets located nationwide into one customer account, payment details provided in a transaction history, integration of the Cash Collection service with the

AIP service, and also an introduction of cash supplies into the Bank's offering as a complimentary service within Cash Collection.

C. Private Banking

Products and services offered to Private Banking Customers

Private Banking Business Line - offers professional, comprehensive services to High Net Worth Individuals (HNWI). Effective 1 September 2008, the Private Banking BL consists of the following organisational units:

- Private Banking Sales and Corporate Finance Department
- Private Banking Strategy and Allocation Group
- Private Banking Credit Group
- Private Banking Business Support Group

The Private Banking offer is addressed to three segments of the Customers:

- Affluent segment – customers who in a short time horizon (one to two years) will acquire assets of EUR 1 million;
- High Net Worth Individuals segment – customers of investment funds / credit expectations exceeding EUR 1 million or its equivalent in another currency;
- Ultra High Net Worth Individuals segment – customers holding assets above EUR 5 million.

Private Banking customers are offered the following:

- Savings and investment products,
- credit products,
- Daily Banking and cooperation with the international Fortis network,
- special legal and tax structures.

Investment products

The Bank offers the following savings and investment products:

- deposits (in PLN and in foreign currencies, for various terms, with negotiated interest rates), including structured deposits,
- a selection of domestic and international investment funds,
- asset management offering of Fortis Private Investments Polska S.A., including model portfolios and individual investment strategies,
- structured products.

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

Credit products

Credit products offered by the Bank include mortgage loans, lombard loans and other credit facilities tailored to individual customer needs.

Daily Banking products

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

- accounts in PLN and main convertible currencies,
- payment and credit cards (VISA, American Express),
- Pl@net internet banking system,
- foreign exchange transactions.

Special legal and tax structures

Such structures, offered in cooperation with Fortis Intertrust, serve to protect assets, optimise taxes and regulate succession issues.

Development of banking services for the Private Banking segment

The Bank addresses its offering to Customers holding assets of EUR 1 million. In cooperation with Fortis Private Banking worldwide, e.g. in Switzerland, Luxembourg, Monaco, London, Dubai, Singapore or Guernsey, the Bank offers funds investing in atypical markets or sectors. The scope of services offered to Private Banking customers in Poland includes asset management by Fortis Private Investments Polska SA, comprising model portfolios and individual investment strategies.

In the reporting period, the Private Banking BL developed its team and, in the cooperation with the Project and Product Development Line and the CB & PB Business Development Department, carried out projects to introduce new products, both credit and investment ones.

D. Global Markets**Products and services offered by the Global Markets segment**

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

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

FX transactions include, in particular:

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

Interest rate risk currency transactions include:

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

a change from a variable interest rate into a fixed interest rate or vice versa.

The following products are available for the Bank's Customers under investing surplus of funds:

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

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

Development of banking services for the Global Markets segment

In the analysed period, the Bank separated the Global Markets Business Line comprising the Treasury Department and Departments responsible for the sale of financial instruments to Retail Banking and Commercial Banking customers, respectively.

In 2008, Fortis Bank supplemented its offering by products to hedge energy and fuel price indexes. New products are to reduce the risk of price volatility of liquid fuel such as petrol, fuel oil or diesel oil, whose prices depend on world quotations.

E. Average interest rate of deposits and loans

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

In the first half of 2008, the Monetary Policy Council increased the level of official NBP interest rates by 100 basis points, and then in the second half of 2008, decreased them by 100 basis points.

In response to the situation on the money market, the Bank modified interest rates on deposits and loans in EUR and USD accordingly.

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

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

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

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

To compare, in 2007, the average nominal interest rate of current and term deposits assumed the following values:

- PLN deposits – 2.93%;
- foreign currency deposits – 2.64%.

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

- PLN loans – 6.12%;
- EUR loans – 5.48%;
- USD loans – 6.99%;
- CHF loans – 3.78%.

F. Custody services

The Bank offers services related to custody and transaction settlement with respect to securities traded on the Polish regulated and non-regulated markets and acts as an agent in transactions concluded on international markets. Under the Decision issued by the Securities and Exchange Commission of July 14, 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure.

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

In connection with the Bank's obligations of a Service Agent and Paying Agent in favour of foreign investment funds - Fortis L Fix and Fortis L Fund, managed by Fortis Investment Management in Luxembourg, the Custody Services Group coordinates the distribution of participation units in Poland. At the end of December 2008, there were 32 sub-funds offered under Fortis L Fund.

G. Money market and debt securities operations

The Bank's activity on the money market and the market of debt securities may be differentiated into the following categories:

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

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

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

The Bank offers derivative transactions to secure against interest rate risk and FX risk such as: Forward Rate Agreement (FRA), Interest Rate Swap (IRS), Overnight Interest Swap (OIS) as well as foreign exchange options and European interest rate options. The Bank's offering has been supplemented by American FX options, barrier options, and Asian options such as Average Rate

Options. The above transactions are offered to customers running business activity.

In addition to the above, in 2008 the Bank introduced structured deposits that are a combination of deposits and derivative instruments, into its offering.

H. Clearing activity

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

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

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

Effective March 2005, EuroELIXIR and SORBNET-Euro systems were introduced in Poland for domestic Euro payments. As of 30 May 2005, their functionality was extended by cross-border instructions. From the beginning i.e. since March 2005, the Bank has participated in EuroELIXIR system for handling domestic transfer orders. The Bank handles incoming orders via SORBNET-Euro system. Furthermore, to clear cross-border transactions the Bank participates in the STEP2 system since August 2004. Effective 28 February 2008, Fortis Bank Polska SA provides its customers with SEPA credit transfers (both incoming and outgoing ones).

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

- clearing of incoming and outgoing domestic transfers ("domestic" from the viewpoint of a serviced Business Centre – BC) in local currencies using local clearing systems,
- clearing of incoming and outgoing foreign transfers using the SWIFT system,
- clearing of transactions of any type concluded by local treasury departments, including customers' and interbank transactions;
- disbursing loans granted by local credit departments,
- supporting BC in operational work with customers, e.g. handling customer complaints, posting fees and commissions, reporting and support in processes of ensuring liquidity on

nostro accounts of particular branches.

The above services are rendered for BCs in Prague, Budapest, Vienna, Stockholm, Copenhagen, Paris, Bucharest and Zurich.

I. Cooperation with international financial institutions

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

The Bank is a member of the SWIFT international interbank network, which enables faster payment processing, facilitates contact with foreign banks and enables the implementation of new products related to international transactions. Furthermore, the Bank established cooperation with the EBA (European Banking Association) and joined the European clearing system (STEP 2) on August 9, 2004.

In May 2008, the Bank joined the TARGET2 system – Trans European Automated Real Time Gross Settlement Express Transfer for large amounts. The Bank became an indirect member using the agency of the National Bank of Poland.

IV. Charity

The Bank applies the principle of social responsibility to its undertakings which demonstrates in a support provided to local communities through philanthropy and promotion of the idea of employee voluntary service.

In November 2006, with the community within which it operates in mind, the Bank set up Fortis Foundation Poland (the Foundation), to carry out its charitable activity. In 2008, it became a strategic partner of "The Third Sector Academy", a project of the Foundation for the Jagiellonian University to professionalise this specific sector of the economy.

As regards the promotion of employee voluntary service, the Bank has also continued the cooperation with the United Way Poland foundation. The Bank employees voluntarily deduct a declared portion of their salaries and donate it to a social goal they choose, while the Bank adds one zloty to each zloty contributed by an employee, so as to double the amount of funds donated to the United Way Foundation. The Bank's employees have also opportunities of a direct involvement in social actions within programs organised by the Foundation.

Fortis Foundation Poland

1. General information

On 20 December 2006, the Foundation was entered into the National Court Register of Associations, Other Social and Professional Organisations, Foundations and Public Health Care Institutions, maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. 0000270411. The Foundation was provided with an establishment fund of PLN 40,000.

2. Objectives of Fortis Foundation Polska

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

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

3. Strategic cooperation

Having regard to options and benefits related to cooperation with other institutions of similar statutory objectives, in 2008 agreements were signed with *Towarzystwo Przyjaciół Dzieci* (Society of the Friends of Children, SFC) and a Habitat for Humanity Poland foundation.

On 20 March 2008, a "Master Cooperation Agreement" was signed with the Management Board of the Society of the Friends of Children (SFC). Under the agreement, both institutions have undertaken to cooperate to prevent social exclusion of children and the youth. Moreover, the Foundation declared extending its support to SFC local childcare centres and SFC day rooms - *Środowiskowe Ogniska Wychowawcze* and *Świetlice TPD* as regards infrastructure improvement of these centres and carrying out educational actions for the benefit of SFC charges. "szansa²" (Chance²) is such an educational program addressed to charges of SFC local centres and day rooms; under this program, the Foundation endeavours to create good development conditions for the youth to enable them to pursue their passions and interests.

Taking into account an effective cooperation in favour of SFC, the Fortis Foundation intends to form coalitions with associations that can provide know-how to aid the Foundation in accomplishment of its goals. On 20 June 2008, a "Mutual Cooperation Agreement" was signed with the Habitat for Humanity Poland Foundation. Under the above document, Habitat for Humanity supports the Fortis Foundation in the pursuit of the "Chance²" program by cooperation in renovation of buildings that house SFC local childcare centres and day rooms (*Środowiskowe Ogniska Wychowawcze* and *Świetlice TPD*).

4. Projects accomplished

Under the Chance² program, the following projects and actions were implemented and carried out in 2008:

Two gift gathering actions were organized among Fortis Bank employees. The donated items were provided to the SFC Piła and the SFC Konin, and further to children from the most neglected regions (local project – June and September 2008);

Football TorPeDs 2008/2009 event under the slogan: "share! play with others" ("sam nie szalej – podaj dalej"), whereby we encouraged children to engage in sports competition – football playing. 120 SFC courtyard teams from all over Poland accepted the invitation to a shared adventure on the football pitch. The semi-finals and finals of the matches will take place in April 2009 in the Spała Olympic

Centre. Winning teams will be offered an excursion to The Netherlands. (nationwide project, September 2008-July 2009);

"Release the power of your passion" ("Uwolnij potęgę swojej pasji") is a contest and good time combined. Children were to prepare and describe their own ideas on how to spend leisure time and develop their shared passions. Out of 43 projects provided, the best 10 ideas on how to develop interests and acquire new skills were selected and awarded a grant of PLN 5 thousand each. Winners will also take part in the grand final gala in Krakow where the winning teams will present their skills gained thanks to the grants (nationwide project, September 2008-May 2009);

By the "You Run – you help!" („Biegasz – pomagasz!") action, the Fortis Foundation joined the 4Energy Katowice half marathon sponsored by Fortis. For each half-marathon participant, the Foundation paid PLN 10 to SFC in the Silesia region. Jointly, PLN 13,200 were allocated for the remodelling of two day rooms: one in Bytom and one in Pszczyna, where children spend time after school on a daily basis (local project, September 2008);

The Foundation published an environmental calendar which features children's drawings awarded in a contest organised by SFC: "I Care For the Beauty of My Home – the Earth" ("Dbam o piękno mego domu – Ziemi"). The calendar's purpose was to draw stakeholders' attention to SFC as to a nationwide institution with a 90-year experience in acting for the benefit of children at risk of social maladjustment, or coming from families affected by unemployment or social pathologies. The 90th anniversary of SFC foundation that fell this year was a good opportunity for this project. The calendar was offered as a New-Year gift to all SFC day rooms in Poland and to Fortis Bank locations. The pro-ecological nature of the calendar issue was evident not only by the raw materials used for its publishing but also by advice and sayings featured for each month of the year (nationwide project, November 2008);

A contest for Winter Christmas cards was organised among children cared by the SFC day rooms operating in the area of Krakow. Selected works were awarded a prize and then they were used for making Christmas cards. The cards were sent to business partners of the Foundation and SFC and their aim was to advertise the Foundation's ideas and to support SFC and its activity (local project, November 2008).

Furthermore, the Foundation provides support to locations of caring and educational institutions by direct subsidies with a view to increase their operating standard or by additional financing allocated for the purchase of equipment. In 2008, the Fortis Foundation helped to remodel and equip 12 SFC locations for the total amount of nearly PLN 120,000.

Altogether, the Foundation spent over PLN 330,000 for all SFC support activities.

In 2008, under the Help² program, the following actions were carried out:

- Two editions of the "Time for Forest" ("Czas na las") project carried out in cooperation with the Aeris Futuro Foundation, according to the integration and education trip formula. As in the previous year, Fortis Bank employees along with children from the SFC community day rooms participated in a tree planting action. Consequently, 415 trees were planted in the Staroźreby municipality, Mazowieckie voivodship. In addition to the environment protection effect, as the tree planting contributes to the carbon dioxide emission neutralisation, the Bank's action was to provide ecology education (by environment protection contests and games) and counteract social exclusion of children (football tournament, shared figurine painting) (local project, May 2008);
- Fortis Grant Prix" is a grant program developed especially for Fortis employees who are sensitive to problems of other people and wish to help them. Authors of the best social projects

were provided with funds to carry out their projects. Five grants have been awarded in two categories: groups and individuals. Some winners managed to engage local businesses in their projects along with Fortis customers and the project beneficiaries themselves (nationwide project, June 2008);

- Remodelling of one of SFC Krakow day rooms was carried out under the motto "Help² for kids from Augustiańska". The project was completed thanks to the cooperation with several institutions and volunteers. Habitat for Humanity Poland was responsible for organising the remodelling works; financial support was provided by Fortis Foundation Polska which, at the same time, encouraged Fortis Bank employees to join the work. All the work was supervised by an expert. The total of 39 people engaged in the work; these were Fortis Bank employees and their relatives as well as the day-room tutors and parents of the kids (local project, October 2008);
- MIKOWhy not? - grant contest for a social project organised for Fortis employees. Some winners managed to engage in their projects local businesses, Fortis customers and the project beneficiaries themselves.

The Foundation allocated almost PLN 80,000 for all activities within the Help².

5. Subsidies awarded in favour of other institutions

Within its scope of activity, the Foundation provides funds earmarked for carrying out social projects prepared by other institutions. In 2008, at meetings of the Foundation's Management Board, held in June, March, May, July, September and December, the Foundation donated almost PLN 140,000.

6. Summary of expenses in 2008

The Foundation allocated over PLN 550,000 in total for its statutory tasks. Funds spent for operating and current activity equalled almost PLN 75,000.

Third Sector Academy

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

TSA is a training project targeted at employees and volunteers of NGOs that operate and have their registered offices in Poland. The project was brought to life to meet the needs signalled by non-governmental organisations cooperating with Małopolskie Voluntary Service Center. TSA training sessions and workshops are held according to the session schedule available at www.wolontariat.info.pl. Participants of the sessions organized by the Academy are trained in groups of max. 20 people, which makes the training effective. They may participate in training sessions provided in the following topics:

- acquisition of funds,
- legal and formal questions as well as financial matters regarding the functioning of a non-governmental organisation,
- building the organisation image, promotion, cooperation with the media
- building relations with other sectors, cooperation with public administration and management of the organisation programmes

- project management
- improvement of interpersonal skills.

Furthermore, advisory services are provided to project participants within the project framework. Each participant is offered 2-hour individual consultations with a trainer to elaborate on topics discussed during training sessions.

A publication in an electronic form will be prepared with use of training materials and made available to all interested representatives of non-governmental organisations. Thus, the circle of beneficiaries will be expanded to include new people who will receive educational materials by e-mail.

The participation in TSA also offers the possibility to take part in a grant contest of Fortis Foundation Polska, launched especially for direct beneficiaries of the Academy. The contest task will be to work out a social project involving activities to counteract social exclusion of children, the youth and older population. The best project will be awarded a grant of PLN 20,000 for project execution.

The project is still underway, yet when the project was launched, it was assumed that between October 2008 and May 2009, at least 100 employees and volunteers that qualified for the project, would be trained. Yet, to meet the needs signalled by the organisations, additional training groups were started. From November to December 2008, 140 people were trained and 184 didactic hours were provided under the Academy project. Organizers estimate that by the end of May 2009, over 300 people will be trained by the Academy.

V. Prizes and distinctions awarded

In February 2008, Fortis Bank Polska SA received a honourable mention from the Polish Bankers Association for its involvement in building the Single Euro Payments Area (SEPA). Fortis Bank was one of the first banks to introduce the SEPA system. The Polish Bankers Association appreciated the Bank for its contribution into SEPA development in Poland, and also for openness to changes and innovations.

"The best IT project in financial institutions in 2007" – this honourable mention awarded to the Bank in a contest organised by the *Gazeta Bankowa* weekly. In the electronic banking and e-finance category, Pl@net Internet banking system was given an award; the jurors recognised the project comprehensive nature. Functionalities for both individual customers – Pl@net, and corporate customers – BisnesPl@net were appreciated.

In the second half of the year, Fortis Bank modified its offering addressed to small and medium enterprises, introducing the "Professional Package" and altering the formula of the three other packages. The new package was well assessed by the editors of the *Forbes* monthly, which for the third time selected the best banks for small and medium enterprises. In the editors' opinion, a good account for companies should be inexpensive, bear high interest rate and ensure fast access to cheap financing. They also decided that the above criteria are best satisfied by the offering of Fortis Bank and Bank Millenium.

VI. ANALYSIS OF PERFORMANCE OF FORTIS BANK CAPITAL GROUP IN 2008

A. Consolidated Income Statement

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

Consolidated statement (in PLN thousand)	Income	01.01.2008 -31.12.2008
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