

**Information for the customers of
FM Bank S.A.
under the Bank's information policy
for the year ended 31 December 2010**

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CHAPTER 1: Disclosures in respect to the equity for the year ended 31 December 2010

§ 1.

1. In accordance with the Banking Law and the and Regulation no. 76/2010 of the Financial Supervision Authority, the Bank is obliged to maintain its capital at a level corresponding to the risk associated from its operations. The Bank's capital adequacy is calculated for the regulatory capital requirements and for the internal capital of the Bank, whichever one is higher. As the Bank adopted the internal capital model, which covers a greater range of risks than required under the regulatory capital, the economic capital, as a rule, is higher than the regulatory capital requirements.
2. The Bank's economic capital is a measure of the risk level acceptable to the Bank. The economic capital is the amount of capital necessary for covering all identified significant types of risk that occur in the Bank's operations. As part of managing the capital, the Bank determines the risks identified for its operations. The risk identification arises from comparative analysis of activities, products offered and held, as well as the economic and legal environment.
3. Additionally, at least once a year, the Bank reviews the estimation and maintenance of the economic capital and adjusts the internal capital assessment process to the nature, scale and complexity of its activity. One of the capital management elements at the Bank is also the analysis of the Bank's capital structure. As part of that analysis, the Bank evaluates each element of its core funds and supplementary funds and mutual relations between those funds.
4. Within the capital management process, the Bank develops contingency plans that enable an appropriate response in the event of unfavourable changes in the Bank's capital targets.

5. The table below presents the items comprising the Bank's equity as at 31 December 2010.

in PLN	31 December 2010
Bank's equity	48 743 123
Original own funds	33 742 889
<u>Eligible Capital</u>	<u>97 045 725</u>
Share capital	61 600 000
Supplementary capital	35 400 000
Reserve capital	45 725
<u>Other original own funds</u>	<u>0</u>
<u>Deductions from the original own funds</u>	<u>(63 302 836)</u>
Intangible assets	(12 713 244)
Profit (loss) from previous years	(13 776 410)
Current year profit (loss)	(36 813 182)
Additional own funds	15 000 234
Subordinated liabilities included in equity	15 000 000
<u>Other</u>	<u>234</u>
Revaluation reserve	234

6. Share capital is comprised of ordinary nominative shares. The nominal value of all outstanding shares is PLN 1 and all those shares have been fully paid up.
7. The tables below present the Bank's shareholding structure as at 31 December 2010.

Series	Registration date	Number of shares	Nominal value of shares	Total nominal value of the series
A	06 August 2009	38 000 000	1	38 000 000
B	30 December 2009	6 400 000	1	6 400 000
C	31 May 2010	11 200 000	1	11 200 000
D	28 September 2010	6 000 000	1	6 000 000
Share capital, total		61 600 000	1	61 600 000

8. Supplementary capital is created from charges to the net profit and surpluses arising from difference in issue price and nominal share price after covering the emission costs. The amount contributed to the capital is determined by the General Meeting of the Shareholders.
9. As at 31 December 2010 the Bank's supplementary capital was comprised of the surplus due to the difference in issue price and Bank's nominal share price.

10. The reserve can be created regardless of the supplementary capital from charges to the net profit for the financial year or from other sources, aiming at coverage of the balance sheet loss or other purposes.
11. As at 31 December 2010, the Bank recognised in its reserve capital the amount allocated to that capital in accordance with the decision of its General Meeting of Shareholders. In accordance with the Bank's Articles of Association, the amount was charged to costs for 2010 as a result of recognising a result on transactions subject to IFRS 2.
12. As the 31 December 2010, the Bank did not create any short term capital from additional balance sheet positions, in accordance with article 128 section 6 point 1 of the Act on Banking Law.
13. The Bank as at 31 December 2010 did not conduct any trading activity and did not classify financial instruments to trading. The financial instruments classified in accordance with IFRS as held for trading ensured the Bank's liquidity and were to secure the interest rate risk on the banking book.
14. In the absence of trading activity, the scale of the Bank's trading activities referred to in the Regulation No. 76/2010, article 3 of the Financial Supervision Authority, is considered negligible.

CHAPTER 2: Disclosures in respect to the compliance with capital requirements for the year ended 31 December 2010

§ 2.

1. Calculation of the capital adequacy ratio as at 31 December 2010:

	31 December 2010
Capital adequacy ratio	22,81%
Equity of the Bank	48 743 123
Total capital requirements	17 094 787
Surplus of Equity over Capital requirements	31 648 336
Internal assessment of Capital requirements	20 083 834
Internal assessment of Capital surplus	28 659 289

2. Capital requirements for different categories of risk at 31 December 2010 is summarized below.

31 December 2010	
Total Capital requirements	17 094 787
Capital requirement due to Credit risk	12 181 504
Institutions- banks	81 004
Retail	11 190 360
Overdue	76 082
Other	834 058
Capital requirement due to Operating risk	4 913 283
Basic Indicator Approach	4 913 283
Capital requirement due to Market risk	0
Capital requirement due to settlement risk and counterparty credit risk	0
Capital requirement due to exceeding exposure concentration limit and large exposure limit	0
Capital requirement due to capital concentration threshold	0

3. The capital requirement due to operational risk was determined using the basic indicator approach (BIA).
4. Capital requirement due to credit risk was determined by the standard method, referred to Annex 4 of the Regulation No. 76/2010 of the Financial Supervision Commission. All the Bank's exposures are evaluated for credit risk using the standard method.
5. The following tables present receivables from banks as at 31 December 2010:

31 December 2010	
Current accounts	388 981
Deposits with other banks	3 980 396
Gross receivables from banks, total	4 369 377
Allowances for receivables from banks	0
Net receivables from banks, total	4 369 377
including:	
Short term (up to 1 year)	4 269 368
Long term (over 1 year)	100 009

	31 December 2010
up to 1 month	3 963 782
over 1 month to 3 months	305 586
over 3 months to 6 months	0
over 6 months to 1 year	0
over 1 year to 3 years	100 009
over 3 years	0
past due	0
Total	4 369 377

6. The following tables present receivables from customers as at 31 December 2010

6.1. Structure by type

	31 December 2010
Loans	185 876 748
Purchased receivables	6 869 772
Other receivables	7 375
Gross receivables from customers, total	192 753 895
Allowances for receivables from customers	(5 045 583)
Net receivables from customers, total	187 708 312
including:	
Short term (up to 1 year)	19 401 382
Long term (over 1 year)	173 352 513

6.2. Structure by product

	31 December 2010
Cash loans	178 246 523
Overdrafts	5 509 018
Credit card loans	2 121 207
Purchased receivables	6 869 772
Other receivables	7 375
Gross receivables from customers, total	192 753 895

6.3. Asset classes

	31 December 2010
Loans to business customers classified as retail exposures	185 884 122
Purchased receivables	6 869 773
Gross receivables from customers, total	192 753 895

7. As at 31 December 2010, the Bank did not have any capital exposures on the banking book or securitization exposures.

§ 3.

1. With regard to economic capital, the Bank specifies capital requirements arising from the following risks:
- Credit risk,
 - Concentration risk,
 - Operating risk,
 - Interest rate risk,
 - Currency risk.
2. The following table presents decomposition of the Bank's economic capital needs on the various categories of risks:

	31 December 2010
Internal assessment of the capital needs	20 083 834
Credit risk	12 181 504
Concentration risk	0
Interest rate risk	2 989 047
Currency risk	0
Operating risk	4 913 283

3. Economic capital on liquidity risk is zero, since this risk was treated as non-quantified. This stems from the nature of this risk, which is different from the other categories of risk and is not directly related to Bank's result and the amount of capital.
4. No internal capital is created for other negligible risk categories identified for the Bank operations.
5. The aggregation of the economic capital at the Bank is conducted by adding together the capital value for different categories of risk. As precautionary measures and due to the lack of historical data, the Bank does not use the correlation coefficient of the various risk categories when aggregating the total economic capital.

CHAPTER 3: Disclosures on risk management strategy

§ 4.

Key elements of FM Bank S.A. risk management strategy

1. The goal of managing the banking risk is to adjust the risk exposure taken by the Bank to the size, nature and objectives of its operations.
2. FM Bank products and transactions are characterized by low level of financial complication. All products and transactions are described in Bank's internal regulations.
3. Regulations on particular risk types, to which the Bank is exposed, describe in particular:
 - Responsibility of Bank's units in the process of risk management
 - Risk level reporting and monitoring system
4. Bank concludes financial transactions on the interbank market Only with the goal to manager liquidity and reduce currency and interest rate risk. Bank does not perform trading transactions.

§ 5.

Goals and rules for the risk management Policy with respect to particular types of risk

Credit risk

1. Credit risk is considered critical because loans constitute the dominant part of Bank's assets.
2. Bank specializes in loans to micro and small enterprises. Bank does not grant loans for the purposes other than financing business activity. Due to the fact that the current credit offer of the Bank is limited to financing private entrepreneurs and small and medium size enterprises, its credit portfolio shows a relatively low exposure amounts and low concentration of exposures to an individual Customers or a Group of Related Customers.
3. The credit offer and the lending process itself are highly standardized and automated.
4. The credit decision making process is supported by statistical models, while risk management from the portfolio perspective (management of risks associated with specific customer profiles, groups of homogeneous assets, credit record verification, and the process of testing new decision making strategies) is a significant element in the whole credit risk management system.

5. At the Bank, there is a system of liability concentration limits which takes into account supervisory requirements and additional internal concentration limits regarding exposure to a single customer, groups of entities related in terms of equity or organization, and groups of entities, where probability of default depends on common factors.
6. As at 31 December 2010, the Bank did not have any exposures in excess of the limits set out by the legislators in accordance with article 71 and 79 of the Act on Banking Law.
7. The only exposures of the Bank exceeding 1 000 000 PLN as at 31 December 2010 were short-term receivables from entities classified under regulations on stable financial and economic condition.
8. The delegation system for credit decisions consists of four levels (Branch, Regional Credit Committee, Bank Credit Committee, Management Board).
9. The Bank prefers the following collateral types for loans:
 - Financial collateral, including funds on bank accounts,
 - Bank guarantees and guarantees issued by other recognized financial institutions,
 - Real estates,
 - Tangible assets other than real estates, at the value of not less than PLN 5,000.
 - Sureties.
10. The types of collateral discussed above do not constitute a closed catalogue and other types of security may be applied. Due to the dominant position of small loans in bank's credit portfolio, the sureties, real estate and other tangible assets the most often applied collateral types. For all collateral types, the acceptance criteria are defined. In case of sureties, the guarantor's ability to repay a certain part of debt is measured. In case of real estate, the valuation is required, except residential real estate securing small loans. Also for other tangible assets the acceptance criteria are regulated.
11. The collateral concentration is low.
12. Credit risk exposures as at 31 December 2010 and 31 December 2009 are shown in the table below.

31 December 2010

Credit risk exposures	Balance Sheet exposure	Off-Balance Sheet exposure
Loans	205 025 713	4 758 847
Financial instruments held for trading	39 059 446	
Available-for-sale financial instruments (bills and bonds issued by the Treasury and the National Bank of Poland)	648 187	
Receivables from the Central Bank	3 743 088	
Receivables from banks	4 369 380	
Pledged assets		
Other assets	589 562	
Total assets exposed to credit risk	253 435 376	4 758 847
Assets not exposed to credit risk	19 252 718	
Total assets	272 688 094	

13. In the financial year ended December 31, 2010 Bank hasn't applied Any credit risk mitigation techniques leading to the reduction of the regulatory capital requirement Or economic capital consumption. Bank does not use the netting of the balance sheet Or off-balance sheet items. In the financial year ended December 31, 2010, the Bank has not taken any financial collateral other than Cash. The Bank does not present the value of exposures secured with recognized financial securities or other recognized securities as they have not been present in the bank books.

Liquidity risk

14. The purpose of liquidity risk management at the Bank is to ensure that future cash outflows are covered by appropriate amount of inflows. That goal is achieved by: appropriate planning and arranging of cash flows that will enable the Bank to meet all the matured liabilities, obtain stable sources of financing, maintain an appropriate level of liquid assets, and secure access to additional sources of financing.
15. The bodies involved in liquidity risk management at FM Bank S.A. include: the Supervisory Board, Management Board, ALCO, Treasury Department, Risk Control Department, and the Controlling and Reporting Department. The Bank's liquidity risk management strategy is subject to approval of the Supervisory Board. The Management Board is responsible for defining the strategy and setting the structure of liquidity risk management, including assignment of discretions and responsibilities. The Management Board also accepts the methods of measuring and monitoring the risk and sets the amount of internal liquidity risk limits. The Management Board's activities related to liquidity risk management are supported by the Asset-Liability Committee which continually monitors the Bank's liquidity and recommends to the Management Board the

levels of limits, methods of risk measurement and monitoring, etc. In terms of operations, the Bank's liquidity risk is managed by the Treasury Department.

16. The Bank uses the liquidity gap method to measure and monitor its liquidity risk. Liquidity gap is a summary of all inflows and outflows expected by the Bank, aggregated according to the expected cash flow dates. The tools that support the liquidity measurement include liquidity ratios presenting e.g. relation between the expected inflows and outflows or between the accepted deposits and granted loans. At the moment, the Bank uses the adjusted liquidity gap. Adjustment of cash flows means changing the dates of cash flows arising from concluded contracts to the dates reflecting the expected behaviour of customers or possibility to sell assets.
17. The Bank uses internal and external limits for mitigating its liquidity risk. Internal limits include the limits set for the cumulative liquidity gap over various periods and the minimum liquid assets limit. Liquid assets include cash, receivables from banks which mature within a working day, and liquid securities which can be easily sold or disposed. They constitute the Bank's reserve that can be potentially used in the event of unexpected demand for liquid assets. External limits are enforced by the regulator and include: short-term liquidity gap limit, short-term liquidity ratio limit, non-liquid assets to equity ratio limit, and non-liquid assets and limited liquidity assets to equity and stable external funds ratio limit.

Market risk

18. FM Bank S.A. is mainly exposed to the interest rate risk associated with changes in market interest rates. The second type of the potential market risk at the Bank is the foreign exchange risk associated with unfavorable changes in foreign exchange rates which, however, due to absence of any considerable foreign currency positions as at the reporting date, does not represent a significant risk in the current operations of the Bank.
19. The aim of the market risk management at the Bank is to limit its exposure to this type of risk and mitigate any potential losses incurred due to this risk. This goal is achieved by using a centralized system of market risk management.
20. Market risk management at the Bank is organized analogically to the liquidity risk management system. The main governing bodies are involved in the process. The Supervisory Board approves the Bank's market risk management strategy. The Management Board is responsible for defining the strategy and setting the structure of market risk management, including assignment of discretions and responsibilities. The Management Board also accepts the methods of measuring and monitoring the risk and sets the amount of internal market risk limits. The Management Board's activities related to market risk management are supported by the Asset-Liability Committee which continually monitors the Bank's exposure to the market risk and recommends to the Management Board the levels of limits and methods of risk measurement and

monitoring. In terms of operations, transactions that hedge the Bank's market risk are executed by the Treasury Department.

21. The main tool used for measuring and monitoring the interest rate risk at the Bank is the interest rate gap. It is a summary of all assets, liabilities and off-balance sheet transactions according to their revaluation. The revaluation period is the period of time until the date of cash flow for fixed interest instruments and the period of time until the change / revaluation of the interest rate for variable interest instruments. The revaluation period shows the sensitivity of a cash flow / instrument to changes of market interest rates. The longer the revaluation period, the higher the sensitivity, and thus the higher the interest rate risk. Among the tools that supplement the interest rate risk measurement are scenario analyses, where the Bank identifies sensitivity of a given position or the Bank's profit or loss on changes in market interest rates.
22. In order to mitigate the interest rate risk, the Bank limits its maximum interest rate gap to various periods of time.
23. The mitigation of the interest rate risk level is performed by adjustments to the Bank's product offer and execution of IRS transactions reducing exposure to this risk.

Operating risk

24. The purpose of managing the operating risk at FM Bank S.A. is to mitigate the probability of operational events and effects of events that have already occurred.
25. The Bank's governing bodies are involved in managing the operating risk. The Supervisory Board approves the Bank's operating risk management strategy. The Management Board is responsible for defining the strategy and designing the operating risk management process. The Management also accepts the methods of identifying, monitoring and mitigating the operating risk.
26. The Bank's operating risk is managed on the level of each business unit as part of their ongoing operations. Activities related to operating risk management on the level of the whole Bank are coordinated and monitored by a dedicated central unit – the Risk Control Department.
27. In order to effectively manage the operating risk, the Bank has developed an operating risk management process which includes the following stages:
 - Identification is aimed at detecting potential or actual risk factors in operating events related to all products, processes, activities, and systems. The identification process involves ensuring that before any new products, processes and systems are presented or implemented across the Bank, any underlying risk must be appropriately analyzed
 - Assessment includes activities undertaken as part of processes related to issuing opinions on regulations and products and is aimed at estimating the probability and size of any potential losses

- Management and control involve in particular recommendations of preventive and remedial actions for identified key risk areas as well as control of implementation of such activities
 - Monitoring means ongoing recording, in an appropriate tool, of any events occurring during operations in order to monitor the operating risk profile for the whole Bank
 - Reporting involves submission of regular reports to the Management Board and Supervisory Board.
28. In order to ensure appropriate management of operating risk at FM Bank S.A., operating events are reported to a database of operating events in accordance with categories specified in the Recommendation M on operating risk management at banks issued by the Banking Supervision Authority.
29. Presently, the Bank is implementing additional tools intended to support the operating risk management process in order to enable measurement of key risk ratios and building of an operating risk map that will include potential events arising from the process of operating risk self-assessment. Key risk indicators are meant to indicate probability of any operating risks that may occur in the future in given areas of the Bank and also they act as early warning instruments. The operating risk self-assessment is a method that enables the Bank to assess its exposure to potential operating risks by estimating severity and frequency of losses that may occur if the foreseen risk materializes.
30. The operating risk management at the Bank is supported by the Business Continuity Management. The process includes, among others, operations of the IT Systems Security Steering Committee and implementation of the Business Continuity Plan created in order to enable the organisation to respond to any events in a manner that ensures continuity of all critical processes at a minimum acceptable level.
31. The Bank organises trainings on operating risk management for its employees in order to build their awareness of the existence of such risks and the need to identify and mitigate effects of such risks in the ongoing operations of the Bank.