

Report on the observance of corporate governance rules in Nordea Bank Polska S.A. in 2008.

I. The list of the rules of corporate governance that were not followed by the Company in 2008

In 2008, the Management Board of Nordea Bank Polska S.A. declared the intention to comply with the rules of corporate governance included in the document entitled „Best practices in companies listed at the Warsaw Stock Exchange” with the exception of rules Nos. II.6, 7 and 8. Below, we present the rules that were not observed in the Company in 2008 with a comment from the Company:

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„Best practices in companies listed at the Warsaw Stock Exchange”	Comments from Nordea Bank Polska S.A. regarding the rules not followed by the company in 2008.

III. Best practices for Supervisory Board Members

6. At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities significantly related to the company. The independence criteria should be applied under Annex II to the <i>Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board</i> . Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company, its subsidiary or associate cannot be deemed as meeting the independence criteria described in the Annex. In addition, a relationship with a shareholder contradicting the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise 5% or more of all votes at the General Meeting.	All the members of the Supervisory Board are elected by the General Meeting of Shareholders. The principles of election of Supervisory Board are regulated in the Bank’s Statutes, which stipulate that a majority of the members of the Supervisory Board shall be Polish citizens permanently living in Poland. The majority of the members of the Supervisory Board, who are Polish citizens, do not have any capital, organizational or personal relations with the majority shareholder
7. The Supervisory Board should establish at least an audit committee. The committee should include at least one member independent of the company or entities significantly related to the company, who has competencies in accounting and finance. In companies where the Supervisory Board consists of the minimum number of members required by law, the tasks of the committee may be performed by the Supervisory Board itself.	The Bank’s Statutes define the principles of the appointment and operation of the Audit Committee: With the view to supporting and monitoring the fulfilment of the auditors’ duties, the Supervisory Board has appointed an Audit Committee. The activities of the Audit Committee are regulated under the Charter of the Audit Committee approved by the Supervisory Board. At present, the Audit Committee has a member who is a Polish citizen and is not related by capital or organization to the Majority Shareholder.
8. Annex I to the <i>Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors...</i> should apply to the tasks and	There are no such committees in the Company as are listed in Annex I to the European Commission Recommendation

the operation of the committees of the Supervisory Board.	dated 15.02.2005 i.e. a Nominating Committee, Remuneration Committee. The Supervisory Board adopted a resolution appointing a Committee for Contracts of the Members of the Bank's Management Board, authorising it to review and update the contracts, set out the terms and conditions of contracts for new members of the Management Board as well as authorising the Chairman to sign the relevant documents on behalf of the Supervisory Board .
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II. Description of the method of functioning of the general meeting of shareholders and its primary powers as well as the rights of shareholders and the method of exercising these rights

General Meetings of Shareholders are convened by the Company in accordance with the applicable Polish laws (i.e. pursuant to the Commercial Companies Code), the Bank Statutes and the Rules of General Meetings of Shareholders (GMS).

General Meetings of Shareholders take place in the company's offices, on business days, in the afternoon, so as to enable the biggest possible number of shareholders to attend the meetings. A GMS is convened by placing an announcement in the *Monitor Sądowy i Gospodarczy*, which contains also the tentative agenda and any proposed amendments to the Bank Statutes.

The notice of the GMS with the agenda is delivered to the shareholders by mail 15 days before the GMS. The draft texts of resolutions to be passed by the GMS as well as other important materials are made available to the shareholders at the company's offices 7 days before the GMS.

The company follows the general rule of not cancelling or changing dates of General Meetings that have already been announced, unless extraordinary or especially justified circumstances arise, of which the shareholders are immediately informed in writing.

The Supervisory Board of the Bank, acting pursuant to the Bank Statutes, reviews all matters that are tabled at the GMS.

The GMS considers all matters that are listed in the agenda.

General Meetings of Shareholders can be attended by holders of bearer shares who deposit (at the Company's offices at least one week ahead of the GMS) registered certificates of deposit issued in order to confirm the right of the holder of book-entry shares to attend the meeting.

The eligible holders of bearer shares, who have the right to vote, are entitled to attend the General Meetings of Shareholders (GMS), if they were recorded in the share ledger at least one week before the date of the GMS.

Shareholders may attend the GMS and may exercise their right to vote personally or through a proxy.

The company accepts a proxy authorization granted in writing (under pain of nullity) only if it is furnished with a stamp (stamp duty). The authorization includes the shareholder's declaration of authorizing the proxy to represent him at the General Meetings of Shareholders.

The GMS is presided over by one of the shareholders elected for this purpose at every meeting. The election takes place prior to the commencement of any actions. Until the election of the Chairman, the GMS is presided over by one of the members of the Supervisory Board of the Bank.

The Chairman of the GMS is responsible for an efficient progression of the meeting and for respecting the rights vested in all the shareholders.

The Chairman of the GMS signs the minutes of the general meeting immediately after the text has been drawn up by a public notary.

Representatives of the Bank's Supervisory Board and Management Board designated by the respective boards, as well as the auditors invited by the Company (if present) offer explanations and information

to the attendees regarding the Company, to the extent to which they are entitled and qualified to offer such information and explanations.

Each shareholder who is against the passing of a resolution or who makes a declaration concerning an item of the agenda has the right to demand that his dissenting vote and declaration are recorded in the minutes of the GMS (in notarized minutes).

The Company's authorities do not limit access to information.

The Company's Management Board does not have any objections to the presence of media representatives at the GMS, but such presence must not impede the course of the meetings.

The Company's Management Board shall strive to provide media representatives with reliable information concerning the current operations of the Company and its economic standing, subject to the reservation, however, that the Company shall fulfil its disclosure obligations in compliance with the Public Trading in Securities Act, i.e. it shall make sure that all the shareholders and investors have equal access to information.

III. The composition and the rules of operation of management and supervisory boards in the company and of the company's committees

The composition of the Management Board of Nordea Bank Polska S.A. as at 31/12/2008:

Włodzimierz Kiciński – President of the Management Board

Sławomir Żygowski – First Vice President of the Management Board – Deputy President of the Management Board

Janne Hirsto – Vice President of the Management Board

Jacek Kalisz – Vice President of the Management Board

Tomasz Misiak – Vice President of the Management Board

Bohdan Tillack – Vice President of the Management Board

Events that took place during the reporting period, concerning changes in the composition of the Bank's Management Board:

- On 30 April 2008, Mr Wojciech Papierak, Vice President of the Management Board for Operations, Logistics and Security, handed in his resignation notice to President Włodzimierz Kiciński.
Mr Wojciech Papierak's resignation was communicated to the Supervisory Board, which on 16 May 2008 passed Resolution 8/2008 in respect of terminating the contract of employment with Mr Wojciech Papierak, effective as of 30 June 2008.
- The Bank's Supervisory Board, in its Resolution No 20/2008 dated 21.08.2008, appointed Mr Tomasz Misiak to the position of Vice President of the Management Board for operations, logistics and security, effective as of 01 September 2008.
- On 29 December 2008, Mr Janne Juhana Hirsto, Vice President of the Management Board for loans, handed in his resignation, effective as of 31 December 2008.

Subsequent events relating to changes in the composition of the Bank's Management Board:

- The Bank's Supervisory Board, in its resolution No 1/2009 dated 13 January 2009 appointed Mrs Anna Agnieszka Domaradzka to the position of Vice President of the Management Board for loans, effective as of 14 January 2009.

The powers (principles of work) of the executive managers:

The Management Board of the Bank works on the basis of the Rules approved by the Supervisory Board of the Bank, in accordance with the Bank's Statutes. The Rules define the specific areas of responsibility of the Management Board of the Bank and the matters that must be collectively considered and resolved by the Management Board of the Bank.

The Management Board handles the Bank's matters, manages its assets and represents the Bank externally, in addition, the responsibilities of the Management Board include all matters that are not reserved for the sphere of responsibility of the General Meetings of Shareholders or the Supervisory Board of the Bank.

The composition of the Supervisory Board of Nordea Bank Polska S.A. as at 31/12/2008:

Wojciech Rybowski – Chairman of the Supervisory Board

Thomas Neckmar – Vice Chairman of the Supervisory Board

Members of the Supervisory Board:

Emilia Osewska-Mądry

Maciej Dobrzyniecki

Esa Tuomi

Rauno Päivinen

Henrik Bernhard Winther

Eugeniusz Kwiatkowski

Andrzej Zwara

Asbjörn Höyheim

Jacek Wańkiewicz

Events that took place during the reporting period, concerning changes in the composition of the Bank's Supervisory Board:

On 12.06.2008, the Ordinary General Meeting of Shareholders appointed the members of the Supervisory Board for the seventh term of office. One change occurred in the composition of the Supervisory Board of the sixth term of office. Mr Andrzej Zwara was replaced by Mr Marek Głuchowski.

The rights (principles of work) of the members of the Supervisory Board:

The Supervisory Board of the Bank works on the basis of Rules approved by the General Meeting of Shareholders in accordance with the Bank's Statutes. The Rules define the specific areas of responsibility of the Supervisory Board of the Bank and the matters that must be collectively considered and resolved by the Supervisory Board. The area of responsibility of the Supervisory Board includes all matters that are not reserved for the area of responsibility of the General Meeting of Shareholders or for the Management Board of the Bank.

The committees that operate in the Bank:

I. The Audit Committee:

The Bank's Statutes define the principles of establishment and functioning of the Audit Committee. In order to support and supervise the fulfilment of audit tasks, the Supervisory Board established the Audit Committee. The activities of the Audit Committee are regulated by the Statutes of the Audit Committee, approved by the Supervisory Board of the Bank.

II. The Contracts Committee:

The Supervisory Board passed a resolution establishing the Committee for the Contracts of the Members of the Management Board. The Committee is authorized to analyze and update contracts, define rules governing the contracts of newly appointed members of the Management Board and authorize the Chairman (acting on behalf of the Supervisory Board) to sign relevant documents.

IV. The description of the basic features of the company's systems of internal control and risk management with regard to the process of preparation of financial statements

Nordea Bank Polska S.A. is exposed to the following types of financial risk resulting from its operations:

- credit risk (including the counter party's credit risk)

- market risk (including: interest rate risk, FX risk and equity price risk)
- liquidity risk.

The goal of risk management is to limit the potentiality of losses resulting from:

- changes in the market situation (market risk),
- counter party's insolvency (credit risk),

and to assure the adequate and safe structure of finance for the Bank (liquidity risk) as well as a value of equity adequate to the risk involved.

The Bank manages the risk resulting from financial instruments, subject to a division into the following risk areas: credit risk, market risk (interest rate risk, FX risk and equity market price risk), and liquidity risk.

Credit risk

When granting loans, the Bank follows the common rules established by the Nordea Group. The primary rules and the relevant decision-making authorities are described in the Nordea Group's credit policy, its strategy and credit instructions.

All the specific procedures relating to the granting of loans are presented in the Bank's internal instruction manuals.

When assessing the credit risk resulting from exposures to business entities, the Bank uses an internal rating model. Every customer with a significant credit exposure receives a solvency rating (financial rating) and a collateral rating, which represent a synthetic measure of the risk generated by the customer.

The assessment of the credit ability of private individuals is based on the estimation of the borrower's net income surplus (NIS). NIS is the average monthly net income less:

- 1) house/flat upkeep costs,
- 2) the costs of living of the members of the household,
- 3) encumbrances resulting from writs of enforcement,
- 4) financial encumbrances

In addition, the Bank's rules applicable to specific products (e.g. a mortgage loan) impose requirements relating to e.g. the maximum value of the debt service/net income ratio and the maximum value of the LTV ratio.

When making credit decisions, Nordea Bank Polska follows the principle of consensus. This means that an increase in credit commitment requires the consent of all the members of the decision-making authority.

Independent Head Office segments (those that are not involved in the accomplishment of the sale targets) are responsible for the monitoring of the quality of the credit portfolio, supervision over the proper classification of credit exposures, the value of the impairment allowances and the control of credit operations.

Market risk

Market risk is managed on the basis of the market risk management policy adopted by the Bank.

The exposure to market risk is formally mitigated by risk limits established by the Management Board as part of the limits approved by the Supervisory Board of the Bank. These limits cover the value at risk (foreign exchange risk, interest rate risk, equity market price risk) sensitivity to interest rate changes (interest rate risk) and limitation of the nominal amounts of exposures (foreign exchange risk).

The measurement of risk and the control of its compliance with the limits accepted by the Management Board for particular risks is carried out on a daily basis by a specialized unit operating independently of the business divisions responsible for meeting profit targets. Regular reports on market risk are discussed at meetings of the Assets and Liabilities Management Committee (ALCO) and are presented to the Bank's Management Board.

The limits for specific risk categories approved by the Management Board are reviewed from time to time to ensure that they comply with the current goals and strategy of the Bank.

Liquidity risk

The Bank's policy adopted by the Management Board provides for a conservative approach to the liquidity risk. The Bank avoids any unnecessary exposure and maintains risk at a level being in appropriate proportion to the Bank's capacity to bear it.

Short-term liquidity risk is managed by the Treasury Department, which arranges funds to finance the Bank's current operations. To ensure finance at each moment of the Bank's activity, the Bank uses a minimum limit of its liquid funds, the so called liquidity buffer.

Mid-term and long-term risk is controlled by a separate unit in charge of risk control based on the analysis of expected future cash flows, changes in the sources of finance, the use of these sources and the stability and concentration of the Bank's deposit base. Regular, periodical reports on liquidity risk are discussed at meetings of the Assets and Liabilities Management Committee (ALCO) and presented to the Management Board.

The Bank has developed a contingency plan in case of unexpected disruptions in liquidity. The plan has been approved by the Management Board.

The Bank uses a number of methods to measure its liquidity risk. Starting from daily monitoring of its short-term liquidity gap being the reflection of the Bank's current demand for liquid funds through the periodical observation of various liquidity ratios to the analysis of the long-term liquidity gap established on the grounds of statistical results of a deposit base study and estimates related to maturities of particular balance-sheet items and the possibility of liquidation of Bank's assets.

The control and management of operational risk

Operational Risk Management is the process controlled by the Management Board of the Bank, heads of organizational entities and units and all employees of the Bank supported by competent structures of the Nordea Group established so as to assist in achieving the set aims regarding:

- Identification of the areas generating losses or excessive costs,
- Optimization of procedures and banking processes,
- Enhancement of customer satisfaction and a competitive edge of the Bank,
- Implementation of a pro-active policy and loss prevention,
- Reduction of exposure to reputation damage,
- Reduction of capital requirements,
- Provision of market information on effective risk management systems.

The Bank manages its operational risk in compliance with the rules set in the standards of Polish law, regulations issued by NBP (National Bank of Poland) and other competent authorities as well as in compliance with standards set by the Nordea Group. The whole area relating to operational risk management is controlled by the Operational Risk Control and Management Department.

The process of risk identification involves the determination of risks relating to operational risk in all major areas of the Bank's operation as well as for all new products, processes and systems.

Effective operational risk identification should take into account:

- 1) internal factors (the Bank's structure, types of services, bank products and activities, personnel quality and changes of organizational and human resources),
- 2) external factors (the Bank's environment, political, legal and socio-demographic factors, competition, changes in the sector, new technologies), which may have a negative impact on achieving the Bank's aims.

Identification of operational risk factors at the Bank is based on:

- the operational risk, self-assessment process
- the Quality and Risk Analysis (QRA) – the analysis that involves all changes in the business operation of the Bank, both due to a launch of new types of businesses and modifications of

present ones, resulting in changes of business and other processes and being potential sources of operational risk,

- the analysis of internal control results, both functional and institutional,
- the analysis of results of external and internal audits
- reports on current incidents,

The measurement and assessment of operational risk involves the estimation of sensitivity (exposure) to risk of all products, processes, measures and systems present in the Bank, mostly based on the analysis of loss volume and structure resulting from events due to operational risk. Effective risk management provides the suitable identification of risk areas (a so-called 'risk map') and the adequate adaptation of management mechanisms of such risk.

Operational risk is assessed by way of:

- Measurement of the key operational risk factors – they involve key values/volumes of events that result in losses. Moreover they include the statistical, numerical and financial data that are calculated and subject to periodic analysis and refer to specific types of risk.
- Analysis of a historical database – involving the data on losses incurred inside the Bank and in the Bank's environment. The aim of collecting and analysing the data is to recognise and eliminate the factors that caused the losses.
- Scenarios analysis – conducted based on external market data on hazards that are present in the banking sector.
- Independent internal audit operations.
- Institutional internal control.

The monitoring is effected by:

- Incident management that involves the analysis of actual events resulting in operational losses as well as potential events that could have resulted in serious consequences, either tangible or intangible ones.
- Database of losses that contains data on losses incurred inside the Bank and in the Bank's environment. The aim of collecting and analysing data is to recognise and eliminate factors that have caused the occurrence of losses.
- Reporting involves the production of regular reports on operational risk for the Bank's Management Board and competent organizational units in the Nordea Group.

An effective monitoring system is based on systematic collection of data concerning causes of losses and information on their volume, frequency and severity, in order to use them for risk measurement.

Operational risk is reduced and mitigated by way of:

- Implementation of control recommendations issued within international functional and institutional control,
- Implementing action plans, i.e. remedial measures,
- Remedial measures taken as a result of analysing mechanisms of registered incidents.
- Application of the 'best practices' in the on-going operational risk management involving:
 - a) Preventing money laundering – 'Programme of Counteracting Money Laundering and Financing Terrorism at Nordea Bank Polska S.A.' that involves a so-called 'Meet your Customer' practice".
 - b) Preventing crimes – protecting the Bank against frauds, either internal or external, is of fundamental importance for the Bank and therefore it requires special attention from employees on all levels of responsibility.
 - c) Management of business continuity – formulation of the Business Continuity Plan (BCP) in order to provide the failure-free operation of critical business functions on the level required by the Bank; it involves the determination of roles and job descriptions as regards the aims and premises set at the stage of developing business continuity plans.

- d) Formulating emergency plans – aimed at recreating and resuming the operation of critical business processes in compliance with adopted aims of reconstruction.
- e) Insurance of the Bank’s assets (including the Bank’s own assets) – provided to secure the Bank against unforeseeable errors or operational events with significant financial impact (complaints/claims of third parties due to losses by the Bank’s fault or the events of force majeure).
- f) Outsourcing – determining both the required supervision authorities and the rules of good practice for management of outsourcing risk that have to be followed in case of ordering banking or financial services or other business operations from external firms.

Internal control is a process performed by the Management Board of the Bank, managers of the organizational units and segments of the Bank and by all employees of the, established in a way facilitating the accomplishment of targets in the following areas:

- the effectiveness and efficiency of operations,
- the reliability of financial reporting,
- compliance with external and internal regulations,
- security of assets, including adequate management of the risk relating to the Bank’s operations.

Internal control is based on the control environment including the following elements: management values and culture, target-orientation and monitoring of the accomplished targets, clear and transparent organizational structure, division of tasks, quality and efficiency of internal communication, as well as an independent assessment process.

The effectiveness of activities conducted within the framework of internal control depends on adequately conducted and well-documented risk assessment.

The system of internal control is based on two pillars – internal institutional control and internal functional control

The purpose of internal institutional control is to monitor the following areas:

- the organisational structures of the Bank, with particular emphasis on their adaptation to changing environment,
- the correct division of decision making limits and monitoring of compliance with such limits,
- coherence of the applicable internal normative documents and their consistence with external law,
- the safety and adequacy of operations and transactions conducted by the Bank,
- effectiveness of conducted activities, including the effectiveness of particular bank operations,
- the adequacy and reliability of the system of financial reporting and the system of accounting,
- the quality of management of organisational units and cells of the Bank,
- the adequacy of the functioning of information systems, in particular the protection of access to computer data bases,
- the degree of preparedness of the Bank to maintain continuity of operation in case of malfunctions and accidents.

Internal functional control is conducted by all Bank employees, organizational units and segments of the Bank, in particular by organizational segments of the Head Office established for this purpose.

The managers of organizational units and segments of the Bank are responsible for the organization and proper functioning of internal functional control.

The functional control process shall be aimed in particular at:

- ongoing examination of the extent of implementation of the tasks assigned to the organisational unit or segment,
- examination of the compliance of the operations of organisational units and segments with the normative rules that are in force in the Bank,
- determining the reasons for and consequences of the disclosed irregularities and finding out the responsible persons,

- proposing the methods and instruments that make possible the elimination of the disclosed irregularities and breaches,
- taking steps aimed at prevention of future occurrence of the discovered weaknesses.

The effectiveness of the system of internal control in the Bank is subject to regular assessment by an independent internal audit segment.

The process of creation of financial statements

The process of drawing up financial statements is described in the relevant internal regulations in the bank and approved by way of executive order of the President. The current Executive Order sets out a clear and transparent division of tasks and responsibilities of the persons involved in the preparation of and the proofreading of the Bank's financial statements.

Financial statements are drawn up by the Reporting Team located within the Accounting Department and being a separate segment of that department within the CFO Division, directly subordinated to the Chief Financial Officer.

The process of preparation of financial statements is supervised in terms of process organization and the substance of the statements by the head of the Accounting Department.

The process of preparation of financial statements is included in the system of functional internal control. Functional internal control activities are performed by all the teams in the Accounting Department: the Reporting Team, the General Ledger Team, the General Expense Bookkeeping Team and the Taxes Team., each within the scope of its tasks and responsibilities. The control activities focus on the areas of accounting policies and financial reporting.

The Bank's financial reporting is also covered by the internal institutional control system and independent internal audit.

The Bank's annual and semi-annual financial statements are also audited and reviewed by external auditors.

Financial statements are submitted to the Management Board for approval.