

Commentary to the quarterly report of Fortis Bank Polska S.A. for the first quarter of 2004

1. Accounting principles adopted in the report.
 - 1.1. Fortis Bank Polska S.A. 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, of 2002, unified text as amended),
 - 1.1.2. Banking Law Act dated August 29, 1997 (*Journal of Laws* no. 72, item 665 of 2002, unified text as amended),
 - 1.1.3. Public Trading in Securities Act dated August 25, 1997 (*Journal of Laws* no. 49, item 447 of 2002, unified text as amended),
 - 1.1.4. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Laws* no. 149 item 1673, unified text as amended),
 - 1.1.5. 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),
 - 1.1.6. Ordinance of the Ministry of Finance dated December 10, 2003, regarding rules of creation of reserves for risk connected with operations of banks (*Journal of Laws* no. 218, item 2147).
 - 1.2. A detailed description of the accounting policies applied by the Bank was presented in the Introduction to the 2004 Annual Report, published on April 15, 2004.
 - 1.3. Effective January 2004, the Bank adopted the following changes to its accounting principles:
 - in Prepayments and Accrued Income, the Bank includes the commission and fee income:
 - for granting loans and change of terms and conditions (e.g. interest rate, repayment schedule, collateral) of loans with undetermined payment dates for specific installments. It applies to overdraft credit facilities and revolving credits),
 - for the issuance of guarantees and change of guarantee terms and conditions (e.g. extension of the guarantee validity period).
 - The above commissions and fees are settled using the straight-line method over the duration of the loan agreement or the guarantee validity period, accordingly.
 - The deferred income includes in particular:
 - funds received or due from counterparties on account of benefits to be performed in the following reporting periods,
 - interest on at-risk receivables – until their receipt (payment) or write-off.
 - The net interest income as of the end of each reporting period includes:
 - Income not received in the reporting period, on the account of the following:
 - Interest due to the Bank, including discount and capitalized interest on receivables classified as performing and watch-list ones,
 - Interest income received in previous reporting periods, including discount, falling for the current reporting period;
 - Interest income received in the current period falling for the reporting period,
 - interest income received in the current period on account of interest included in previous periods into deferred income,
 - interest costs on account of interest matured and not matured on the bank's liabilities falling for the reporting period.
 - The following are not included into the net interest income:

- due interest matured and not matured, including the capitalized interest - on the “at-risk receivables”, which are considered deferred income until their receipt or write-off,
 - discount and prepaid interest falling for the following reporting periods.
- 1.4. 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 profit/loss determined on the balance sheet day, taking into account adjustments resulting from provisions and deferred tax assets and liabilities, referred to in the Accounting Act, and write-downs for impairment.
- 1.5. 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 (*Journal of Laws* 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).
- 1.6. As of March 31, 2004, deferred tax assets amounted to PLN 21,033 thousand and deferred tax liability totaled PLN 6,551 thousand. As of March 31, 2003, the corresponding amount of deferred tax assets was PLN 36,813 thousand and deferred tax liability amounted to 7,438 thousand.
- 1.7. Selected financial data included in this report have been converted into EUR according to the following rules:
- 1.7.1. Particular assets and liabilities of the balance sheet were converted into EUR at the NBP mid-rate announced on March 31, 2004, i.e. PLN 4.7455; whereas particular items of the balance sheet assets and liabilities for the comparable data were converted into EUR at the NBP mid-rate announced on March 31, 2003, which amounted to PLN 4.4052;
- 1.7.2. Particular items in the profit and loss account and cash flows for the first quarter of 2004 YTD 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 March of 2004, which amounted to PLN 4.7938, whereas particular items of the profit and loss account and cash flows for comparable data for the first quarter of 2003 YTD 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 March 2003, which amounted to PLN 4.2474;
- 1.7.3. The following rates were applied in the currency conversion according to the above mentioned rules:
- rate as of the end of January 2004 - EUR/PLN 4.7614,
 - rate as of the end of February 2004 - EUR/PLN 4.8746,
 - rate as of the end of March 2004 - EUR/PLN 4.7455,
 - 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,
- 1.8. 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 31, 2004, the total assets of Fortis Securities Polska S.A. constituted 1.2% of the Bank’s total assets, and FSP’s total income made up 0.5% of the Bank’s total income.

2. Information about adjustments made on account of provisions, including deferred tax assets and liability, referred to in the Accounting Act:
 - 2.1. as of the end of the first quarter of 2004, the deferred tax assets and deferred tax liability are presented in item 1.6 above.
 - 2.2. in the first quarter of 2004, an improvement of the financial condition of Fortis Securities Polska S.A. was noted. The value of the shares of FSP is measured by the equity method. The Bank reported an increase of FSP shares' value by PLN 986 thousand (recognized as a share in a net profit/loss of subsidiaries measured by equity method) as the increase in the profit and loss account.
 - 2.3. from January through March 2004, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 9,479 thousand; the value of created provisions exceeded the value of released provisions by PLN 5,175 thousand for the first quarter of 2004.
3. Factors and events that had a material impact on the financial profit made in the first quarter of 2004:
 - 3.1. net interest income in the amount of PLN 34,389 thousand, i.e. higher by 20% than in the corresponding period of 2003. The net interest income generated in the first quarter of 2003 amounted to 28,579 thousand;
 - 3.2. net commission and fee income amounting to PLN 15,021, i.e. on a level similar as the one achieved in the first quarter of 2003. A considerable part of the commission and fee income for the first quarter of 2004 constitute fees for loan granting. In the first quarter of 2003, commission and fee income totaled PLN 15,011 thousand);
 - 3.3. FX result of PLN 12,004 thousand, which is higher by 15% than in the corresponding period of 2003 (as of the end of the first quarter of 2003 - PLN 10,419 thousand);
 - 3.4. Bank operating costs of PLN 34,909 thousand, which are higher only by 4% than in the first quarter of 2003 (as of the end of the first quarter of 2003, the operating costs amounted to PLN 33,552 thousand);
 - 3.5. the value of all created provisions exceeding the amount of released provisions higher by 95% in comparison to the corresponding period of 2003 year, and amounting to PLN 5,175 thousand (in the first quarter of 2003, this excess totaled PLN 2,658 thousand).
4. In order to make data presented in the balance sheet comparable and in connection with the implementation of new valuation rules effective January 1, 2004, the following changes have been introduced to the balance sheet as at March 31, 2003 and December 31, 2003:
 - 4.1. Adjustments on account of reclassification:

Assets:

	as of 31.03.2003 r.	change on account of reclassification	as of 31.03.2003 r. after reclassification
IV. Receivables due from customers	2,388,022		2,388,022
1. Current	478,494	64,858	543,352
2. Term	1,909,528	(64,858)	1,844,670
Total assets	4,011,594		4,011,594

CHANGE ON ACCOUNT OF RECLASSIFICATION	
+/- 64,858 thousand PLN	the change in presentation of current non-performing receivables previously reported in the item "Term", now in the item "Current".

Liabilities:

	as of 31.03.2003 r.	change on account of reclassification	as of 31.03.2003 r. after reclassification
III. Sue to customers	2,100,380		2,100,380
1. Savings:	314,617	(314,617)	0
a) current	314,617	(314,617)	0
2. Others:	1,785,763	314,617	2,100,380
a) current	527,763	314,617	842,380
Total liabilities	4,011,594		4,011,594

CHANGE ON ACCOUNT OF RECLASSIFICATION	
+/- 314,617 thousand PLN	The change refers to moving current accounts from “Current Savings” to “Others - current”

4.2. Adjustments on account of change of valuation rules

Liabilities:

	as of 31.12.2003	change of valuation rules	as of 31.03.2003 adjusted data
IX. Accruals and deferred income	102,831	2,821	105,652
3. Other accruals and deferred income	92,307	2,821	95,128
XVIII. Retained earnings (or uncovered loss) from prior years	10,521	(2,821)	7,700
Total liabilities	4,585,974		4,585,974

CHANGE OF VALUATION RULES	
+/- 2,821 thousand PLN	the change refers to the implementation of straight-line amortization of commission and fee income, effective January 1, 2004

For the remaining comparable period, i.e. as at March 31, 2002 and March 31, 2003, the Bank does not have comparable data on account of the change of valuation rules.

Effective January 1, 2004, the Bank includes interest on watch-list receivables into the net profit/loss. As the amount of the adjustment to the net profit/loss on that account in the comparable data is very small, the Bank did not change the comparable data as of December 31, 2003, March 31, 2003 and December 31, 2002. As a result of the above-mentioned change, the Bank's gross profit would increase by:

- as of December 31, 2003 – 0.65%

- as of March 31, 2003 – 5.4%

- as of December 31, 2002 – 0.35%, respectively.

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, 1997. As of March 31, 2004, the value of this type of collateral accepted by the Bank amounted to PLN 222,746 thousand and was recognized in “Due to other financial institutions” and “Due to customers and budget sector” items of the balance sheet, which is part of this quarterly report.

6. Shareholders' data specifying the shareholders with at least 5% of the total number of votes at the Annual Meeting of Shareholders until the date of publishing this report, e.g., May 5, 2004.

shareholder	number of shares owned	Share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
Fortis Bank SA/NV	14,941,807	99.10%	11,308,275	75%
Others	135,893	0.90%	135,893	0.90%
Total:	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 Meeting of Shareholders.*

In the first quarter of 2004, and until submission of this report, no changes occurred in the Bank's capital from the date of publishing the previous report for the fourth quarter of 2003, i.e. February 12, 2004.

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.

7. 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.

7.1. As at the date of submitting this report for the first quarter of 2004, i.e. May 5, 2004, none of the Members of the Board of Executives held any shares issued by Fortis Bank Polska S.A., which means that no change occurred from the date of submitting the previous quarterly report for the fourth quarter of 2003, i.e. February 12, 2004.

7.2. As at the date of submitting this report for the first quarter of 2004, i.e. May 5, 2004, 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	
		February 12, 2004	May 5, 2004
Luc Delvaux	Chairman	25	25

7.3. 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.

8. In the first quarter of 2004, 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
9. In the first quarter of 2004, the Bank did not enter into any material transactions with its affiliated entities on conditions different than the market ones.
10. In the first quarter of 2004, the Bank did not grant any sureties or guarantees to an entity (or its subsidiary) that the total amount of which would constitute at least 10% of its equity (i.e. over PLN 42.2 million).
11. Other information that the Bank regards as important for the assessment of the Bank's personnel, property, financial standing and financial result as well as changes made to them, and data that are essential for the assessment of the Bank's capacity of meeting its liabilities:

11.1. On January 30, 2004 the Bank entered into two loan agreements with Fortis Bank S.A./N.V. with its registered office in Brussels and Fortis Bank (Nederland) N.V. with its registered office in Rotterdam for the total amount of EUR 400 million. Detailed terms and conditions

of the credit lines received were presented by the Bank in Current Report no. 2/2004.

- 11.2. On February 25, 2004 a new location of the Warsaw's Personal Banking Sub-Branch no. 1 (at ul. Wiejska 20) was officially opened at ul. Nowy Świat 64 in Warsaw.
- 11.3. On March 15, 2004 GTFI (Górnośląskie Towarzystwo Funduszy Inwestycyjnych S.A.) commissioned asset management of their investment funds portfolio to Fortis Securities Polska S.A. (FSP). After this transaction, the value of asset under management of FSP exceeded PLN 500 million PLN.
- 11.4. Mr. Jan Bujak, Vice-President of the Bank's Board of Executives was delegated to act temporarily as a member of the Management Board of Fortis Securities Polska S.A. from March 29, 2004 till June 29, 2004. With regard to the above, the duties of the Chairman of the FSP Supervisory Board will be taken over by Mr. Ronnie Richardson.
- 11.5. Effective April 1, 2004, the Business Center West was divided into two Business Centers: BC Wrocław and BC Poznań. Thus currently there are six regional Business Centers operating in the Bank which are located in the largest cities of Poland.
- 11.6. At its meeting held on April 27, 2004 the Bank's Supervisory Board appointed Mr Bartosz Chyła Head of Retail Banking Business Line as Vice-President of the Board of Executives effective May 1, 2004.