

**Commentary**  
**to a quarterly report of**  
**Fortis Bank Polska SA**  
**for the second quarter of 2002**

1. Accounting principles adopted in the report:
  - 1.1. Fortis Bank Polska SA keeps its accounting records pursuant to the rules detailed in the Accounting Act dated September 29, 1994 (Official Journal No. 121 item 591, as amended), the Ministry of Finance Ordinance dated December 10, 2001 regarding special rules of bank accounting (Official Journal No. 149 item 1673) and the Ministry of Finance Ordinance dated December 12, 2001 regarding special rules of approving, valuation methods, scope of including and manner of presenting financial instruments (Official Journal no. 149 item 1674).
  - 1.2. The bank accounting rules are specified in the "Accounting rules" (Order No. B/45/2002 issued by the President of the Board of Executives of Fortis Bank Polska SA).
  - 1.3. A detailed description of the accounting principles applied by the Bank was presented in the quarterly report for the 1st quarter 2002.
  - 1.4. In the second quarter of 2002, the accounting principles were not changed.
  - 1.5. Financial data included in the quarterly report has been prepared using valuation rules applicable to assets and liabilities and the calculation of the financial result determined on the balance sheet day, taking into account adjustments resulting from provisions, including provisions for other timing differences arising from income tax, referred to in the Accountancy Act, and write-offs revaluing assets according to the existing provisions.
  - 1.6. For the purpose of financial reporting the Bank applies a Model Chart of Accounts implemented by way of the Ministry of Finance Ordinance dated December 12, 2001 regarding bank model chart of accounts (NBP Official Journal No 152 item 1727). Due to the fact that the Bank's shares are admitted to public trading under the Law on the Public Trading of Securities, the Bank's reporting is prepared according to the Council of Ministers Ordinance dated October 16, 2001 regarding the type, form and scope of current and periodic information and dates of its passing by issuers of securities admitted to public trading (Official Journal No 139 item 1569) as amended by the Ministry of Finance Ordinance dated March 19, 2002 (NBP Official Journal No. 31 item 280), and the Ministry of Finance Ordinance dated October 16, 2001 on detailed conditions to be met by issue prospectus, abbreviated issue prospectus, information memorandum and shortened information memorandum (Official Journal No 139 item 1568) as amended by the Ordinance of the Ministry of Finance dated March 19, 2002 (Official Journal No. 36 item 328).
  - 1.7. As of June 30, 2002, deferred income tax assets amounted to PLN 36,071 thousand and deferred income tax provision was PLN 16,165 thousand. As of June 30, 2001 the amount of corresponding deferred income tax assets was PLN 27,438 thousand and, the deferred income tax provision equaled PLN 16,194 thousand.
  - 1.8. Selected financial data included in the report has been converted into the euro according to the following rules:
    - 1.8.1. Particular assets and liabilities were converted into the euro at the average exchange rate on June 30, 2002 announced by the National Bank of Poland, i.e. PLN 4,0091.
    - 1.8.2. Particular items in the profit and loss statement and cash flow YTD were converted into the euro at the rate based on the arithmetic mean of average rates determined by the National Bank of Poland on the last days of the months from January to June, 2002, i.e. PLN 3,7026
    - 1.8.3. Particular items in the profit and loss statement and cash flow for the 2<sup>nd</sup> quarter were converted into the euro at the rate based on the arithmetic mean of average rates

determined by the National Bank of Poland on the last days of the months April, May and June, 2002, i.e. PLN 3,7928.

1.8.4. The following rates were applied in the calculations done according to the above mentioned rules:

- rate at the end of January, 2002 – EUR/PLN 3,5929
- rate at the end of February, 2002 – EUR/PLN 3,6410
- rate at the end of March, 2002 – EUR/PLN 3,6036
- rate at the end of April, 2002 – EUR/PLN 3,5910
- rate at the end of May, 2002 – EUR/PLN 3,7782
- rate at the end of June, 2002 – EUR/PLN 4,0091

1.9. The Bank does not prepare a consolidated financial statement under Art 58 of the Accounting Act, pursuant to which it is allowed that entities do not include a subsidiary in their consolidated statements if the financial data of such a subsidiary is immaterial for the reliability and transparency of presentation of the property, financial situation and financial result of the entity. As of the end of June 2002, the total assets of Fortis Securities Polska SA constituted 0.2% of the Bank's total assets, FSP's total revenues made up 0.7% of the Bank's total revenues and relevant investments were written off in order to adjust the value of the capital investment in the FSP, according to the existing regulations.

2. Information about corrections made on account of reserves, including the provision on income tax timing difference referred to in the Accounting Act:

- 2.1 As of the end of the second quarter 2002, a deferred income tax assets amounted to PLN 36,071 thousand, while deferred income tax provision was PLN 16,165,
- 2.2 In the 2<sup>nd</sup> quarter 2002, the Bank made a reserve in the amount of PLN 681 thousand for the depreciation of Fortis Securities shares;
- 2.3 The Bank created provisions in the amount of PLN 19,192 for loans and off-balance sheet commitments, the exceeding value of reserves created over the released ones in the second quarter 2001 amounted to PLN 13,832 thousand.

3. Factors and events that had a substantial impact on the financial result achieved in the second quarter of 2002:

- 3.1 increase in interest income of 29% as compared to the corresponding period in 2001,
- 3.2 increase in commission and fee income of 12% as compared to the second quarter of 2001;
- 3.3 good financial operations result totaling PLN 17,503 thousand, mainly due to the valuation of the securities held by the Bank;
- 3.4 FX result of PLN 14,021 thousand – 42% higher than in the second quarter of 2001,
- 3.5 general expenses were kept at the level of PLN 35,314, i.e., at the same level as in the second quarter of 2001; (decrease of 2% as compared to PLN 35,861 thousand in the second quarter of 2001),
- 3.6 creation of provisions of total PLN 19,192 thousand for non-performing loans and off balance-sheet commitments; the difference between the amounts of created and released provisions for non-performing loans and off balance-sheet commitments was PLN 13,832 thousand.

4. In order to make data presented in the balance sheet comparable, the following changes have been introduced:

BALANCE AS OF:	SPECIFICATION OF BALANCE SHEET ITEMS	WAS: (in PLN '000)	IS: (in PLN '000)	THE CHANGE REFERS TO:
<b>June 30, 2001</b>	Assets: III. receivables due from other financial institutions 1. current	<b>6 066</b>	<b>265 403</b>	overnight deposits transferred from the "term" to "current" receivables
	III. receivables due from other financial institutions 2. term	<b>706 936</b>	<b>447 599</b>	overnight deposits transferred from the "term" to "current" receivables
	XIII. Intangible fixed assets	<b>19 105</b>	<b>16 999</b>	costs of capital gathering transferred to the interperiod settlements
	XVI. Intreperiod settlements 1. Deferred income tax	<b>11 244</b>	<b>27 438</b>	provisions and deferred income tax assets are presented separately
	XVI. Intreperiod settlements 2. Other	<b>22 342</b>	<b>24 448</b>	costs of capital gathering transferred from the intangible fixed assets
	Liabilities: II. Due to other financial institutions 1. Current	<b>29 872</b>	<b>49 434</b>	overnight deposits transferred from the "term" to "current" receivables
	II. Due to other financial institutions 2. Term	<b>907 104</b>	<b>887 542</b>	overnight deposits transferred from the "term" to "current" receivables
	III. Due to customers and budget sector 1. Current	<b>289 629</b>	<b>591 487</b>	overnight deposits transferred from the "term" to "current" receivables
	III. Due to customers and budget sector 2. Term	<b>2 032 257</b>	<b>1 700 262</b>	overnight deposits transferred from the "term" to "current" receivables
	X. Provisions 1. provision for deferred income tax	<b>0</b>	<b>16 194</b>	provisions and deferred income tax assets are presented separately

5. One type of collateral used by the Bank is the transfer of a specific amount to the Bank's account, where the Bank undertakes to return this amount upon the repayment of debt along with the interest and fees due. Art 102 of the Banking Law Act dated August 29, 1998 regulates this form of collateral. The value of this type of collateral accepted by the Bank as of June 30, 2001 amounted to PLN 301,719 thousand and was shown under the item "due to the non-financial sector" in the balance sheet that is part of the quarterly report.
6. After the second quarter of 2002, the Bank's net profit was by PLN 5.3 million higher than the forecast. This was due to the following factors:
- 6.1. revaluation result on T-bonds and bills in the amount of PLN 10,638 thousand, i.e. substantially higher than budgeted;
  - 6.2. lower than planned general expenses,
  - 6.3. balance between the created and released provisions for non-performing loans and off balance-sheet commitments was by 12.5% lower than the budgeted amount.
7. Regardless of the good net profit reported in the first quarter of this year, the Bank is aware that the financial result planned for 2002 may not be achieved due to the unfavorable macroeconomic situation in the country. Given this risk, the Board of Executives has decided to review down the financial forecast as of December 31, 2002. The planned net profit as of 31 December, 2002 will reach PLN 30 million

(down by 35% as compared to the original plan), whereas the total assets will be PLN 4 144 million, which is 15% lower than originally planned. In the process of reviewing the financial plan, the following items were assumed:

- lower than expected interest income as a result of a slower than expected growth in the stocks of loans and deposits,
- higher than originally planned provisions for non-performing loans,
- lower costs of banking activity.

8. In the quarterly report as of June 30, 2002, on the liabilities side under the item “Undistributed profit (or uncovered loss) from previous years”, the amount of PLN 764 thousand was shown with the 2001 result to be approved, regarding adjustments in the opening balance as of 31.01.2002.

9. Fortis Securities Polska S.A – Fortis Bank Polska subsidiary – discontinued its brokerage activity as of June 29, 2002 based on sales agreement concluded between Fortis Securities Polska SA and DB Securities SA on May 20, 2002. The agreement concerns the sale of an organized part of the enterprise used so far to carry out a brokerage activity by Fortis Securities Polska SA. The transaction complies with the strategy of the Fortis group in Poland. Fortis Securities Polska SA will continue its business as a brokerage house that supplements the Bank’s offering regarding the distribution of Treasury bonds and participation units of investment funds, and client asset management.

9.1. In connection with this agreement and with a view to continuing the service of loans granted by the Bank to the FSP customers, Fortis Bank Polska SA and DB Securities SA on June 26, 2002 signed an annex to the Co-operation Agreement of October 13, 2000, concluded between Fortis Bank Polska SA and Fortis Securities Polska SA. The Parties to the Agreement resolved to start co-operation in servicing loans extended for the purchase of securities on the secondary market.

9.2. In order to finance the costs of the FSP reorganization, under the agreement of June 14, 2002, the Bank extended to FSP a non-revolving working capital loan of PLN 800 thousand for 3 months, i.e., until September 16, 2002.

10. Significant transactions with affiliated entities:

10.1. loan agreement of September 24, 1998 with Fortis Bank S.A. and Fortis Bank Nederland NV (former Generale Bank). On November 12, 1999, an annex to the agreement was drawn up. Under this agreement the Bank was granted a credit line facility in the maximum amount of DEM 200 million (or its USD, NLG, BEF, FRF, GBP or EUR equivalent) for 7 years.

10.2. loan agreement of September 24, 2001 with Fortis Bank (Nederland) N.V., seated in Rotterdam. Under this agreement the Bank was granted a credit line facility in the maximum amount of EUR 50 million for 48 months.

11. The structure of shareholders with at least 5% of the total number of votes at the General Shareholders’ Meeting until June 30, 2002.

shareholder	number of shares owned	Share (%) in the equity	number of votes at the GSM	share (%) in the total number of shares
<b>Fortis Bank</b>	<b>14,941,807</b>	<b>99.10%</b>	<b>11,308,275</b>	<b>75%</b>

<b>Others</b>	<b>135,893</b>	<b>0.90%</b>	<b>135,893</b>	<b>0.90%</b>
<b>Total</b>	<b>15,077,700</b>	<b>100%</b>		

*\*Pursuant to Art. 26 of the Banking Law Act of 29.08.1997 (Dz. U. No. 140, Item. 939 as amended) and according to Resolution No. 159/KNB/99 of the Banking Supervision Commission of 16.08.1999 regarding the issuance of the permit to acquire the Bank's shares by Fortis Bank – Fortis Bank has 75% of the total votes at the General Shareholders Meeting.*

In the second quarter of 2002, no changes were made in the Bank's ownership structure as compared with the end of the previous quarter. The last significant change took place as a result of the registration of the Bank's share capital increase up to PLN 30,155,400 following the Series J shares issue on June 28, 2001.

12. Changes in the number of the issuer's shares or share options owned by the members of the management or supervisory bodies according to the Bank's knowledge.

12.1 At the end of the second quarter of 2002, i.e. on June 30, 2002, none of the Members of the Board of Executives (Jean-Marie De Baerdemaeker, Ronald Richardson, Leszek Niemycki, Jean-Luc Deguel, Gilles Polet, Andre Van Brussel) held any shares issued by Fortis Bank Polska SA, which has not changed as compared to the previous quarter.

12.2 In the second quarter of 2002, no changes took place with respect to the structure of the Bank shares owned by the Members of the Board of Directors:

	Position	Number of shares owned as of	
		March 31, 2002	June 30, 2002
Luc Delvaux	Deputy Chairman	25	25

12.3 The other Members of the Board of Directors, i.e. Sjoerd van Keulen, Antoni Potocki, Zbigniew Dresler, Paul Dor, Roland Saintrond, Werner Claes and Kathleen Steel do not hold any shares of the Bank.

13. In the second quarter of 2002, there were no pending proceedings related to the obligations or claims of the Bank or its subsidiary before court, relevant authority for arbitration or state administration bodies, whose total value would account for at least 10% of the Bank's own funds.
14. In the second quarter of 2002, the Bank did not grant any sureties or guarantees to one entity (or subsidiaries) that the total amount of which would constitute at least 10 % of its equity (i.e., over PLN 46.6 million).
15. Other information that the Banks regards as important for the assessment of the Bank's personnel, property, financial standing and financial result as well as changes made to them.

15.1. The General Shareholders' Meeting of 27 June 2002 took the following decisions:

The net profit of the Bank for the 2001 fiscal year amounting to PLN 10,520,863.07 (say: ten million five hundred and twenty thousand eight hundred sixty three and 07/100) shall be allocated in full for the increase of own funds as retained earnings.

Shareholder appointed Mr. Didier-Paul-Marie Giblet *Global Head of FX and Money Markets in Fortis Bank NV/SA, Financial Markets business line (Merchant Banking), which specializes in FX transactions and securities market operations*, a new member of the existing Board of Directors.

15.2 Organizational changes

A new business line was introduced in the bank's structure – Financial Markets, which corresponds with the same line in Fortis Bank. It assumes rising the level of activity on the inter-bank market and acquiring new customers, including other banks. Fortis Bank Polska intends to intensify its operations in the field of derivatives transactions such as FX options,

swaps and interest rate forward transaction as well as securities market (securities issued by the State Treasury).

In order to strengthen its sales capacity, in June 2002 Fortis Bank Polska SA signed an agreement with Allianz Polska Services Sp z o.o., regarding agency services in the sale of products offered by the Bank – packages for individual customers and loans for housing purposes. Under the Agreement, the Financial Consultants of Allianz Polska, as intermediaries, will provide to potential customers comprehensive information and advice on the products and services of Fortis Bank Polska. This applies to: the Silver, Gold and Platinum Package – accounts for individual customers related to a particular set of products (e.g. automatic overnight deposits, VISA and American Express cards, loan products) and loans for housing purposes: mortgage and mortgage-construction loans.

### 15.3 New products and services

At the beginning of April the Bank introduced “FortisClass”, i.e., a package of services for small and medium size businesses. “FortisClass” includes such products as loans and deposits with negotiable interest rates, the automatic overnight deposit facility, VISA Business Electron card – issued free of charge. The Bank has put special emphasis on electronic channels of communication with companies – free installation of home banking (Multicash) and internet banking systems (Pl@net) and a telephone service facility. Tariffs applied to transactions carried out through electronic channels are lower than the fees charged for effecting such transactions through the traditional branch network. Moreover, under the package the customer will be able to obtain financial advice and consulting from customer advisors trained in servicing institutional customers.