NOBLE BANK S.A.

CAPITAL ADEQUACY

AND

RISK MANAGEMENT (PILLAR III)

AT NOBLE BANK S.A.

As at 31 December 2007

OWN FUNDS

The percentage of the bank's own funds in relation to its risk is maintained at a safe level. At the same time, the bank adheres to the absolute principle of capital safety and aims to establish its long-term return on capital at the optimal level.

To ensure capital adequacy, the bank calculates its capital requirement in compliance with the applicable regulations. The bank's solvency ratio and the value of own funds based on which the solvency ratio is calculated are determined based on the following regulations:

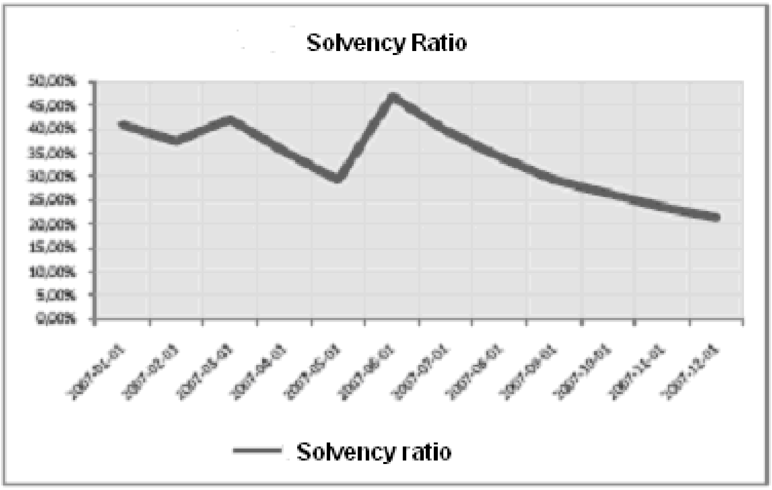
- Banking Law Act (*Ustawa Prawo bankowe)* of 29 August 1997 (*Dz.U.*(Journal of Laws) of 2002, No.72, item 665, as amended).
- Resolution No.1/2007 of the Polish Commission for Banking Supervision of 13 March 2007 on the scope and detailed rules for determining capital requirements for different risk types, including the scope and detailed rules for applying statistical methods and the scope of information attached to an application for permission to apply such methods; the scope of and conditions for including debt assignment agreements, subparticipation agreements, credit derivative contracts and agreements or contracts other than debt assignment agreements and subparticipation agreements in determining capital requirements; the conditions for, scope and manner of using ratings assigned by external credit assessment institutions and export credit agencies; the manner of and detailed rules for calculating banks' insolvency ratios; the scope and manner of including banks' activities in groups in calculating their capital requirements and solvency ratios; and to define additional items in bank balance sheets to be presented jointly with own funds in calculating capital adequacy and the scope, manner of and conditions for determining such items.
- Resolution No. 2/2007 of the Commission for Banking Supervision of 13 March 2007 on other deductions from a bank's core capital, the amount, scope and conditions of such deductions from the core capital of a bank; other balance sheet items included in the supplementary capital, the amount, scope and conditions of including them in a bank's supplementary capital; deductions from a bank's supplementary capital, the amount, scope and conditions of such deductions from the banks' supplementary capital, the scope and manner of including banks' activities in groups in calculating their own funds.
- Resolution No. 3/2007 of the Commission for Banking Supervision of 13 March 2007 on detailed rules and conditions for including exposures in determining compliance with exposure concentration limits and large-exposure limits; to specify exposures for which the regulations regarding exposure concentration limits and large-exposure limits do not apply, and the conditions to be met by such exposures; to specify exposures for which the Commission for Banking Supervision's permission is required for exemption from compliance with the regulations regarding to exposure concentration limits and large-exposure limits; and on the scope and manner of including banks' activities in groups in calculating exposure concentration limits.

As at 31 December 2007, the bank calculated its capital requirement for credit risk using the approach prescribed by the then applicable regulations (Basel I Accord) and for operational risk using the basic indicator approach, as permitted under Section 14(1) of the Resolution 1/2007 of the Commission for Banking Supervision of 13 March 2007.

The table below shows the bank's own funds as at 31 December 2007 (in PLN '000)

	31 Dec. 2007
Core capital	215,178
Supplementary capital	174,023
Capital reserves	4
Funds adjusted for shares in subsidiaries	- 89,537
Funds adjusted for intangible assets	- 2,968
Total own funds	**296,700**

The bank's solvency ratio, calculated as the proportion of the bank's own funds to total assets and risk weighted off-balance sheet items was 21.40% as at 31 December 2007. The chart below shows the historical values of the bank's solvency ratio in 2007.

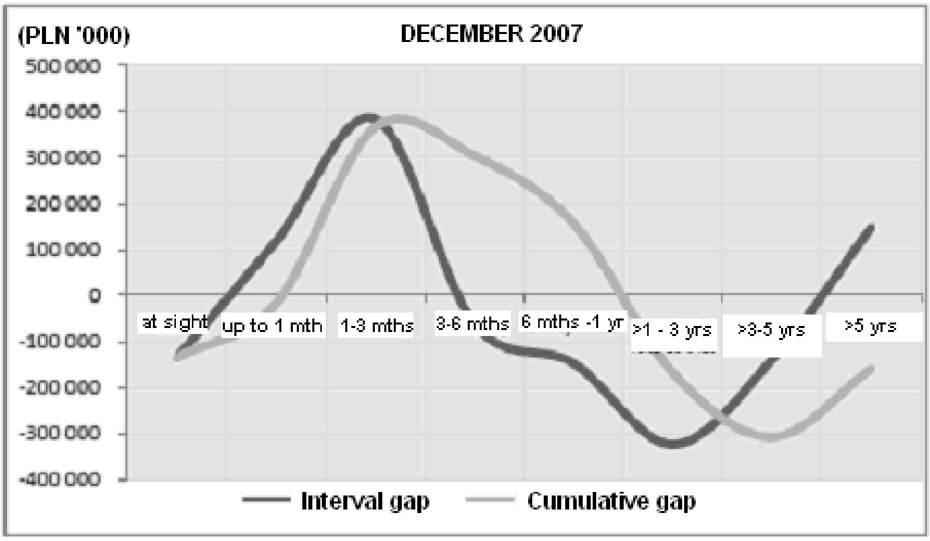


LIQUIDITY RISK

Liquidity management at Noble Bank aims to ensure the bank's ability to meet all its contractual obligations in a timely and satisfactory manner. The bank manages its liquidity risk by ensuring its balance sheet structure and off-balance sheet items allow the bank to achieve its strategic goals, which include maximising the market value of its capital by achieving the target profit while maintaining exposure to financial risks at levels accepted by the bank's Management Board.

The bank's liquidity management is based on presenting the bank's assets and liabilities according to realigned maturity dates (maturity gap method).

The chart below shows the bank's interval gap and cumulative gap as at 31 December 2007.



INTEREST RATE RISK

The purpose of measuring and managing the risk arising from the bank maintaining open positions as a result of an asset-liability mismatch in terms of interest rate validity dates is to minimise the risk resulting from maintaining such positions. The main source of interest rate risk is transactions carried out at the bank's branches and transactions carried out on the money market through the agency of Money Management Office. As the main source of income for the bank is lending margins, the approach adopted by the bank to limit interest rate risk can be considered as prudential. The limit is based on two elements:

- cumulative change of the margin resulting from changes in interest rates by a specified percentage,
- the amount of the bank's own funds in the reporting period.

The limit is equal to the percentage share of lending margin change in relation to the bank's own funds.

The table below shows the bank's interest rate sensitive assets and liabilities according to the repricing model as at 31 December 2007.

Repricing gap (PLN'000)	0-1 months	1 – 3 months	3-6 months	6-12 months	1-2 years	2-5 years	>5 years	Total
Assets	271,160	1,508,431	-	2,000	23,620	-	-	1,805,211
Liabilities	360,875	860,327	105,264	150,968	36	12,567	-	1,490,038
Interval gap	(89,716)	648,104	(105,264)	(148,968)	23,584	(12,567)	-	315,173
Cumulative gap	(89,716)	558,389	453,125	304,157	327,740	315,173	315,173	

CURRENCY RISK

As part of its operating activities, the bank aims to minimise currency risk by maintaining its total currency position below a specified limit. The value of the bank's total currency position may not exceed a specified percentage of the bank's own funds.
Currency risk is generated as a result of transactions with customers. Currency risk is managed by concluding opposite transactions in the interbank market. The bank does not carry out speculative currency transactions in the interbank market.
The limit and the bank's policy allow the bank to minimise loss incurred as a result of adverse changes in the currency market.
The table below shows the bank's total currency position as at 31 December (PLN '000).

Date	Total Position	USD	CHF	EUR	JPY
31 Dec. 2007	1,818	238	870	- 123	709

OPERATIONAL RISK

Operational risk is the possibility of the bank incurring losses as a result of the occurrence of adverse factors (factors stimulating the occurrence of operational risk): staff, IT, customer relations, relations with customers and third parties, fixed assets and project management. To be able to categorise operational risk events properly, the bank has approved event type categories for operational risk that are recognised by the Basel Committee and the banking sector as potentially resulting in actual losses incurred by banks, i.e.

- internal fraud
- external fraud
- employment practices and workplace safety
- clients, products and business practice
- damage to physical assets

- business disruption and systems failure
- execution, delivery and process management

For the purpose of effective operational risk management, the bank has implemented a five-stage management process:

1. operational risk identification and assessment for all products, banking transactions, processes and systems;
2. assessment through “a self-assessment” system to be implemented in the future and currently through a system of risk ratios to show and estimate the effect of operational risk on the bank’s losses based on historical information on the bank’s losses due to operational risk;
3. creation of a database of losses based on registered individual events resulting in losses;
4. monitoring risk by receiving regular reports from relevant units, functional groups, departments and internal auditors responsible for carrying out regular operational risk-related audits;
5. reporting on the degree of the bank’s exposure to losses due to operational risk and operational risk events.

As at 31 December 2007, the total amount of losses incurred as a result of events registered in the Operational Events Register was PLN 47 391.