

ADDITIONAL NOTES

1. Information on the structure of bank's exposure to specific entities, capital groups, industrial and geographical market segments, together with the exposure risk assessment

1.1. Information regarding the Bank's exposure to specific industries is presented in the table below. The data do not include the interest accrued:

Sectors of the economy	Gross loans as at June 30, 2004 PLN thousand	Gross loans as at June 30, 2003 PLN thousand
Wholesale	608 458	486 524
Private individuals	505 312	289 235
Motor vehicles	223 585	187 825
Municipal and housing services	180 172	106 381
Construction services	159 241	184 764
Production of food and beverages	158 405	140 675
Other production	157 246	116 286
Production of metal goods	106 861	62 293
Retail trade in groceries	96 018	40 121
Timber and wooden goods	89 471	37 555
Retail trade in industrial goods	85 114	104 378
Non-banking financial services	73 107	38 030
Textiles and fabric production	47 180	18 682
Economic building industry	45 651	39 638
Land transport	45 536	33 169
Trade in means of transport	41 084	21 488
Print shops and publishers	37 588	32 854
Power plants, gasworks and waterworks	36 027	54 832
Furniture and accessories	32 077	17 454
Other chemical products	27 504	17 629
Leather, leather goods, shoes	24 401	7 284
Hotels and motels	23 903	10 500
Rubber and plastic products	23 580	22 971
Coal and crude oil products	23 328	14 006
Medical services within social care	20 013	14 828
Paper and stationery	19 919	19 652
Developer services	18 846	-
Other services	454 888	441 858
Other sectors	187 941	148 078
Total	3 519 428	2 708 990

- 1.2. Data on the Bank's exposure by the main geographical regions of Poland are presented in the table below. Interest is not included.

Geographical regions of Poland	Gross loans as at June 30, 2004	Gross loans as at June 30, 2003
	PLN in thousands	PLN in thousands
- Eastern Region	1 900 050	1 517 850
- Małopolska Region	485 531	356 930
- Western Region	421 763	386 670
- Silesia Region	388 699	229 727
- Northern Region	323 385	217 813
TOTAL	3 519 428	2 708 990

For the needs of the above comparison,

- the Małopolska Region comprises the following provinces: Małopolska, Podkarpackie and Świętokrzyskie,
- the Silesia Region comprises the following provinces: Silesia and Opole,
- the Eastern Region comprises the following provinces: Mazovia, Lublin, Łódź, Warmia-Mazuria and Podlasie,
- the Western Region comprises the following provinces: Wielkopolska, West Pomerania, Lower Silesia and Lubuskie, and
- the Northern Region comprises the following provinces: Pomerania and Kujawy - Pomerania.

- 1.3. Data regarding the Bank's exposure to specific economic sectors is presented in the Table below. Interest is not included.

Entity type	Gross loans as at June 30, 2004	Gross loans as at June 30, 2003
	PLN in thousands	PLN in thousands
Financial sector	71 895	38 143
- insurance institutions and pension funds	328	134
- other financial intermediaries	71 021	37 697
- auxiliary financial institutions	529	312
- settlements with financial entities on account of VISA card settlements	17	-
Non-financial sector	3 447 456	2 670 847
- State-owned enterprises and companies	69 303	66 645
- private enterprises and companies and cooperatives	2 631 164	1 992 258
- individual entrepreneurs	227 541	307 620
- individuals	501 611	285 933
- individual farmers	974	967
- non-commercial institutions operating in favor of households	5 884	6 936
- settlements with non-financial entities on account of VISA card settlements	10 979	10 488
The budget sector	77	-
- local budgetary units	72	-
- settlements with local budgetary units on	5	-

account of VISA card settlements		
TOTAL	3 519 428	2 708 990

In Sections 1.1., 1.2. and 1.3. amounts receivable due from the financial, non-financial and State budget sectors are presented, excluding transactions with banks.

1.4. Data regarding the Bank's exposure to specific customers and capital groups

As at June 30, 2004, the Bank did not exceed the maximum exposure limit determined in the Banking Law with respect to any customer or capital group. As regards ten (10) customers, the Bank's exposure exceeded 10% of equity and totaled PLN 670 million, as compared to June 30, 2003 when in relation to seven (7) customers the Bank's exposure exceeded 10% of its equity and totaled PLN 418 million.

1.5. Data regarding the Bank's credit risk concentration

The Bank's exposure focuses on the following sectors: services, trade and production and it amounts to 40%, 24% and 13% of the credit portfolio value respectively, as at the end of June 2004. As far as all other sectors are concerned, the exposure is relatively low. As compared to June 30 2003, the Bank slightly increased its exposure in services whereas the production sector exposure went down.

Detailed information on credit risk concentration in specific branches, where the bank's exposure exceeds 5% of total loan amount extended is presented in item 4.2.1.e of the Additional Notes.

2. Data regarding the source of deposit acquisition, broken by industrial and geographical market segments

2.1. Data on the source of funds acquisition by the main geographical regions of Poland are presented in the table below. Interest is not included.

Geographical regions of Poland	Deposits as at June 30, 2004	Deposits as at June 30, 2003
	PLN in thousands	PLN in thousands
- Eastern Region	993 236	804 920
- Małopolska Region	727 244	639 562
- Western Region	333 075	201 964
- Silesia Region	330 760	232 974
- Northern Region	290 615	261 483
TOTAL	2 674 930	2 140 903

2.2. Information regarding fund acquisition by the Bank from specific industry sectors is presented in the Table below. Interest is not included.

Sectors of the economy	Deposits as at June 30, 2004	Deposits as at June 30, 2004
	PLN thousand	PLN thousand
Private individuals	1 293 284	1 261 486
Other services	312 375	180 651
Wholesale	254 684	127 745
Production of metal goods	80 114	35 751
Construction services	76 436	53 723
Other production	62 201	48 142
Legal and economic services	49 760	26 955
Land transport	41 822	39 577
Non-banking financial services	36 834	18 982
Production of food and beverages	32 468	34 238
Science and technology services	29 572	19 969

Retail trade in industrial goods	23 098	28 594
Municipal and housing services	22 326	16 286
Non-life insurance	21 934	1 278
Administrative services	20 251	14 247
Hotels and motels	19 453	7 671
Motor vehicles	15 646	12 667
Timber and wooden goods	15 622	8 289
Trade in means of transport	15 529	16 276
Public utility services	15 289	11 565
Ceramics and glassworks	14 565	1 498
Power plants, gasworks and waterworks	14 217	4 017
Brokerage services	13 545	5 508
Other chemical products	12 633	11 642
Rubber and plastic products	12 152	10 592
Paper and stationery	10 848	8 893
Industrial services	10 783	16 943
Other sectors	147 489	109 423
Total	2 674 930	2 140 903

In Sections 2.1. and 2.2., amounts due to the financial sector (excluding banks), non-financial sector and State budget sector are presented.

3. Information about changes in the value of subsidies for foreign branches, with the balance as at the beginning of the period, increases and decreases, broken by specific entities, and the balance as at the end of the period.

The Bank does not have any foreign branches.

4. Information about financial instruments, considering the Issuer's specificity

4.1. Financial assets and liabilities

- Financial assets or liabilities held for trading - financial assets or liabilities which were purchased in order to obtain economic gains as a result of short-term price changes and fluctuations of other market factors,
- Financial assets held to maturity – financial assets for which contracts provide the date of nominal value payments and determine the right to receive economic gains at specific dates such as the interest rate in the amount fixed or possible to determine, provided that the Bank intends and is able to hold these assets to maturity, except for loans granted by the bank and its own receivables;
- Financial assets available for sale – other financial assets that are not loans granted by the bank or the bank's own receivables;
- Credits and loans granted by the Bank and own receivables not held for trading - loans and credit facilities granted by the Bank (financial assets which originated as a result of giving cash earmarked for a specific purpose directly to the other party to a contract), and all other financial instruments which originated as a result of giving cash to the other party to a contract.
- Other financial liabilities - liabilities originated as a result of the measurement of derivative instruments to fair value.

The Tables below present the change of the balance of financial assets held for trading, loans and credit facilities granted by the Bank and own receivables not held for trading, financial assets held to maturity, financial assets available for sale and other financial liabilities:

Financial assets held for trading	January 1, 2004 to June 30, 2004 in PLN thousand	January 1, 2003 to June 30, 2003 in PLN thousand
Opening balance	141 972	155 620
Increases (on account of)	694 151	636 169
- purchase	684 346	636 067
- measurement of financial instruments	5 166	-
- interest	4 639	102
Decreases (on account of)	(796 789)	(718 607)
- sale	(794 926)	(711 846)
- measurement of financial instruments	(128)	(4 054)
- measurement of securities	(266)	-
- premium	(501)	-
- discount	(968)	(2 707)
Ending balance	39 334	73 182

Loans and credit facilities granted by the Bank and own receivables not held for trading	January 1, 2004 to June 30, 2004 in PLN thousand	January 1, 2003 to June 30, 2003 in PLN thousand
Opening balance	3 612 938	2 663 880
Increases (on account of)	669 566	724 513
- change in the net deposit balance from banks	463 521	226 020
- change in net credit balance	177 145	427 365
- change in the balance of receivables due on account of LC discount	11 252	1 844
- change in net interest accrued balance	4 681	17 632
- change in other receivables balance		24 053
- change in specific provisions balance	12 966	27 599
Decreases	(26 207)	(37 738)
- change in specific provisions balance	(19 964)	(37 738)
- change in documentary transaction receivables balance	(5 688)	
- change in VISA card receivables balance	(484)	
- change in the purchase of interest-bearing bonds of Credit Suisse First Boston Singapore Branch	(71)	
Ending balance	4 256 296	3 350 655

Financial assets held to maturity	January 1, 2004 to June 30, 2004 in PLN thousand	January 1, 2003 to June 30, 2003 in PLN thousand
Opening balance	0	16 764
Decreases (on account of)		(16 764)

- redemption		(16 652)
- interest		(112)
Ending balance	0	0

Financial assets available for sale	January 1, 2004 to June 30, 2004 in PLN thousand	January 1, 2003 to June 30, 2003 in PLN thousand
Opening balance	432 001	510 821
Increases (on account of)	711 868	1 142 565
- purchase	704 226	1 139 729
- interest	7 642	2 721
- measurement		110
- FX rate differences		5
decreases (on account of)	(554 267)	(1 328 835)
- sale	(547 720)	(1 325 379)
- interest	(1 184)	(2 729)
- measurement of securities	(5 242)	(727)
- premium	(119)	
- FX rate differences	(2)	
Ending balance	589 602	324 551

Liabilities related to financial instruments	January 1, 2004 to June 30, 2004 in PLN thousand	January 1, 2003 to June 30, 2003 in PLN thousand
Opening balance	1 093	0
Increases (on account of)	12 321	5 593
- derivative instruments measurement	2 164	5 593
- interest liability on account of derivative instruments	10 157	-
Ending balance	13 414	5 593

4.2.

4.2.1 Information on financial assets and liabilities broken by categories of financial instruments:

a) Financial assets

- Financial assets held for trading – as at June 30, 2004 the portfolio of securities held for trading included Treasury bills in the fair value amounting to PLN 4,548 thousand. In this item, the Bank recognizes also Treasury bonds whose fair value as at the end of June 2004 amounted to PLN 23,571 thousand. Financial assets held for trading include also a positive result of measurement of derivative instruments in the amount of PLN 11,215 thousand;
- Financial assets held to maturity – the Bank does not hold any assets of this category;
- Financial assets available for sale - in this item, the Bank recognizes Treasury securities: bills and bonds. These instruments are to hedge the interest rate risk and utilization of liquidity surplus. As at the end of the first half of 2004, their total value stood at PLN 589,552 thousand. In this item, the Bank recognizes also its shares in SWIFT in the amount of PLN 50 thousand;
- Loans and credit facilities granted by the Bank and own receivables not held for trading – in this item, the Bank recognizes receivables due from customers in the amount of PLN 3,467,429 thousand on account of loans granted, decreased by the specific provision created and increased by the interest accrued, interbank placements with the interest – PLN 607,395 thousand and receivables related to discounting letters of credit

and documentary transactions – PLN 29,243 thousand and interest-bearing bonds of Credit Suisse First Boston Singapore Branch in the nominal value of PLN 150,000 thousand together with the coupon calculated in the amount of PLN 5,948 thousand, the premium to be settled in the amount of PLN 1,536 thousand and a adjustment on account of hedging the fair value of the interest rate risk in the amount of PLN (5,254) thousand.

b) Description of methods and essential assumptions adopted to establish fair value of financial assets and liabilities:

Fair value is the amount that a given asset could be exchanged for and liability settled, through a transaction effected on market terms, between the interested, well-informed, not affiliated parties.

- Measurement of securities

Debt securities held for trading are measured to market value, whereas assets which have no existing active market – at fair value and the effects of a change in the market or fair value are recognized as net financial result.

Debt securities held to maturity are recognized at their purchase price adjusted for accrued interest, discount and premium. Debt securities held to maturity are adjusted for write-offs on account of an impairment loss.

Debt securities available for sale are measured at fair value and the effects of a change in the fair value are recognized as the revaluation fund.

Debt securities are entered into accounting books at the purchase price and transaction date, taking into account the value date. Between the transaction date and value date, a given security is recorded in off-balance sheet items in a nominal value, considering the side of the transaction effected.

- Measurement of derivative instruments

FX Forward and FX Swap transactions are measured at fair value. The effects of a change in the fair value of derivatives are recognized in the FX result. In the Bank's balance sheet statement, the valuation of derivatives is presented in other financial assets or liabilities in respect of financial instruments.

The fair value of FX Spot transactions, FX Forward and FX Swap transactions is computed by comparison of the transaction rate with the market rate binding for similar transactions at the end of a reporting period, when there is more than two (2) days' difference between the value date and the current date. In other cases, the NBP mid-rate is the reference rate.

IRS contracts are measured to market value as at a reporting date using the Discounted Cash Flow method. Discounting factors are estimated based on the market yield curve as at the measurement date. The market value is compared with the value of interest computed pursuant to the contract provisions. The difference is booked as either costs or income on account of financial transactions, accordingly.

FX Futures contracts are measured to market value every day. The daily measurement is recognized either as costs or income on account of financial transactions, respectively.

FRAs are measured using the Discounted Cash Flow method based on the market yield curve.

FX European options sold and purchased are measured at the FX rate to fair value using the Black-Scholes model in the version adapted to the above options. The volatility parameter which is required when using the above model is assumed in the form of the so-called implied volatility parameter which ensures consistency of the price obtained with the actual market price.

Shares and minority holdings are recognized at their purchase price taking into consideration relevant write-offs on account of impairment loss.

- Shares in the Bank's subsidiary, i.e. Fortis Securities Polska SA are measured using the equity method. The results of the measurement of the shares of Fortis Securities Polska SA are recognized in the following:
 - Revaluation reserve fund, in the part resulting from movements in own equity of the unit in which the investment was made and which were not recognized in the profit and loss account,
 - Profit and loss account, with regard to the remaining part.

Amounts receivable and payable on account of loans, credit facilities and other receivables are recognized at the amount of required payment, which includes also interest due, taking into consideration specific provisions built under the Ordinance of the Finance Minister dated December 10, 2003 regarding the rules of creating provisions for risk related to banking activity (Journal of Laws No 218 item 2147). The required provisions are created at the end of each reporting period. Provisions for receivables denominated in foreign currencies are translated into

Polish zlotys.

When classifying credit exposures into risk categories, the Bank applies two independent criteria:

- timeliness of a loan principal or/and interest repayment,
- economic and financial standing of the debtor.

Following the regulations on creating specific provisions for risk related to banking activity, the Bank, when classifying credit exposures into risk categories, may take into account the type of collateral which secure those exposures.

Detailed criteria of credit exposures classification and reclassification are defined by separate internal regulations.

Specific provisions are created with regard to credit exposures classified into the following risk categories:

- normal” – with regard to credit exposures arising from consumer loans and credit facilities;
- “watch list” category;
- “non-performing” – including exposures classified into “substandard”, “doubtful” or “lost” categories”.

The Bank classifies credit exposures arising from retail credit facilities and loans to:

- “performing” credit exposures, if the delay in loan principal or interest repayments does not exceed 6 months,
- “lost” credit exposures, if:
 - delays in loan principal or interest repayments exceed 6 months,
 - the credit exposures are maintained towards debtors against whom the Bank instituted enforcement proceedings,
 - the credit exposures are disputed by debtors before the court,
 - the credit exposures are maintained towards debtors whose place of residence is unknown and whose property has not been disclosed;

For irrevocable off-balance-sheet receivables bearing the non-performing customer risk, specific provisions are made in compliance with the binding regulations.

- Valuation of in-built derivative instruments

Ordinance of the Finance Minister of February 23, 2004, amending the Ordinance regarding the detailed recognition rules, valuation/measurement method, scope of disclosure and manner of presentation of financial instruments (*Journal of Laws* Dz.U. no. 31, item 266), inserted Sub-Paragraph 1a into Paragraph 10, which provides for specific cases of a close connection between the nature of an in-built derivative instrument and risk inherent in such instrument and the nature of the respective agreement and risks arising from that agreement. The existence of a close relation between an in-built derivative instrument and the respective agreement releases the given unit from the obligation to separately recognize and measure an in-built instrument in its accounting books.

Lease agreements concluded by Fortis Bank Polska S.A. where a payment is denominated in a foreign currency meet the conditions set out in Paragraph 10, Sub-Paragraph 1a of the said Ordinance. As a result, the Bank has not recognized and measured separately in-built derivative instruments arising from such agreements in its financial statements for the accounting year ending June 30, 2003.

c) Rules of entering into accounting books financial instruments purchased from the regulated market.

The Bank acquires derivative instruments - futures contracts from the regulated market. FX futures contracts are standardized stock exchange contracts for foreign currency exchange. The essence of a contract is a daily stock exchange market valuation and payment flows related. The contracts may be settled through a physical delivery of currencies or through transferring the difference between the contract FX rate and the final settlement price. Futures contracts are measured daily in market value. The daily measurement is recognized as either costs or income on financial transactions, respectively.

d) Information on interest rate risk

In the first 6 months of 2004, the Bank pursued a policy of matching average interest rate re-pricing periods of USD and EUR assets and liabilities, which are re-priced in one, three and six month periods. At the same time, the Bank resolved to shorten interest rate re-pricing periods of PLN assets versus PLN liabilities, in order to hedge interest income on the Bank's capital invested taking into account interest rate increases expected in 2004 and 2005. In order to achieve the desired shorter interest rate re-pricing periods in PLN assets, the Bank invested its liquidity surplus in State Treasury bonds of fixed interest rate and maturity up to two years, and Treasury bills.

e) Information on credit risk

The Bank's credit activity focuses on the service of small and medium-sized enterprises. The majority of loans are granted to entities operating in trade and services and also to private individuals. The Table below presents credit risk in sectors in which the Bank's exposure exceeds 5% of the total volume of loans granted by the Bank. In the item "Non-performing loans," receivables are reported that are classified by the Bank as:

- watch-list,
- sub-standard,
- doubtful,
- lost,

with the specification of the lost items.

Credit risk in sectors where the Bank's exposure exceeds 5% of the total loans granted by the Bank	June 30, 2004				June 30, 2003			
	Performing loans		Non-performing loans		Performing loans		Non-performing loans	
	In PLN thousand	% of total loans	In PLN thousand	% of total loans	In PLN thousand	% of total loans	In PLN thousand	% of total loans
wholesale	517 365	14.7%	91 093	2.6%	390 846	14.4%	95 678	3.5%
of which lost			57 844	1.6%			54 966	2%
Private individuals	487 654	13.9%	17 658	0.5%	269 265	9.9%	19 970	0.7%
of which lost			13 077	0.4%			13 486	0.5%
Other services	363 523	10.3%	91 365	2.6%	351 234	13%	101 124	3.7%
of which lost			19 998	0.6%			22 367	0.8%
Motor vehicles	216 486	6.2%	7 099	0.2%	179 213	6.6%	8 612	0.3%
of which lost			289	0%			423	0%
Municipal and housing services	179 553	5.1%	619	0%	105 669	3.9%	712	0%
of which lost			-	0%			-	0%

4.2.2 Financial assets that are measured to amortized costs.

Assets available for sale are measured to fair value. As the fair value of NBP bonds blocked for the mandatory reserve may not be measured in a reliable way, the Bank applied the method of amortized cost to such items. As of 30.06.2004, the value of such securities totaled PLN 25 476 thousand.

Loans and credit facilities from financial and non-financial entities and the State and local government institutions are recognized at the amount of required payment, which includes also interest due, taking into account specific provisions built under the Ordinance of the Finance Minister dated December 10, 2003 regarding the rules of creating provisions for risk related to banking activity (Journal of Laws No 218 item 2147).

4.2.3 Assets and liabilities that are not measured to fair value.

The Bank measures to fair value all assets that are so required: held-for-trading and available-for-sale assets.

Shares in subsidiaries are measured using the equity method. Other shares recognized in fixed assets are measured to their purchase price, taking into account impairment loss.

Fixed assets and intangible assets are measured at the end of each reporting period at purchase prices less depreciation

charges. Moreover, the Bank also recognizes revaluation conducted in accordance with applicable regulations and impairment loss.

Other assets and liabilities, including cash and own equity, are measured to nominal value.

Financial liabilities, which are neither held for trading nor are derivatives are recognized in the amount of the payment required, which includes also the interest due.

4.2.4 In the first half of 2004, the Bank was not a party to any agreement under which financial assets are transformed into securities or repurchase agreement.

4.2.5 Data regarding the effects of measurement of available-for-sale financial assets to fair value:

As at January 1, 2004 and June 30, 2004 the available-for-sale securities were measured to market value. The measurement value was recognized in the Bank's balance sheet statement in the Revaluation Reserve item. The measurement results are presented in the Table below:

	Measurement value in PLN thousand			
	January 1, 2004	June 30, 2004	January 1, 2003	June 30, 2003
Treasury bills	88	(852)	1,046	324
Treasury bonds	(8,570)	(12,872)	995	1,105
TOTAL	(8,482)	(13,724)	2,041	1,429

4.2.6 Information about income and cost from financial assets available for trade, which were removed (sold, liquidated) from the balance sheet statement:

In the first half of 2004, Fortis Bank Polska SA sold the following securities from the portfolio of assets available for sale:

- Treasury bills of the nominal value amounting to PLN 30,000 thousand:
 - o PS0608 ISIN PL 0000102869 of the total nominal value of PLN 30,000 thousand,

The Bank incurred loss on the above transactions in the amount of PLN 536 thousand, while the sold discount/premium amounted to PLN 48 thousand.

4.2.7 Information about income and expenses on account of financial assets sold whose fair value could not be reliably measured before, with the indication of the balance sheet value of the assets determined as at the sale date.

In the first half of 2004, the Bank did not generate any income or incur any expenses on account.

4.2.8 Over the first half of 2004, no financial assets measured at fair value were reclassified into assets measured at the adjusted cost of acquisition.

4.2.9 In the first half of 2004, there was a change in the value of subsidiary's shares held by the Bank. The change of the value was recognized in note no. 7B to the balance sheet statement.

4.2.10 Revenues on account of interest on loans granted and own receivables are presented in the Table below:

	Data for the period starting Jan. 1, 2004 ending June 30, 2004 in PLN thousand		Data for the period starting January 1, 2003 ending June 30, 2003 in PLN thousand	
	Interest accrued	interest received	interest accrued	interest received
Interbank placements	57	5 863	2 362	15 780
Interest on mandatory reserve	74	77	-	-
Loans	17 994	81 218	7 783	67 696
interest on the interest-bearing bonds of Credit Suisse First Boston Singapore Branch	4 854	-	-	-
interest on financial instruments	5 555	4 011	-	-

interest on receivables related to documentary transactions	323	-	-	-
Receivables purchased	17	142	40	54
Guarantees paid	-	3	5	-
securities bought under repurchase agreements	-	-	-	97
TOTAL	28 873	91 314	10 190	83 627

4.2.11 Deferred interest income:

	June 30, 2004 in PLN thousand	June 30, 2003 in PLN thousand
Interest capitalized	26	66
Deferred interest income on receivables purchased	14	100
Deferred interest income on guarantees paid	4 491	3 961
Deferred interest income on loans	91 518	88 724
TOTAL	96 049	92 851

4.2.12 Interest expense due to financial, non-financial and the State budget sectors, broken by paid and accrued are presented in the Table below:

	Data for the period starting Jan. 1, 2004 ending June 30, 2004 in PLN thousand		Data for the period starting Jan. 1, 2003 ending June 30, 2003 in PLN thousand	
	Interest accrued	Interest paid	Interest accrued	Interest paid
Current accounts	87	8 810	116	9 994
Interbank deposits	70	7 761	527	4 663
Term deposits	5 533	18 361	4 144	17 748
Blocked deposits	42	160	1 259	3 367
Credit facilities and loans received	3 255	7 370	2 080	7 596
insurance policies	306			
TOTAL	9 293	42 462	8 126	43 368

4.2.13 Information about underlying instruments

The Bank makes derivative transactions. The transactions are effected in commercial purposes and to manage the FX risk and interest rate risk. Transactions in derivatives are also offered to customers.

➤ Hedge derivative instruments

IRS contracts – consists in an exchange of interest payments based on a variable market interest rate for interest accrued at a fixed interest rate agreed upon in the contract. It is measured by discounted cash flow model based on the market yield curve. The purpose of the contract is to hedge against interest rate risk.

➤ Speculative derivative instruments

FX forward - consists in a purchase / sale of a specific currency at a predetermined date in the future at the exchange rate agreed on the transaction date. It is measured by comparison of the transaction FX rate with the market rate for similar transactions. The purpose of the contract is to hedge against FX rate risk and maintain liquidity.

FX swap - consists in the purchase or sale of a specific currency at a spot exchange rate and a simultaneous sale or purchase of the same amount of the currency at a forward rate agreed at the transaction date, however the transactions may be concluded as a combination of a transaction with the value date equal to the transaction date and the simultaneous reverse transaction for the value date of the following day. It is measured by comparison of the transaction FX rate with the market rate for similar transactions. The purpose of the contract is to regulate liquidity and hedge against FX rate risk of the Bank's currency loan portfolio.

FX Futures – consists in a purchase / sale of foreign currencies at the exchange rate agreed at the moment of concluding the transaction at the Warsaw Commodity Exchange (Warszawska Giełda Towarowa S.A.). The contracts are standardized in terms of amounts and maturity. They are measured at a market rate provided by

the Warsaw Commodity Exchange. Simultaneously, cash flows resulting from the futures measurement (marking to market) are made on a daily basis. The purpose of the contract is to hedge against FX rate risk.

IRS contracts – consist in an exchange of interest payments based on a variable market interest rate for interest accrued at a fixed interest rate agreed upon in the contract. It is measured by discounted cash flow model based on the market yield curve. The purpose of the contract is to hedge against interest rate risk.

Interest rate options – consist in a purchase of right to receive the settlement amount in exchange for a premium paid/received. Depending on the option type (cap/floor), the counterparty receives on a specified settlement day the settlement amount resulting from the difference between the predetermined transaction rate and the reference rate. It is measured based on a modified Black-Scholes model. The purpose of the transaction is to hedge against interest rate risk and to maintain liquidity.

FX options – consist in a purchase of right, but not the obligation, to buy/sell a foreign currency at the forward FX rate established on the transaction conclusion date in exchange for a premium paid/received. It is measured by the Black-Scholes model. The purpose of the transaction is to hedge against FX risk and to maintain liquidity

FRA – consists in an agreement between the parties to the transaction upon a fixed interest rate for a specific value of deposit. On the day of the transaction settlement, the buyer of FRA contract shall pay the settlement amount to the seller if the reference rate on the date of effecting the transaction was lower than the transaction rate. At the same time the seller of the instrument shall pay the buyer, on the transaction settlement date the settlement amount when the reference rate is higher than the transaction rate. FRA is usually concluded for the term up to 1 year and it allows, on one hand, to hedge against the growing interest rate (FRA purchase), and on the other to hedge assets against interest rate decrease (FRA sale). The instrument is measured by the discounted cash flows model based on the market yield curve.

Securities forward - consists in a sale / purchase of securities at a predetermined date in the future at the price agreed on the transaction date. It is measured by discounted cash flow model based on the market yield curve. The instrument is held for trading.

Derivative instruments profile as at 30.06.2004 (in PLN thousand)							
Instrument	Number of not matured transactions	Future revenue / payments	maturity	Possibility of exchange into or substitution by another asset/ liability	Agreed rates/ amounts of income and payment dates	Other conditions	Risk type
Hedging instruments against interest rate risk							
IRS	1	variable	2008-11-21	no	Variable	no	Interest rate, liquidity and counterparty risks
Speculative instruments against FX risk							
FX forward	512	variable	2004.07.01-2005.05.11	no	variable	no	FX, liquidity, counterparty
FX swap	4	variable	2004.07.01-2004.08.02	no	variable	no	FX. Liquidity and counterparty
FX futures	1	variable	2004.09.17	no	variable	no	FX, liquidity of the Commodities Exchange (WGT S.A.)
Options	10	variable	2004.07.08-2004.07.28	no	variable	no	FX
Forward securities transactions		variable		no	variable	no	Interest rate, liquidity, counterparty
interest rate speculative instruments							
IRS	10	variable	2005.03.31-2008.04.29	no	variable	no	Interest rate, liquidity, counterparty
Options	1	variable	2005.04.05	no	variable	no	Interest rate, liquidity, counterparty
FRA	3	variable	2004.07.28-2005.06.22	no	variable	no	Interest rate

Derivative instruments profile as at 30.06.2003 (in PLN thousand)

Instrument	Number of not matured transactions	Future revenue / payments	maturity	Possibility of exchange or substitution by another asset/ liability	Agreed rates/ amounts of income and payment dates	Other conditions	Risk type
speculative FX instruments							
FX forward	554	variable	2003.07.01 - 2004.04.13	no	variable	no	FX, liquidity, counterparty
FX swap	14	variable	2003.07.01 - 2003.09.15	no	variable	no	FX, liquidity, counterparty
Forward securities transactions	1	variable	2003.07.09	no	variable	no	Interest rate, counterparty's liquidity

As at June 30, 2004 and June 30, 2003, the derivative instruments that had not yet matured were the following:

Initial maturity date of interest-rate risk hedging instruments at nominal value, in PLN thousand		
As at:	30.06.2004	30.06.2003
IRS		
Instrument type/ maturity		
1 to 5 years	150 000	0
- banks	150 000	
Total	150 000	0

Initial maturity of FX speculative instruments at nominal value, in PLN thousand										
As at:	30.06.2004 r.					30.06.2003 r.				
Instrument type/ maturity	FX forward	FX swap	FX futures	Options	total	FX forward	FX swap	FX futures	options	total
Up to 3 months	363 654	63 184	0	10 448	437 286	152 341	561 881	0	0	714 222
- banks	586	63 184		5 224	68 994	2 229	561 881			564 110
- other	363 068			5 224	368 292	150 112				150 112
3 months up to 1 year	341 491	22 482	2 271	0	366 244	182 752	97 310	0	0	280 062
- banks		22 482			22 482		97 310			97 310
- other	341 491		2 271		343 762	182 752				182 752
1 to 5 years	30 547	0	0	0	30 547	0	0	0	0	0
- banks					0					0
- other	30 547				30 547					0
Total	735 692	85 666	2 271	10 448	834 077	335 093	659 191	0	0	994 284

Initial maturity of interest-rate speculative instruments at nominal value, in PLN thousand								
As at:	30.06.2004				30.06.2003			
Instrument type / maturity	IRS	Options	FRA	total	IRS	options	FRA	total
Up to 3 months	0	0	25 000	25 000	0	0	0	0
- banks			25 000	25 000				0
- other				0				0
3 months to 1 year	280 000	11 200	25 000	316 200	0	0	0	0
- banks	280 000	5 600	25 000	310 600				0
- other		5 600		5 600				0
1 to 5 years	150 000	0	20 000	170 000	0	0	0	0
- banks	150 000		20 000	170 000				0
- other				0				0
Total	430 000	11 200	70 000	511 200	0	0	0	0

Derivative transactions are concluded by the Bank at market prices binding on transaction dates. The table below presents valuation of not matured derivatives as at June 30, 2004 and June 30, 2003:

Instrument type	Positive market value				Negative market value			
	June 30, 2004 (in PLN thousand)		June 30, 2003 (in PLN thousand)		June 30, 2004 (in PLN thousand)		June 30, 2003 (in PLN thousand)	
	Banks	Other	Banks	Other	Banks	Other	Banks	Other
Interest-Rate Risk Hedging Instruments								
IRS	4 654							
FX Speculative Instruments								
- FX forward	1	8 854	28	5 523	1	10 423		5 596
- FX swap	866		1 504		1 902		6 935	
- FX futures		24						
- options		66			46			
Interest Rate Speculative Instruments								
- IRS	1 801				779			
- options		9			3			
- FRA	3				4			
Total	7 235	8 953	1 532	5 523	2 735	10 423	6 935	5 596

In addition to the above, the Table below shows balance sheet equivalents of derivative instruments calculated in accordance with the rules provided for under Resolution 5/2001 of the Banking Supervision Commission dated December 12, 2001 regarding the scope and detailed rules of determination of capital requirements on account of specific risk types (...), rules of computing a capital adequacy ratio of a bank (...). (Official Journal of the NBP No. 22, item 43 as amended). The balance sheet equivalent is understood as a nominal value of derivative instruments weighted by the product risk and counterparty risk.

Instrument type	Balance sheet equivalent			
	As at 30.06.2004		As at 30.06.2003	
	Banks	Other	Banks	Other
Interest Rate Risk Hedging Instruments				
IRS	2 250			
FX Speculative Instruments				
FX forward	100	11 674		3 353
FX swap	45	107	1 267	
options		60		
Interest Rate Speculative Instruments				
IRS	182			
options		85		
FRA	703			
Total	3 280	11 926	1 267	3 353

4.2.14 Risk management objectives and rules

The Bank's risk strategy has the following objectives:

- o protection of funds and other types of liabilities, such as deposits, share capital, securities, entrusted to the Bank by clients and shareholders;
- o prevention against losses and using the opportunities to earn profit in the controlled environment, i.e. within determined processes, rules, parameters that are subject to periodical review and changes implemented by the Bank's Board of Executives;
- o development of operational activity in compliance with assumptions adopted by the Board of Executives and Supervisory Board;

Effective risk management regarding the entire bank has become a formal necessity due to changeable economic and social parameters, which are e.g. characterized by frequently changing interest rates and FX rates and also more and more complex law provisions environment.

Main rules

Any new products and services that involve liquidity, interest rate, credit and/or operational risks, are subject to the following verification process before the launch of the concerned product or service:

- o Step 1: identification of potential risks involved.
- o Step 2: checking whether the Bank is able to assess and monitor identified potential risks in an efficient way from start to maturity.
- o Step 3: checking if identified potential risks can be hedged at market prices, under which conditions and to what extent.
- o Step 4: checking if envisaged sales prices cover hedging costs (risk premium).
- o Step 5: checking if existing systems and procedures allow to process transactions in a professional way.

If a new product or service does not meet the Bank's criteria of sound risk management nevertheless good reasons exist for launching the product or service, the Board of Executives will decide whether or not or under which conditions the new product or service can be offered.

The same rule also applies to fundamental changes to existing products and services if such changes affect market, liquidity, credit or operational risks.

Liquidity risk

Limits

The Bank monitors liquidity risk through a multidimensional system of limits and reports.

In liquidity management the Bank relies on the liquidity gap analysis. Results of such analysis are used for information purposes and are directly translated into management decisions through the system of liquidity limits relating to the size of liquidity gap.

The Bank applies the following limits for the maximum cumulative liquidity gap:

- o Long-term liquidity limit – All Currencies
- o Short-term liquidity limit – All Currencies
- o Long-term liquidity limit – PLN
- o Short-term liquidity limit – PLN
- o Long-term liquidity limit – USD
- o Short-term liquidity limit – USD
- o Long-term liquidity limit – EUR
- o Short-term liquidity limit – EUR

Limits are constructed in such a way as to make sure that in none of the one-day ranges the cumulative liquidity gap does not exceed the level determined by the limit. Limits are subject to verification and review at least on an annual basis.

The Bank uses limits other than gap limits in liquidity management:

- o Current liquidity limit – Unstable Liabilities
- o Current liquidity limit – Largest Depositors
- o Current liquidity limit – Largest deposit concentration by economic sector
- o Current liquidity limit – Minimum Level
- o Current liquidity limit – Potential Commitments

These are the limits valid as at the balance sheet date. They may be changed or new limits may be added at any time by the ALCO Committee.

The ALCO Committee reviews limits and reporting techniques at least once a year.

Liquidity Risk Management Objectives

- o to keep PLN deposits priced at table rates at a minimum level of approximately 40% of total PLN customer deposits.

- o to keep PLN deposits with a contractual maturity exceeding 3 months at a minimum level of approximately 30% of total PLN customer deposits.
- o To ensure a long-term, stable source of funding for foreign currency credit production.

Market risk

The Bank monitors market risk, i.e. FX risk and interest rate risk through a multidimensional system of limits and reports.

Interest rate risk

The Bank uses limits for the maximum value at risk and the maximum position for the purpose of interest rate risk management.

Foreign Exchange Risk

The Bank uses limits for the maximum value at risk and the maximum position for the purpose of FX risk management.

The ALCO Committee reviews limits and reporting techniques at least once a year. The following instruments are applied for hedging purposes:

- Securities, Treasury bonds and bills issued by the State Treasury and the NBP,
- Interbank money market transactions,
- Interbank foreign exchange swap transactions, IRS contracts and FRA.

The ALCO Committee may decide at any time to amend this list or to add new hedging instruments.

The hedging strategy of the Bank is reviewed and decided by the ALCO Committee taking into consideration existing limits, revenue opportunities, current market situation and most probable market development.

Operational Risk

For the needs of the operational risk management, Fortis Bank Polska SA has adopted a risk definition proposed by the Basel Committee on Banking Supervision:

“The operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.”

For the needs of operational risk monitoring and the future capital requirement determination on account of this risk, the operational risk includes also legal risk.

The operational risk is a fundamental risk, which due to its complexity is characteristic of any organization, including banks. Fortis Bank Polska SA has established a special organizational division, constituting an integral part of the Risk Management Department, responsible for on-going operational risk analysis, development and improvement of adequate risk control techniques in the Bank.

The Bank's operational risk monitoring systems use databases that contain information on operational losses incurred. The databases that record operational losses have been used in analyzing operational risk and mitigating this risk in the Bank.

The Bank is particularly committed to reducing operational risk by improving internal processes and to limiting operational risk related to launching new products and services.

Fortis Bank Polska SA has also adopted a special Business Continuity Plan, covering all the Bank's key business functions.

The Role of ALCO Committee in Banking Risk Management

ALCO Committee sets limits for:

- general market risk position (interest rate, currency, price fluctuations risk),
- interest rate risk for specific portfolios maintained in accounting records.

ALCO Committee establishes risk management strategies for short, medium and long-term time horizons subject to the approval of the Board of Executives and the Supervisory Board.

ALCO Committee makes periodic adjustments to the implementation of respective market risk management strategies for short, medium and long-term time horizons.

Risk Management Department

The Risk Department supports the Board of Executives in all issues pertaining to banking activity risk, except for credit risk. The risk management includes:

- ALM – Asset and Liability Management (business line responsible for the management of the Bank’s assets and liabilities)
- market risk,
- risk modeling,
- transfer pricing,
- operational risk.

The Risk Management Department Director directly reports to the Vice-President, Chief Financial Officer, and is a member of the ALCO Committee.

The Risk Management Department is responsible for:

- interest rate re-pricing dates mismatch monitoring and reporting it to ALCO,
- presenting risk hedging strategies to ALCO,
- monitoring the utilization of risk limits and reporting it to ALCO.

Credit Risk

The risk is analyzed using a standard assessment methodology applied in the Bank. When assessing credit risk, both a given credit product risk and the total Bank’s credit exposure risk towards an entity, including all loans granted and other credit risk-bearing financial products, are analyzed.

The Bank has in place a multi-level credit application analysis and credit decision-making system. The analysis and decision-making level depends on the total Bank’s exposure towards an economic entity or a group of affiliated entities and the borrower type (individuals, small, medium-sized and large companies). The system adopted by the Bank aims to ensure maximum objectivity in the application assessment process and minimum risk related to the Bank’s credit exposure.

The Bank’s credit decisions pertain both to the loan applied for by a given entity (loan amount and terms), and to the total Bank’s exposure towards this entity.

Decisions to classify borrowers into a higher-risk category, to accept collateral to decrease the specific provision base / maintain exposure in the “performing” category, and to establish the level of specific provision created are taken by the Bank’s Problem Assets Committee. All other credit decisions are taken by the Bank’s Credit Committee.

In the Bank’s credit process, client acquisition and credit product sales functions are organizationally separated from credit risk assessment. Client acquisition and credit product sales are the main tasks of CB and RB Business Lines, while risk assessment is the responsibility of the Credits.

There are two business lines in the Bank: Commercial Banking BL- responsible for the service of medium enterprises and corporate entities; and Retail Banking BL that offers services to Individuals and Small Enterprises.

To balance both functions, the “four eyes principle” has been adopted for credit decision making. The rule means that with regard to each case, the decision is made by a representative of the Credits and a representative of either CB or RB Business Line.

Monitoring is conducted based on internal Bank’s procedures, taking into account the following:

- provisions of the Finance Minister Ordinance dated December 10, 2003 regarding the creation of provisions for risk related to banking activities,
- borrower risk classification applied by Fortis Bank based on the International Accounting Standards, and
- Fortis Masterscale internal rating system implemented under Fortis Bank compliance to the New Basel Capital Agreement.

Starting from the 2nd quarter 2004, the Bank has implemented the Monitoring Card, internally developed IT application, to enhance and standardize the borrower monitoring process.

Risk is mitigated and hedged by applying the following rules:

- entities are granted financing in the amount corresponding to the assessment of their creditworthiness and risk level,
- legal collateral for the loan repayment is established,
- the collateral value is realistically assessed,
- the Bank's Credit Committee determines an individual strategy as regards debtors of large credit exposure with heightened risk,
- specific provisions are created and planned for the existing and forecast higher-risk credit exposures.

4.2.15 Information regarding hedge accounting applied broken down by fair value hedging, cash flow hedging and hedging investments in a foreign entity

- a) The Bank applies hedge accounting to a limited extent. Out of the existing three types of hedging relations, i.e. fair value hedging, cash flow hedging and net investment hedging, the Bank applies only the fair value hedging.
- b) To hedge interest rate risk of purchased interest-bearing bonds of Credit Suisse First Boston, Singapore branch an IRS contract was concluded in the nominal value of PLN 150,000 thousand; the fair value of this instrument as at June 30, 2004 amounted to PLN 4,564 thousand. For the above transaction, the Bank applies hedge accounting rules. Interest rate based hedging transactions were measured by the Bank to fair value. Adjustments to fair value were recognized in the profit and loss statement of the Bank.
- c) The Bank applies hedge accounting with respect to hedging against the risk of fair value changes as a result of interest rate alterations. The fair value is hedged to limit a risk that fair value changes resulting from a specific risk related to financial assets and liabilities or a part thereof entered into accounting books may affect the financial result.
- d) The Bank started to apply hedge accounting in the second half of 2003.

4.2.16 The Bank at present does not intend to enter into any transactions that will be hedged.

4.2.17 The Bank does not generate any profit or incur any losses on account of the measurement of the IRS hedging instrument to the Revaluation Reserve (Fund).

5. Data regarding contracts concluded for subscription options or ordinary share sales

In the first half of 2004, the Bank did not conclude any contracts for either subscription options or ordinary share sales.

6. Detailed information on assets that constitute collateral for own commitments and commitments of a third party, and also on the value of commitments collateralized by these assets.

As at June 30, 2004, the following assets of Fortis Bank Polska SA constituted collateral for commitments:

- Treasury bills of the nominal value of PLN 310,000 thousand blocked against a technical loan facility extended to the Bank by the NBP. The technical loan is contracted in the amount of 80% of the bills blocked;
- Treasury bills of the nominal value of PLN 13,000 thousand that collateralize the Guaranteed Means Protection Fund under the Bank Guarantee Fund. As at June 30, 2004, the value of funds covered by the guarantee system accumulated in the Bank amounted to PLN 2,596,182 thousand.

7. Information regarding repo transactions not recorded in the balance sheet statement.

In the first half of 2004, the Bank entered into one repo agreement (buy-sell-back transactions) with customers of the Bank regarding T-bonds in the total nominal value of PLN 10,000 thousand. Similarly, in the first half of 2003, the Bank made one sell-buy-back transaction with the Bank's customer banks regarding T-bills in the total nominal value of PLN 300,000 thousand.

8. Information about credit facilities granted, including irrevocable commitments.

The Table below presents off-balance sheet financial commitments granted, broken by types of entities and products:

Off-balance sheet financial commitments (in PLN thousand)		
entity/product	June 30, 2004	June 30, 2003

	financial entities	non-financial entities	State budget sector	Total	financial entities	non-financial entities	State budget sector	Total
credit lines in loan accounts	12 530	364 934		377 464	5 785	264 991	1 300	272 076
overdraft facilities in current accounts	1 550	370 171	11 914	383 635	2 435	280 438	1 019	283 892
open VISA limits	80	61 454	62	61 596	257	52 823	65	53 145
import Letters of Credit	2 700	76 480		79 180	6 984	56 807		63 791
Framework Financing Agreements		95 903		95 903		132 864		132 864
interbank deposits with the future value date				0	60 000			60 000
Total	16 860	968 942	11 976	997 778	75 461	787 923	2 384	865 768

The table below shows unused credit lines broken down by an entity type and maturity:

entity / maturity	June 30, 2004 in PLN thousand		June 30, 2003 in PLN thousand	
	up to 1 year	1 year or longer	up to 1 year	1 year or longer
financial entities		12 530		5 785
non-financial entities	355 693	9 241	179 788	85 203
budget units			1 300	
Total	355 693	21 771	181 088	90 988

9. Data about off-balance sheet items, in particular about contingent liabilities, including a breakdown of guarantees and sureties issued (together with bill-of-exchange and other guarantee-like liabilities), with a separate list of guarantees or sureties issued in favor of affiliated entities.

The Table below shows off-balance-sheet guarantee commitments, broken by types of entities and products:

Off-balance sheet guarantee commitments (in PLN thousand)								
Entity / product	June 30, 2004				June 30, 2003			
	financial entities	non-financial entities	State budget sector	Total	financial entities	non-financial entities	State budget sector	Total
- guarantees issued	3 263	181 209		184 472	1 415	104 622	38	106 075
- Framework Guarantee Agreements		27 206		27 206		10 223		10 223
- confirmed export Letters of Credit /accepted drafts	9 310			9 310	14 684			14 684
Total	12 573	208 415	0	220 988	16 099	114 845	38	130 982

The Table below shows off-balance -sheet liabilities granted, broken by subsidiaries, affiliated entities and other entities:

Specification	June 30, 2004 in PLN thousand		June 30, 2003 in PLN thousand	
	related to financing	guarantees	related to financing	guarantees
Parent entity		2 502		887
Subsidiaries	49		75	
Affiliated entities	15 738	450	12 779	5 518

Other entities	981 991	218 036	852 914	124 577
Total	997 778	220 988	865 768	130 982

As at the end of June 30, 2004, the Bank held the following off-balance sheet items related to affiliated entities:

- **Parent entities:**
 - Four guarantees issued to Fortis Bank Brussels for the total amount of PLN 2 502 thousand for the period from three (3) months to three (3) years;
- **Subsidiary:**
 - VISA card limit in the amount of PLN 49 thousand granted to Fortis Securities Polska SA;
- **Affiliated entities:**
 - Fortis Lease Polska Sp. z o.o.:
 - Unused limit in VISA card in the amount of PLN 8 thousand;
 - documentary L/C opened for the amount of PLN 2,700 thousand
 - guarantee for the amount of PLN 127 thousand issued for from 3 months up to 1 year
 - credit line in the amount of PLN 12,530 thousand granted for the period from 3 to 5 years;
 - overdraft limit to the current account in the amount of PLN 500,000 for the term up to 1 year;
 - Fortis group banks:
 - A guarantee issued in the amount of PLN 324 thousand;

By analogy, as at June 30, 2003, the Bank held the following off-balance sheet items related to affiliated entities:

- **Parent entity:**
 - Three guarantees issued to Fortis Bank SA in Brussels for the total amount of PLN 887 thousand for the period from one month to three years;
- **A subsidiary:**
 - A VISA card limit in the amount of PLN 75 thousand granted to Fortis Securities Polska SA;
- **Affiliated entities:**
 - Fortis Lease Polska Sp. z o.o.:
 - a limit in VISA card in the amount of PLN 12 thousand granted to Fortis Lease Polska sp. z o.o.; off-balance-sheet debt outstanding balance as at June 30, 2003 amounted to PLN 10 thousand;
 - unused credit line in the amount of PLN 5,785 thousand granted to for up to five (5) years;
 - two documentary LCs opened for the total amount of PLN 6,984 thousand

10. Information about a proposed dividend payment, if it has not been formally approved, and about any not-included cumulated preference share dividends.

Fortis Bank Polska SA has not issued any preference shares.

11. Information about liabilities related to approved dividend payment.

As at the date of filing this semi-annual report, the Bank had no commitments related to the approved dividend payment.

12. Data about liabilities due to the State Budget or local government authorities arising from the acquisition of an ownership title to buildings and constructions.

As at June 30, 2004, the Bank did not have any liabilities due to the State Budget or local government authorities arising from the acquisition of an ownership title to buildings or constructions.

13. Information about revenues, costs and results of operations discontinued in a given period or expected to be discontinued in the subsequent period, and reasons for such discontinuance.

In the first half of 2004, the Bank did not discontinue any operations and does not consider reducing the current scope of its business.

14. Cost of fixed assets under construction, fixed assets for own needs.

In the first half of 2004, the Bank incurred costs of fixed assets under construction, fixed assets for own needs in the amount of PLN 4.3 million.

15. Investment made and investments planned for the next 12 months from the balance-sheet date, including non-financial fixed assets.

In the term from July 1, 2004 to June 30, 2005, the Bank plans to make investment outlays in the amount of PLN 19 million.

The Table below presents investment costs incurred as at June 30, 2004 and as at June 30, 2003:

	June 30, 2004 PLN thousand	June 30, 2003 PLN thousand
Investments in progress	1 306	2 219
Advances on investment	0	0
Fixed assets	1 549	2 631
Equipment	573	740
Means of transport	882	1 630
Other	94	261
Intangible fixed assets	1 334	703
Computer software purchased	1 334	703
TOTAL	4 189	5 553

16.

16.1. Information about the issuer's transactions with affiliated entities, also those capital or organizationally affiliated under the Banking Law Act, related to the transfer of rights and obligations, including the principles of the Bank's credit policy towards affiliated entities and a percentage share assigned to transactions with such entities.

- Loan Agreement concluded on January 30, 2004 regarding the credit line contracted by the Bank with Fortis Bank Nederland NV with the limit of EUR 200 million for 101 months in order to finance the current operating activity of the Bank. Under the credit line the Bank may draw down advance payments in EUR, USD, CHF and JPY within 76 months from the Agreement conclusion date. Interest rate: 1, 2, 6 or 12-month IBOR, depending on the currency and interest rate term for specific advances. The commitment fee is 0.125% p.a. on the unused part of the credit limit. This agreement is to replace the agreement date September 24, 1998 amended through Annex no.3 dated November 12, 1999 on the granting of a credit line of up to DEM 200 million, i.e. EUR 102 million, repaid on February 5, 2004.
- Loan Agreement dated January 30, 2004 on the contracting by the Bank of a credit line with Fortis Bank (Nederland) NV with the limit up to EUR 200 million for 27 months with an option of automatic renewal, earmarked for financing the Bank's working capital. The credit facility may be drawn down in one or more Advances in EUR, USD, CHF or JPY within 2 months from the date of signing this agreement. The applied interest rate will be one, three, six or twelve month IBOR depending on the relevant currency of the Advance and its interest rate period. The commitment fee: 0.125% p.a. calculated on the total unused credit principal.
- Fortis Bank Polska SA concludes transactions on the interbank market with Fortis Bank in Brussels. As at June 30, 2004, Fortis Bank Polska SA had no interbank deposits from Fortis Bank Brussels but it made a placement of CHF 2,000 thousand and two overnight deposits of EUR 30,400 thousand and PLN 151,500 thousand. Fortis Bank Brussels also has nostro and vostro accounts. The interest rate on these accounts corresponds to market rates.
- Fortis Securities Polska SA sub-leases from Fortis Bank Polska SA office premises and parking space. The sub-lease agreement was concluded on February 15, 2001, for five (5) years and is renewable.
- Cooperation Agreement dated January 7, 2000 together with subsequent annexes, entered into by the Bank and Fortis Securities Polska SA. Under the agreement, the Bank's customers may use investment portfolio management services through FSP Customer Service Outlets (POK) and Information Points (PI) that are situated in the Bank's branches.
- Revolving Credit Agreement dated November 17, 2000 with Fortis Lease Polska Sp. z o.o. together with the subsequent annex. Under the Agreement, a revolving multi-currency credit facility was granted with the maturity on November 17, 2005, bearing the market interest rate. As at the end of June 2004, the

credit outstanding balance amounted to PLN 70 973 thousand. Fortis Lease Polska Sp. z o.o. had at the end of June 2004 an unused credit limit granted in the amount of PLN 13 million.

- Overdraft Credit Facility Agreement dated April 5, 2002 with Fortis Lease Polska Sp. z o.o. along with an annex to the Agreement dated April 7, 2004. Under the Agreement, Fortis Lease was granted an overdraft facility in the amount of PLN 0.5 million under the market conditions, maturing on April 6, 2005.

16.2. Data concerning affiliated companies on:

- a) receivables and liabilities:

	June 30, 2004 in PLN thousand			June 30, 2003 in PLN thousand		
	Parent company	Subsidiary	Affiliated entities	Parent company	Subsidiary	Affiliated entities
Receivables						
Current receivables	292 651		248 011	240 555		65
Term deposits	5 945		70 941	75 000		20 000
Loans		1		128		37 268
Interest	33		140	610		117
Lease receivables						10
Other assets		2	2	1	20	
Total receivables	298 629	3	319 094	316 294	20	57 460
Liabilities						
Vostro accounts	115		1 383			2 823
Current account assets		2 442	30 019		469	2
Loans and credit facilities granted			1 222 987			663 153
Interest accrued			2 336			879
Other liabilities						101
Total liabilities	115	2 442	1 256 725	0	469	666 958

- b) income and expense, including interest and fees, costs of the loan provisions:

	June 30, 2004 in PLN thousand			June 30, 2003 in PLN thousand		
	Parent company	Subsidiary	Affiliated entities	Parent company	Subsidiary	Affiliated entities
Income						
Interest income	2 693		1 192	3 996	3	1 375
Commission and fee income	731	16	40	301	6	
Net income on measurement of derivatives	(635)					
Other operating income		105	301		100	
Total income	2 789	121	1 533	4 297	109	1 375
Expense						
Interest expense	46	192	10 073	506	4	8 343
Commission and fee expense	115		345	131		
Operating costs	120	108	152		97	
Total costs	281	300	10 570	637	101	8 343

- c) granted credit facilities, including irrevocable commitments,

As at June 30, 2004, Fortis Securities Polska SA had an off-balance-sheet limit on a VISA card of PLN 49,000.

By analogy, as at June 2003, Fortis Securities Polska SA was granted a VISA card limit up to PLN 75 thousand.

On September 30, 2002 the bank extended to Fortis Securities Polska SA an overdraft facility up to PLN 1 million, to be repaid until March 31, 2004, on market conditions. As at June 30, 2004 Fortis Securities Polska

had no outstanding debt related to that facility.

d) other data:

As at June 30, 2004, the Bank owned 100% of shares of Fortis Securities Polska SA. The Supervisory Board of Fortis Securities Polska SA includes three members of the Board of Executives of Fortis Bank Polska SA.

The Annual General Meeting of Shareholders of Fortis Securities Polska S.A. held on June 26, 2003 resolved to increase the Company's share capital from PLN 9,048 thousand up to PLN 53,036 thousand through the issue of "R" and "S" series shares. Both issues were acquired by the Bank. The Bank reported the increase of its shares in Fortis Securities Polska S.A. in the balance sheet item: "Shares and holdings in other entities".

17. Information about joint ventures not required to be shown in consolidated statements.

In the first half of 2004, the Bank did not enter into any joint ventures not required to be shown in consolidated statements.

18. Information about income and costs of brokerage activities conducted by the Bank.

The Bank does not conduct any brokerage activities.

19. Information about write-offs of uncollectible receivables into costs, with a breakdown into the titles of write-offs and manner of writing off such receivables – against created provisions, against costs of financial operations, including the specification of losses related to loans and cash loans.

In the first half of 2004, 29 loans totaling PLN 1,016 thousand were written off against the created provisions.

20. Information about costs related to the creation of provisions for future liabilities towards employees, including the specification of titles:

In the first half of 2004, the Bank incurred costs related to the creation of provisions for liabilities due to its employees on account of bonus in the amount of PLN 3,350 thousand.

21. Information about costs of financing employee pension schemes.

The Bank does not finance employee pension schemes.

22. Information about custody operations.

As at June 30, 2004, the Custody Services Group at Fortis Bank Polska SA maintained 9 securities accounts in favor of customers. The total value of customer financial instruments in the safekeeping of the Custody Services Group on that day amounted to PLN 1,115,256 thousand. In the reporting period, the Bank provided services regarding the custody and transaction settlement of securities traded on the Polish regulated and not-regulated markets, and acted as the intermediary in making transactions on the foreign market. In rendering custody services to customers, the Bank co-operated with DB Securities SA.

23. Information about asset securitization.

Fortis Bank Polska SA does not make asset securitization.

24. Information about average employment, with a breakdown into professional groups.

As at June 30, 2003, Fortis Bank Polska SA had 884 FTEs (full-time equivalent). In the course of 12 months, this number decreased to 873. The average employment between January and June 2003 totaled 873 FTEs.

Structure of employment in terms of education:

	June 30, 2004	June 30, 2004
High-school graduates	37%	39%
College graduates	11%	8%
University	52%	53%

25. Information about the total value of remuneration and rewards (in cash and in kind), paid or due, separately to persons managing and supervising the issuer in the issuer's organization, regardless of whether they were recognized as costs or profit sharing, and if the issuer is a controlling entity or a major investor – separate information about the amount of compensation and rewards received for performing functions in the governing bodies of subsidiaries, sister companies and affiliated entities (for each group separately).

Remuneration, including profit sharing, paid to the Board of Executives, Supervisory Board and holders of

procuration of Fortis Bank Polska SA is shown below.

Remuneration	01.01.2004 - 30.06.2004 (in PLN thousand)	01.01.2003 - 30.06.2003 (in PLN thousand)
Board of Executives	2,093	1,913
Supervisory Board	159	170
Holders of procuration	1,897	1,782

Three Members of the Board of Executives of Fortis Bank Polska SA who are Members of the Supervisory Board of Fortis Securities Polska SA did not receive any remuneration on that account either in the first half of 2004 or in the first half of 2003.

The Board of Executives of Fortis Bank Polska SA was covered by the "Fortis Executives and Professionals Stock Option Plan for Fortis NV shares.

26. Information about the value of unpaid advances, loans, cash loans, guarantees or any other agreements under which the party is obligated to provide benefits in favor of the issuer, its subsidiaries, sister companies or affiliated entities, with interest rates and repayment terms of such amounts being specified, granted by the issuer in the issuer's organization and separately in organizations of the issuer's subsidiaries, sister companies and affiliated entities (separately for each group), to persons managing and supervising [the issuer], and the issuer's employees and separately to their spouses, relatives and relations by affinity up to the second degree, adoptees or adopters and any other persons who such managing and supervising persons are personally related with, with the interest rates and repayment terms of such amounts being specified.

As at June 30, 2004 Fortis Bank Polska SA extended:

to the Board of Executives' Members:

- Two (2) foreign currency loans in the total amount of EUR 81 thousand, as at June 30, 2004, with the maturity from 3 to 10 years, at the market interest rates;
- one (1) PLN loan, as at June 30, 2004 the outstanding balance on this account amounted to PLN 155 thousand, with the maturity from 3 to 10 years, at the market interest rates;
- one (1) overdraft facility to a ROR checking and saving account, as at June 30, 2004 the balance-sheet the outstanding balance amounted to PLN 47 thousand, maturity did not exceed 1 year, the interest rates did not differ from market rates;
- two (2) VISA card limit of the total outstanding balance of PLN 44 thousand as at June 30, 2004, which is recognized as the off-balance sheet debt.

to holders of procuration

- two (2) overdraft facilities in ROR accounts (i.e., checking and savings accounts) for the total amount of PLN 25 thousand as at June 30, 2004 and maturity up to one year; the interest rates do not differ from market rates;
- eight (8) loans, including ones denominated in foreign currency, of the total outstanding balance of PLN 563 thousand as at June 30, 2004, of maturity between three (3) and ten (10) years, at an interest rate corresponding to the applied market rates;
- three (5) Visa card limits - the total debt balance on that account reported in off-balance sheet items amounted as at June 30, 2004 to PLN 20 thousand,

to persons related to managing of supervising persons:

- one (1) FC loan of the outstanding balance of EUR 4.5 thousand as at June 30, 2004, with maturity of between five (5) and ten (10) years, at an interest rate corresponding to the applied market rates;
- 5 limit in a ROR account (i.e., checking and savings account) for the total amount of PLN 119 thousand as at June 30, 2004 the outstanding balance amounted to PLN 95 thousand; the interest rate does not differ from market rates;
- 4 VISA card limit of up to PLN 24 thousand as at June 30, 2004.

to employees:

- 41 advance payments for business expenses of the total amount of PLN 34.4 thousand.

Moreover, Fortis Bank Polska employees are entitled to use employee loans. The outstanding balance of such loans is shown below:

	June 30, 2004	June 30, 2003
Employee loans in PLN thousand	19,772	8,076
Number of employee loans	591	253

The interest rate of employee loans does not differ from market rates.

27. In the first half of 2004, no significant events occurred referring to previous years, presented in the financial statements for the current period.
28. Description of important events that occurred after the balance sheet date, i.e. June 30, 2004 and were not shown in the financial statements.

On July 13, 2004 the Bank obtained the consent issued by the Securities and Exchange Commission (KPWiG) to grant the Bank a license to distribute participation units of investment funds (KPWiG Resolution no. 517 dated July 13, 2004).

29. In the fiscal year in question, no important events occurred which affected the structure of the balance sheet items and financial result.
30. In the first half of 2004, there were no relations between the legal predecessors and the issuer.
31. As the inflation index in the last three years has been maintained below 20%, the Bank does not present financial statements adjusted by the inflation index.
32. **Presentation and explanation of differences between data disclosed in the financial statements and comparative financial data/consolidated financial statements and comparative consolidated financial data, with previously compiled and published financial statements/consolidated financial statements.**

In connection with changes of the accounting rules, in order to achieve data comparability in the report, the following comparable financial data have been transformed as at June 30, 2003:

ASSETS: in PLN thousand	June 30, 2003	change on account of reclassification	June 30, 2003 incl. changes
III. Due from other financial institutions	743 244	27	743 271
2. Term	391 363	27	391 390
IV. Due from customers	2 614 339	(27)	2 614 312
1. Current	490 384	47 437	537 821
2. Term	2 123 955	(47 464)	2 076 491
ASSETS (TOTAL)	4 161 014		4 161 014

Adjustment amount (in PLN thousand)	of which:	Adjustment title
+/-27		Change of a customer type from a non-financial entity into a financial entity
+ 47,437	+/- 47,467	change of the manner of presentation of non-performing current receivables, movement from item "term" to item "current"
	- 27	Change of a customer type from a non-financial entity into a financial entity

LIABILITIES: in PLN thousand	June 30, 2003	change on account of reclassification	June 30, 2003 incl. changes
III. Due to customers	2 105 766		2 105 766
1. Savings:	313 030	(313 030)	

a) current	313 030	(313 030)	
2. others:	1 792 736	313 030	2 105 766
a) current	603 884	313 030	916 914
LIABILITIES (TOTAL)	4 161 014		4 161 014

Adjustment amount (in PLN thousand)	Adjustment title
+/-313,030	the change refers to movement of data from item „Current savings accounts” to item "Other current liabilities" - change of data presentation

Starting from January 1, 2004, the Bank includes in the financial result interest accrued on receivables on the “Watch list”. As the financial result adjustment amount on the above account in the comparable data is insignificant, the Bank did not convert the comparable data as at March 31, 2003 and June 30, 2004. Upon conversion, the Bank’s gross financial result would rise by:

- 5.4% as at March 31, 2003,
- 2.2% as at June 30, 2003.

In connection with amendments to the accounting principles, an increase in the item “other accrued income” was noted as at June 30, 2004, as compared to previous periods; the increase resulted from including, as from January 1, 2004, [into] accrued income commissions and fees on loans settled using the straight-line method. As at June 30, 2004, the value of such commissions amounted to PLN 5,943 thousand.

Semi –Annual Financial Report from January 1 to June 30, 2003 and Annual Financial Report for 2003 have not been modified so as to ensure comparability of data as regards the change of accounting rules described under item 33 due to the fact that such a modification would not have been feasible for practical reasons and due to the limits resulting from inadequately high amount of work required in order to obtain the comparative data.

33. Starting with January 1, 2004, the Bank has changed the accounting rules of settlement of commissions and fees related to revolving credits, overdrafts and guarantees. Those commissions are calculated on a straight-line basis over the duration of the loan agreement or guarantee agreement respectively.

This change in the accounting rules was introduced as an effect of the Bank’s preparations to the implementation of credit valuation methodology that employs effective interest rate in compliance with the requirements imposed by the Ordinance of the Finance Minister of December 10, 2001 regarding special accounting principles for banks. By virtue of par. 32b of this Ordinance, profits and losses resulting from the first valuation of assets and financial liabilities at amortized cost applying effective interest rate are recognized as retained earnings (uncovered loss) from prior years.

The opening balance-sheet adjustments due to above-mentioned change totaled PLN (2,731) thousand as at January 1, 2004 and was presented as Retained earnings (or uncovered loss) in the Bank’s balance-sheet. The table below presents the adjustment of the opening balance broken down by amounts related to specific types of loans.

PLN 640 thousand	deferred tax related to the commissions & fees calculated on the straight-line basis
PLN (958) thousand	adjustment related to commissions & fees calculated on the straight-line basis from overdrafts
PLN (605) thousand	adjustment related to commissions & fees calculated on the straight-line basis from PLN revolving working capital credits
PLN (734) thousand	adjustment related to commissions & fees calculated on the straight-line basis from FC revolving working capital credits
PLN (484) thousand	adjustment related to commissions & fees calculated on the straight-line basis from revolving credits secured by a mortgage
PLN (591) thousand	adjustment related to commissions & fees calculated on the straight-line basis from guarantees
PLN (2 731) thousand	TOTAL

34. In the first half of 2004, the Bank did not make any correction of material errors.

35. **Data regarding company mergers**

In the first half of 2004, the Bank did not merge with any other entity. Information required under Items 37 and 38

does not refer to Fortis Bank Polska SA, since the Bank does not prepare financial statements on a consolidated basis. Detailed explanations in this matter are given in Item 39.

39. The Bank does not prepare consolidated financial statements pursuant to Art 58 of the Accounting Act, under which the consolidation may exclude a subsidiary if the financial data of this subsidiary are immaterial for a reliable and transparent presentation of the property, financial situation and financial result of the unit. As at the end of June 30, 2004, the total assets of Fortis Securities Polska SA constituted 1.2% of the Bank's total assets, FSP's total income made up 1.1% of the Bank's total income.

The basic financial data of FSP, the Bank's subsidiary, are presented in Note 10B in the financial part of the Semi-Annual Report.

40. Fortis Bank Polska SA does not prepare financial statements on a consolidated basis.

41. Other information

41.1. Bank's authorities:

Fortis Bank Polska SA has the following authorities:

- Annual General Meeting of Shareholders,
- Supervisory Board,
- Board of Executives.

As at June 30, 2004, the Supervisory Board was composed of 7 members, and the Board of Executives of 6 members.

41.2. Additional information to the Bank assets and liabilities

The foreign currency structure of assets and liabilities as at December 31, 2003 is presented in the table below.

Currency	Assets (PLN thousand)	Assets (%)	Liabilities (PLN thousand)	Liabilities (%)
AUD	505	0.01%	99	0.00%
CAD	2 173	0.04%	180	0.00%
CHF	204 971	3.97%	204 752	3.97%
CZK	541	0.01%	74	0.00%
DKK	1 251	0.02%	234	0.00%
EUR	1 302 522	25.23%	1 276 910	24.74%
GBP	8 126	0.16%	4 075	0.08%
HUF	9	0.00%	269	0.01%
JPY	2 546	0.05%	5	0.00%
NOK	489	0.01%	348	0.01%
PLN	3 078 577	59.64%	3 132 839	60.69%
SEK	1 001	0.02%	778	0.02%
USD	559 124	10.83%	541 272	10.49%
TOTAL	5 161 836	100.00%	5 161 836	100.00%