

## **Commentary to the quarterly report of Fortis Bank Polska SA for the first quarter of 2003**

1. Accounting principles adopted in the report.
  - 1.1. Fortis Bank Polska SA keeps its accounting records pursuant to the rules set out in:
    - 1.1.1. Accounting Act dated September 29, 1994 (*Journal of Laws* no. 76, item 694, unified text),
    - 1.1.2. Banking Law Act dated August 29, 1997 (*Journal of Laws* no. 72, item 665 of 2002, unified text),
    - 1.1.3. Corporate Income Tax Act dated February 15, 1992 (*Journal of Laws* no. 54, item 654 of 2000, unified text, as amended),
    - 1.1.4. Public Trading in Securities Act dated August 25, 1997 (*Journal of Laws* no. 49, item 447 of 2002, unified text),
    - 1.1.5. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Laws* no. 149 item 1673, as amended),
    - 1.1.6. Ordinance of the Ministry of Finance dated December 12, 2001, regarding special rules of recognition, measurement methods, the scope of recognition and manner of presentation of financial instruments (*Journal of Laws* no. 149 item 1674),
    - 1.1.7. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of creation of reserves for risk connected with operations of banks (*Journal of Laws* no. 149, item 1672, as amended),
  - 1.2. The Bank accounting rules are specified in the “Accounting Policies” (*Order* no. B/45/2002 issued by the President of the Board of Executives of Fortis Bank Polska SA on May 6, 2002).
  - 1.3. A detailed description of the accounting policies applied by the Bank was presented in the Introduction to the 2002 Annual Report, published on April 10, 2003.
  - 1.4. In the first quarter of 2003, the Bank did not change the accounting policies.
  - 1.5. Financial data included in the quarterly report have been prepared using valuation rules applicable to assets and liabilities and the calculation of the net financial result determined on the balance sheet day, taking into account adjustments resulting from provisions and deferred tax liabilities, referred to in the Accounting Act, and impairment loss.
  - 1.6. For the purpose of financial reporting the Bank applies the Model Chart of Accounts implemented under the Ministry of Finance Ordinance dated December 12, 2001, regarding the 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 financial reporting is prepared according to the Council of Ministers Ordinance dated October 16, 2001, regarding the type, form and scope of current and periodical information and dates of its provision by issuers of securities admitted to public trading (*Journal of Laws* no 139, item 1569, as amended) and the Ministry of Finance Ordinance dated October 16, 2001, on detailed requirements applicable to issue prospectuses and abbreviated versions of such prospectuses (*Journal of Laws* no 139, item 1568, as amended)
  - 1.7. As of March 31, 2003, deferred tax assets amounted to PLN 36,813 thousand and deferred tax liability totaled PLN 7,438 thousand. As of March 31, 2002, the corresponding amount of deferred tax assets was PLN 33,138 thousand and deferred tax liability amounted to PLN 16,388 thousand.
  - 1.8. Selected financial data included in this report have been converted into EUR according to the following rules:

- 1.8.1. Particular assets and liabilities of the balance sheet were converted into EUR at the NBP mid-rate announced on March 31, 2003, i.e. PLN 4.4052; whereas particular items of the balance sheet assets and liabilities were converted into EUR at the NBP mid-rate announced on March 31, 2002, which amounted to PLN 3.6036;
- 1.8.2. Particular items in the profit and loss account and cash flows for the first quarter of 2003 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through December of 2003, which amounted to PLN 4.2474, whereas particular items of the profit and loss account and cash flows for the first quarter of 2002 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of January, February and March 2002, which amounted to PLN 3.6125.
- 1.8.3. The following rates were applied in the currency conversion according to the above mentioned rules:
- rate as of the end of January 2003 - EUR/PLN 4.1286
  - rate as of the end of February 2003 - EUR/PLN 4.2083
  - rate as of the end of March 2003 - EUR/PLN 4.4052
  - rate as of the end of January 2002 - EUR/PLN 3.5929
  - rate as of the end of February 2002 - EUR/PLN 3.6410
  - rate as of the end of March 2002 - EUR/PLN 3.6036.
- 1.9. The Bank's only controlled entity is Fortis Securities Polska S.A. (FSP). Pursuant to Art. 58 of the Accounting Act, the Bank is not obligated to prepare a statement on a consolidated basis, as the financial data of this subsidiary are immaterial for a reliable and transparent presentation of the property, financial situation and financial result of the Bank. As of the end of March 2003, the total assets of Fortis Securities Polska SA constituted 0.2% of the Bank's total assets, and FSP's total income made up 0.9% of the Bank's total income.
2. Information about adjustments made on account of provisions, including differed tax liability and differed tax assets, referred to in the Accounting Act:
- 2.1. as of the end of the first quarter of 2003, the deferred tax assets and deferred tax liability are showed in item 1.7 above.
- 2.2. in the first quarter of 2003, as a result of improvement of the financial condition of the controlled company Fortis Securities Polska S.A., the Bank showed the increase of FSP shares' value by 81 thousand (recognized as a share in a net profit/loss of subsidiaries measured by the equity method) in the profit and loss account. In the profit and loss account the above-mentioned measurement was decreased by the deferred income tax in the amount of PLN 22 thousand.
- 2.3. The Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 10,607 thousand; in the first quarter of 2003, the value of created provisions exceeded the value of released provisions by PLN 2,658 thousand.
3. Factors and events that had a substantial impact on the financial result achieved in the first quarter of 2003:
- 3.1. interest income in the amount of PLN 28,579 thousand, lower by 8% than in the corresponding period of 2002 (as of the end of the first quarter 2002, interest income totaled PLN 31,187 thousand);
- 3.2. commission and fee income of PLN 15,011 thousand, which represents a decrease of 8% as compared to the first quarter of 2002 (as of the end of the first quarter of 2002, commission and fee income totaled PLN 16,233 thousand);
- 3.3. FX result of PLN 10,419 thousand, which is lower by 32% than in the corresponding period of 2002 (as of the end of the first quarter of 2002 – PLN 15,410 thousand);

- 3.4. Bank operating costs of PLN 33,552 thousand, which is 2% lower than in the first quarter of 2002 (as of the end of the first quarter of 2002, the operating costs amounted to PLN 34,392 thousand);
- 3.5. in the first quarter of 2003, the value of all created provisions exceeded the amount of released provisions by PLN 2,658 thousand, which represents a significant decrease by nearly 80% as compared to the corresponding period of 2002 (as of March 31, 2002, this excess totaled PLN 13,312 thousand).
4. In order to make data presented in the balance sheet comparable, the following changes have been introduced to the balance sheet and cash flow statement as at March 31, 2002:

Balance sheet (in PLN thousand)	As of March 31, 2002	changes on account of reclassification	As of March 31, 2002 including changes on account of reclassification
<b>ASSETS</b>			
XII. Other securities and other financial assets	31 058	12 416	43 474
XVI. Prepayments and accruals	57 240	(12 416)	44 824
2. Other prepayments and accruals	24 102	(12 416)	11 686

#### ASSETS

	RECLASSIFICATION CHANGE
+/- PLN 12,416 thousand	Transfer of the derivatives instruments measurement, likewise valuation of participation units in open investment funds from "Other prepayments and accruals" into "Other securities and other financial assets"

LIABILITIES	As of March 31, 2002	Reclassification Changes on account of	As of March 31, 2002 including reclassification changes	Change of measurement rules	As of March 31, 2002 including changes
III. Due to customers	2 419 024		2 419 024		2 419 024
1. Savings accounts:			260 118		260 118
a) demand		260 118	260 118		260 118
2. Other dues:	2 419 024		2 158 906		2 158 906
a) current	701 854	(260 118)	441 736		441 736
VII. Other liabilities in respect of financial instruments		379	379		379
IX. Accruals and deferred income	72 645	(379)	72 266		72 266
1. Settlement of accrued expenses	8 491	(379)	8 112		8 112
XVI. Revaluation reserve	545		545	3 480	4 025
XVIII. Undistributed profit (uncovered loss) from previous years	11 285		11 285	(3 480)	7 805

#### LIABILITIES

	RECLASSIFICATION CHANGE
+/- PLN 379 thousand	Transfer of the derivatives instruments measurement from "Settlement of accrued expenses" into "Other liabilities in respect of financial instruments"
+/- PLN 260,118 thousand	Separation of demand savings from "Other dues"
	MEASUREMENT RULES CHANGE
+/- PLN 3,480 thousand	The change refers to the counting of marketable securities' fair value (previously included in the financial result) towards "Revaluation reserve"

<b>PROFIT AND LOSS ACCOUNT</b>	<b>As of March 31, 2002</b>	<b>Reclassification change</b>	<b>As of March 31 2002 after changes</b>
XIII. General expenses	34 298	94	34 392
XIV. Depreciation of tangible and intangible fixed assets	7 168	(94)	7 074
XV. Charges to provisions and revaluation	19 677	(954)	18 723
2. Revaluation of financial assets	954	(954)	
XVII. Net charges to/release of provisions and revaluation (XV-XVI)	(14 266)	954	(13 312)
<b>XVIII. Operating profit</b>	<b>9 896</b>	<b>954</b>	<b>10 850</b>
<b>XX. Profit (loss) before taxation</b>	<b>9 896</b>	<b>954</b>	<b>10 850</b>
XXIII. Share in net profit (loss) of subsidiaries measured by equity method		(954)	(954)

### PROFIT AND LOSS ACCOUNT

<b>RECLASSIFICATION CHANGE</b>	
+/- PLN 94 thousand	Transfer of the amount of depreciation of the capital accumulation costs from "Depreciation" to "General expenses"
+/- PLN 954 thousand	Transfer of the revaluation costs of financial assets regarding the valuation of the subsidiary to "Share in net profit (loss) of subsidiaries measured by the equity method"

<b>CASH FLOW STATEMENT</b>	<b>31-03-02</b>	<b>change on account of reclassification</b>	<b>31-03-02 after reclassification</b>
<b>A. Cash flows from operating activity – indirect method</b>	<b>(132 481)</b>		<b>(132 481)</b>
<b>II. Adjustments for:</b>	<b>(138 657)</b>		<b>(138 657)</b>
<b>1. Share in net profit (loss) of subsidiaries measured by the equity method</b>		954	954
<b>2. Depreciation</b>	7 168	(94)	7 074
<b>11. Change in shares, securities and other financial assets</b>		2	25
<b>17. Change in prepayments and accrued income</b>	(2 365)	(163)	(2 528)
<b>19. Other items</b>	56 472	(954)	55 518

### CASH FLOW STATEMENT

<b>RECLASSIFICATION CHANGE</b>	
+/- PLN 954 thousand	Transfer of the revaluation costs of financial assets regarding the valuation of the subsidiary from "Other items" to "Share in net profit (loss) of subsidiaries measured by the equity method "
- PLN 94 thousand	Transfer of the amount of depreciation of the capital accumulation costs from "Depreciation" to "Change in prepayments and accrued income"
+ PLN 257 thousand	Transfer from the change in other financial assets from "Change in prepayments and accrued income" to "Change in shares, securities and other financial assets"
- PLN 163 thousand	Transfer of the amount of depreciation of the capital accumulation costs from "Depreciation" to "Change in prepayments and accrued income "
PLN 94 thousand	
PLN - 257 thousand	Transfer of the change in other financial assets from the "Change in prepayments and accrued income" to "Change in shares, securities and other financial assets"

5. A 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 repayment of the debt along with interest and fees due. This form of collateral is provided for in Art 102 of the Banking Law Act dated August 29, 1998. As of March 31, 2003, the value of this type of collateral accepted by the Bank

amounted to PLN 220,789 thousand and was recognized in “due to customers” and “due to budget sector” of the balance sheet, which is part of this quarterly report.

6. Given the uncertainty as to the development of the macro-economic situation in Poland, the Board of Executives of Fortis Bank Polska SA will for the time being refrain from publishing any forecasts of the 2003 financial results.
7. In the quarterly report as of March 31, 2003, in the liabilities in “Undistributed profit (uncovered loss) from previous years” an amount of PLN (2,716) thousand was recognized, together with retained earnings from previous years: for 2002 of PLN 31,375 thousand and for 2001 of PLN 10,521 thousand. The amount of PLN (2,716) thousand refers to adjustments in the opening balance as of 01.01.2002, and resulted from changes in the applied accounting regulations and the method of presenting the valuation of available-for-sale securities, according to the Ordinance of Finance Minister of September 20, 2002, which amended the Ordinance on special rules of bank accounting (*Journal of Laws* no. 157 item 1314).
8. Shareholders with at least 5% of the total number of votes at the General Shareholders’ Meeting until the date of publishing this report, e.g., May 5, 2003.

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>	14.941.807	99,10%	11.308.275	75%
<b>Others</b>	135.893	0,90%	135.893	0,90%
<b>Total:</b>	15.077.700	100%		

*\*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 first quarter of 2003, and until submission of this report, no changes occurred in the Bank’s ownership structure from the date of publishing the previous report for the fourth quarter of 2002, i.e. February 12, 2003.

The last significant change took place as a result of registration of the Bank’s share capital increase up to PLN 30,155,400, following the Series J shares issue on June 28, 2001.

9. 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.
  - 9.1. As at the date of submitting this report, i.e. May 5, 2003, none of the Members of the Board of Executives held any shares issued by Fortis Bank Polska SA, which means that no change occurred from the date of submitting the previous quarterly report for the fourth quarter of 2002, i.e., February 12, 2003.
  - 9.2. Until the date of submitting this report, i.e., May 5, 2003, no changes occurred with respect to the structure of the Bank shares owned by the Members of the Supervisory Board:

	Position	Number of shares owned as at	
		12.02.2003	05.05.2003
Luc Delvaux	Chairman	25	25

- 9.3. The other Members of the Supervisory Board, i.e. Antoni Potocki, Paul Dor, Zbigniew Dresler, Roland Saintrond, Werner Claes and Didier Giblet do not hold any shares of the Bank.

10. In the first quarter of 2003, 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 equity.
11. In the first quarter of 2003, the Bank did not enter into any material transactions with its affiliated entities on conditions different than the market ones.
12. In the first quarter of 2003, the Bank did not grant any guarantees to one entity (or its subsidiary) that the total amount of which would constitute at least 10 % of its equity (i.e. over PLN 47.2 million).
13. 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.
  - 13.1. Effective January 9, 2003, after receipt of the permit from the Banking Supervision Commission (KNB) for the appointment to the position of the President of the Board of Executives of Fortis Bank Polska SA, Mr. Ronald Richardson took over the duties of the President from Mr. Jean-Marie De Baerdemaeker. Following the decision of the Bank's Supervisory Board, Mr. De Baerdemaeker will remain on the Board until April 30, 2002 as First Vice President.
  - 13.2. On January 16, 2003, the Bank's Supervisory Board appointed Mr. Koen Verhoeven Vice-President of the Board of Executives and the Head of Credits effective March 1, 2003. Mr. Verhoeven will thus replace Mr. Gilles Polet, who after March 1, 2003, remains a Member of the Board of Executives until July 31, 2003.
  - 13.3. As of April 1, 2003, Ms Kathleen Steel resigned as a Member of the Supervisory Board of Fortis Bank Polska SA, to which she was appointed on December 16, 1999.
  - 13.4. Mr. Andre Van Brussel, Vice-President of the Board of Executives, has handed in his resignation as a member of the Board of Executives of Fortis Bank Polska SA as of June 30, 2003, following his appointment to the position of the Manager of Organization & Processes Global Markets Business Line in Brussels. According to the decision of the Supervisory Board of April 1, 2003, Mr Van Brussel continues to be a Member of the Board of Executives of Fortis Bank Polska SA until June 30, 2003.
  - 13.5. At the meeting of April 24, 2003, the Supervisory Board appointed, as of May 1, 2003, Mr. Jaromir Pelczarski as Vice-President of the Board of Executives and Director of Operations and Support Services and Mr. Jan Bujak as Vice-President of the Board of Executives and Director of Finance & Legal.
  - 13.6. The Board of Executives and the Supervisory Board will propose a motion to the General Shareholders' Meeting to earmark PLN 30.2 million of the 2002 net profit to pay a dividend to shareholders (i.e., PLN 2 gross per share) and to allocate the remaining amount of PLN 1.2 million for the general risk fund.