

Report on Corporate Governance Rules at Fortis Bank Polska S.A. in 2007

The Report has been prepared pursuant to the Warsaw Stock Exchange Regulations and Resolution no. 1013/2007 of the Warsaw Stock Exchange Management Board dated 11 December 2007.

1) 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 2007, pursuant to the “Best Practices in Public Companies 2005,” the following rules were not applied at Fortis Bank Polska S.A.:

- Detailed criteria of independence [of the Supervisory Board members] should be determined in the Company’s Statute:

The Bnk’s Statute does not define criteria of independence; instead, they have been introduced into the Regulations of the Bank’s Supervisory Board. As there is no analogical provision in the “Best Practices in Public Companies”, the Bank will discontinue breaching that rule.

- Resolutions on the following issues should not be taken without the consent of the majority of independent Supervisory Board Members:

- benefits of any kind by the company and any entities associated with the company in favour of the Board of Executives’ members;
- consent to the execution by the company or its subsidiary of a material agreement with an entity associated with the company, member of the Supervisory Board or the Board of Executives, or with their associated entities;
- appointment of a statutory auditor to audit the financial statements of the company.

Independent members vote on equal rights with other Supervisory Board members. As there is no analogical provision in the “Best Practices in Public Companies”, the Bank will discontinue breaching that rule.

2) 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 Statute of the Bank,
- 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, 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, 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:
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 - item on the Agenda that is subject to the vote,
 - contents of the motion which is to be voted on
 - designation of cards which are to be used in the vote,
 - 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.

3) 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:

The Board of Executives of Fortis Bank Polska S.A. is composed of:

Alexander Paklons	Board of Executives' President
Jan Bujak	Senior Vice-President, Head of Finance and Legal Line
Bartosz Chyła	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, FAP and Shared Resources

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 President of the Board, 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 of the Board, 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 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 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 scope of activities of the President 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 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 authorized 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:

The Supervisory Board of Fortis Bank Polska S.A. is composed of:

Jos Clijsters	Chairman
Werner Claes	Deputy Chairman
Antoni Potocki	Deputy Chairman
Zbigniew Dresler	
Peter Ullmann	
Marc Luet	
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. 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 Bank Board of Executives shall participate in the Supervisory Board' 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 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:

The Audit COmmittee of Fortis Bank Polska S.A. is composed of:

Peter Ullmann	Chairman
Antoni Potocki	
Zbigniew Dresler	
Werner Claes	

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.

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 Willemys	

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 BoE President 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.

4) Basic features of internal controls and risk management systems applied in the Bank, with respect to financial reporting process.

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, whose tasks 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, under which the Bank applies formalised rules to determine the level of risk assumed, and risk management rules, 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, adopted management reporting system to enable monitoring of the risk level, and has an organisational structure which is adjusted to the level and profile of the risk assumed by the Bank, is to identify, measure or estimate and monitor the risk inherent in the Bank's activity. 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.

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 Department 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.