

Semi-Annual report SAB-P 2003 (for banks)

(pursuant to §57, Section 1 item 2 of the Ordinance of the Council of Ministers Regulation dated October 16, 2001 - Official Journal No. 139, item 1569, and No. 31/2002, item 280)

For the reporting period from January 1, 2003 to June 30, 2003 and the corresponding period of the previous year from January 1, 2002 to June 30, 2002

Submitted on September 26, 2003

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Independent Auditor's review report on the semi-annual financial statements of Fortis Bank Polska S.A. for the period from 1 January 2003 to 30 June 2003

Translation of document originally issued in Polish

To the shareholders of Fortis Bank Polska S.A.

We have reviewed the accompanying [semi-annual financial statements of Fortis Bank Polska S.A.](#), with its registered office in Warsaw, Postępu 15. These semi-annual financial statements consist of: [the introduction](#); [the balance sheet](#) as at 30 June 2003 with total assets and total liabilities and equity of PLN 4,161,014 thousand; the capital adequacy ratio, [the profit and loss account](#) for the six month period ended 30 June 2003, with a net profit of PLN 17,250 thousand; [the statement of changes in equity](#) for the period between 1 January 2003 and 30 June 2003 with a decrease in equity of PLN 13,353 thousand; [the cash flow statement](#) for the six month period then ended, with a net increase in cash amounting to PLN 27,038 thousand; the statement of contingencies and commitments granted as at 30 June 2003 amounting to PLN 996,750 thousand and supplementary information and explanations.

The Management Board of Fortis Bank Polska S.A is responsible for the completeness, fairness and accuracy of the semi-annual financial statements. Our responsibility was to review these semi-annual financial statements.

The review of the semi-annual financial statements was conducted in compliance with International Standards on Auditing applicable to reviews and Standard No. 4 of the professional standards issued by the Polish National Council of Certified Auditors. These standards require that we plan and perform the review to obtain reasonable assurance that the semi-annual financial statements are free of significant misstatement.

A review is limited primarily to applying analytical procedures to financial data presented in the semi-annual financial statements, inspection of evidence supporting the amounts and disclosures in the semi-annual financial statements and inquires of the Management Board and personnel responsible for financial and accounting matters of the Bank. The scope and method of a limited review of semi-annual financial statements is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the true and fair presentation of the financial statements. Therefore we do not express such an opinion on the accompanying semi-annual financial statements.

Based on our review nothing has come to our attention that require any significant changes to be made to the accompanying semi-annual financial statements to fairly present the financial position of Fortis Bank Polska S.A as at 30 June 2003, financial result, profitability and cash flows for the period from 1 January 2003 to 30 June 2003 in accordance with the accounting standards set out in the Polish Accounting Act dated 29 September 1994 (Official Journal No. 76, item 694 with subsequent amendments), the ordinance of Minister of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal no. 149, item 1673 with subsequent amendments) and the requirements relating to issuers of publicly traded securities.

Certified Auditor No. 4979/2575
Hanna Fludra

On behalf of KPMG Polska Audyt Sp. z o.o.
Certified Auditor No. 796/1670
Bogdan Dębicki, Member of the Board of Directors

On behalf of KPMG Polska Audyt Sp. z o.o.
David Pozzecco, Proxy

Warsaw, 22 September 2003

FINANCIAL HIGHLIGHTS	PLN thousand		EUR thousand	
	the first half of 2003	the first half of 2002	the first half of 2003	the first half of 2002
I. Interest income	108 315	165 207	25 125	44 619
II. Fee and commission income	36 888	36 097	8 557	9 749
III. Result on banking activities	109 884	139 028	25 489	37 548
IV. Operating profit	21 307	28 707	4 942	7 753
V. Profit (loss) before taxation	21 307	28 707	4 942	7 753
VI. Net profit (loss)	17 250	19 008	4 001	5 134
VII. Net cash flow from operating activity	(212 544)	(172 622)	(49 303)	(46 621)
VIII. Net cash flow from investing activity	229 309	(233 200)	53 191	(62 982)
IX. Net cash flow from financial activity	10 273	18 512	2 383	5 000
X. Net cash flow	27 038	(387 310)	6 272	(104 604)
XI. Total assets	4 161 014	4 160 436	933 591	1 037 748
XII. Due to the Central Bank				
XIII. Due to other financial institutions	1 242 870	1 113 067	278 858	277 635
XIV. Due to customers and budget sector	2 132 104	2 372 579	478 372	591 798
XV. Own equity	506 299	509 275	113 596	127 030
XVI. Share capital	30 155	30 155	6 766	7 522
XVII. Number of shares	15 077 700	15 077 700		
XVIII. Book value per share (in PLN/EUR)	33.58	33.78	7.53	8.43
XIX. Diluted book value per share (in PLN/EUR)				
XX. Capital adequacy ratio	14.99	18.93		
XXI. Profit (loss) per ordinary share (in PLN/EUR)	1.96	1.87	0.46	0.50
XXII. Diluted profit (loss) per ordinary share (in PLN/EUR)				
XXIII. Declared or paid-out dividend per ordinary share (in PLN/EUR)	2.00		0.46	

[do góry](#)

INTRODUCTION

- 1.** Fortis Bank Polska SA with its registered office situated in Warsaw 02-676, ul. Postępu 15 presents its semi-annual report including financial data as at June 30, 2003 and comparative data as at December 31, 2002 and June 30, 2002.
- 2.** The register court competent for the Bank is the District Court for the capital city of Warsaw, XX Commercial and Registration Department of the National Court Register, ul. Barska 28/30, 02-315 Warsaw, register no. KRS 6421.
- 3.** In the first half of 2003, Fortis Bank Polska SA did not merge with any other business entity.
- 4.** The time of operations of Fortis Bank Polska SA is indefinite.
- 5.** The scope of the activities of Fortis Bank Polska SA covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign legal entities and individual persons and other organizations without legal personality. The main business activity of the Bank according to Polish Business Classification is 'other banking activity' (PKD 6512A), whereas according to the classification adopted by the regulated market, the sector is defined as "Financial institutions and banks."

The scope of the Bank's business includes:

- accepting deposits,
- maintaining bank accounts,
- granting credits and cash loans, including consumer credits and loans,
- carrying out bank monetary settlements, including payment card transactions, likewise issuing payment cards,
- issuing and confirming bank guarantees, sureties and letters of credit,
- issuing securities, including convertible bonds and banking securities, likewise rendering commissioned services and assuming obligations related to the issuance of securities,
- trading in securities and maintaining securities accounts,
- undertaking money market and foreign currency operations, including forward and derivative transactions,
- conducting check and bill-of-exchange transactions, likewise operations including warrants,
- purchasing and selling receivables,
- carrying out foreign-exchange transactions,
- safe-keeping of valuable objects and securities, and providing safe-boxes,
- providing the following financial services:
 - consulting and financial services,
- custody services,
- leasing services,
- brokerage services.
- acquisition services for open Pension Funds and safe-keeping of their assets,
- agency services in handling subscriptions for trust units or investment certificates, agency services in their sale and redemption, likewise safe-keeping of assets of investment funds,
- agency services in property insurance.
- agency services in personal insurance, including life insurance,
- provision of certification services in the understanding of electronic signature regulations, save for the issuance of qualified certificates used by banks in actions which they are parties to,
- agency services in making money transfers abroad by residents and settlements with non-residents in Poland.

- 6.** The Bank's only controlled entity is Fortis Securities Polska SA (FSP). Pursuant to Art 58 of the Accounting Act, the Bank is not obligated to prepare a consolidated statement because 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 June 2003, total assets of Fortis Securities Polska SA constituted 1.4% of the Bank's total assets, while FSP's total income made up 1% of the Bank's total income.

7. The financial statement of Fortis Bank Polska SA has been prepared with the assumption that its business will be continued in the foreseeable future; the Board of Executives has no knowledge whatsoever of any circumstances that may disrupt the Bank's operations.

8. Pursuant to the decision of the Supervisory Board, effective May 1, 2003 the following persons were appointed to the Board of Executives: Mr. Jaromir Pelczarski as the Vice-President and Director of Operations and Support Services, and Mr. Jan Bujak as Vice-President and Chief Financial Officer - responsible for the finance and legal area. As the Bank has already announced, Mr. Andre Van Brussel stopped working for Fortis Bank Polska S.A as of June 30, 2003.

As of June 30, 2003, the Board of Executives of Fortis Bank Polska SA consisted of:

Name	Function
Ronald F.E. Richardson	President of BoE
Jan Bujak	Vice-President
Jean-Luc Deguel	Vice-President
Leszek Niemycki	Vice-President
Jaromir Pelczarski	Vice-President
Koen Vehoeven	Vice-President
Andre Van Brussel	Member of the BoE
Gilles Polet	Member of the BoE

9. As of June 30, 2003, the Supervisory Board of Fortis Bank Polska SA consisted of:

Name	Function
Luc Delvaux	Chairman
Paul Dor	Deputy Chairman
Antoni Potocki	Deputy Chairman
Zbigniew Dresler	Board Member
Werner Claes	Board Member
Roland Saintrond	Board Member
Didier Giblet	Board Member

10. Accounting principles

Fortis Bank Polska SA maintains its accounting records in accordance with:

- Accounting Act dated 29 September, 1994 (Journal of Laws no. 76, Item 694 of 2002, uniform text as amended);
- Banking Law Act dated 29 August 1997 (Journal of Laws no. 72, Item 665 of 2002, uniform text as amended);
- Public Trading in Securities Act dated 25 August 1997 (Journal of Laws. no. 49, Item 447 of 2002, uniform text as amended);
- Ordinance of the Finance Minister of December 10, 2001, regarding special accounting principles for banks (Journal of Laws no. 149, item 1673 uniform text as amended);

- Ordinance of the Finance Minister of December 12, 2001, regarding the detailed principles of recognition, valuation methods and the scope of including financial instruments and manner of their presentation (Journal of Laws no. 149, Item 1674);
- Ordinance of the Finance Minister of December 10, 2001, regarding the rules of creation of provisions for risk related to banking activity (Journal of Laws no. 149, Item 1672 as amended);

The accounting principles are defined in the Accounting Principles (Order no. B/45/2002 of the President of the Board of Executives of Fortis Bank Polska SA, dated May 6, 2002).

The Bank applies the main principles defined in the Accounting Act, in particular the following:

consistency concept

The Bank applies the adopted accounting standards consistently. Thus in subsequent fiscal years it follows the same rules for grouping of transactions on accounts, valuation of assets, including depreciation (amortization) charges, and liabilities, determination of the financial result and preparation of financial statements so that data for the subsequent years shown in such statements could be compared. Total assets and liabilities shown in the books of accounts on the day of their closure should be recognized in the same amount in the balance sheet in the books of accounts opened for the next fiscal year. An entity may, with effect from the first day of a fiscal year, regardless of the day of taking such a decision, supersede the applied to-date solutions with others provided in relevant regulations.

continuity concept

In the valuation of assets and liabilities and in determination of the financial result, the Bank assumes that it will continue in business in the foreseeable future within a scope that has not been materially changed and that no bankruptcy or winding-off proceedings will be instituted against the Bank, unless actual or legal circumstances suggest otherwise.

accrual basis and matching concept

In its books and in the financial result, the Bank records all income earned and due to the Bank and related costs incurred in a given fiscal year, irrespective of the date of their payment. In order to ensure that income and related costs are matched, the Bank recognizes, in assets or liabilities related to a given fiscal year, costs or income referring to future reporting periods and costs referring to the current reporting period which have not yet been incurred.

prudence-conservatism concept

The Bank measures individual assets and liabilities at the actual cost of their acquisition. In particular, in the financial result, regardless of its amount, the Bank recognizes:

- reductions in the useful or commercial value of assets, including depreciation (amortization) write-offs,
- only unquestionable other operating income and extraordinary profits,
- all operating costs and extraordinary losses incurred,
- provisions for risk identified by the Bank, impending losses and effects of other events.

no-offset principle

The value of particular assets and liabilities, income and related costs, as well as profits and extraordinary losses are determined separately. Values of different-in-kind assets and liabilities, income and related costs as well as profits and extraordinary losses may not offset each other.

materiality concept

When applying accounting standards, the Bank may accept certain simplifications, unless they have a significant adverse impact on the principle of true and fair view of the Bank's property and financial situation and the financial result.

substance over form principle

An assumption that events, including economic transactions, should be included in the Bank's books of accounts and shown in the financial statement in accordance with their substance and economic reality.

10.1 The Bank's books of accounts are maintained in compliance with Polish laws using the computerized system "Equation" developed by the British company Misys International Banking Systems Ltd., London (approved by the Bank's Board of Executives' President in Order dated August 1, 1994, on the implementation of the Equation system). The system maintains a central database with one general ledger for the Head Office and branches.

10.2 For financial reporting, the Bank applies the Model Chart of Accounts implemented under the Ordinance of the Finance Minister of December 12, 2001 (Journal of Laws no 152, Item 1727, dated December 28, 2001). Due to the fact that the Bank's shares are admitted to public trading under the Public Trading in Securities Act, the Bank's reports and accounts are prepared also according to the Ordinance of the Council of Ministers dated October 16, 2001 regarding the type, form and scope of current and periodic 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 Ordinance of the Minister of the Council of Ministers of October 16, 2001, regarding the detailed requirements applicable to issue prospectuses and abridged versions of such prospectuses (Journal of Laws no. 139, Item 1568 as amended).

10.3 The Chart of Accounts includes a list of accounts, whereas the Commentary to the Chart of Accounts comprises a description of accounts and indexes of typical accounting entries.

10.4 Tangible and intangible fixed assets are measured as of the end of each reporting period at the acquisition price less their depreciation. In addition, the Bank recognizes revaluation conducted according to valid regulations as well as impairment losses.

10.5 The acquisition price of fixed tangible and intangible assets purchased in foreign currency is converted into Polish zloty at the NBP mid-rate applied on the day of payment.

10.6 Fixed tangible and intangible assets are depreciated based on the valid depreciation schedule determined by the Bank. The depreciation schedule includes depreciation rates specified in a separate document, i.e., the "Valuation Rules of the Bank". Therefore, balance sheet depreciation rates can be different from tax depreciation rates. Depreciation on fixed tangible and intangible assets is calculated monthly on a straight line basis.

Selected principal depreciation rates used by the Bank for balance sheet purposes

are as follows:

- computer equipment - 33% on an annual basis,
- passenger cars - 25% on an annual basis,
- improvements on premises not owned by Bank - 10% on an annual basis,
- computer software:
 - standard - software widely available on the market, e.g., Word, Excel, Lotus, Powerpoint, etc., are charged to costs as a one-time payment,
 - non-standard - non-standard software, i.e., tailored to the Bank's specific requirements, e.g. accounting software, tax software etc, are charged to costs as one-time payments if the period of their economic utility is shorter than one year. If the period of economic utility exceeds one year, then such non-standard software is depreciated during a period not longer than five years.

10.7 Items of value not exceeding PLN 3,500 are charged to costs as one-time payments in the month they are made available for use. For the first half of 2003 the Bank incurred the respective costs in the amount of PLN 66 thousand.

10.8 Securities:

Debt securities have been classified to the following categories:

- held for trading
These are debt securities which have been purchased in order to obtain gains as a result of short-term price fluctuations. On the balance-sheet date debt securities held for trading are measured at fair value, and the valuation effect is included in the financial operations result;
- held to maturity
These are debt securities which have been purchased with an intention to hold them to maturity. Such securities are measured at amortized cost (with discount and premium accrued by a straight-line method) taking into account write-downs for impairment losses.
NBP bonds related to mandatory reserves are also included here.
- available for sale
These are debt securities not classified to the "securities held for trading" category or the "debt securities held to maturity" category. They are measured at fair value and the valuation effect is included into the revaluation capital.

Impairment loss with respect to securities is regarded as, in particular:

- loss incurred by the issuer over a period of one year, which is not covered by his own capital,
- poor performance (i.e. below acquisition price) of securities over a period of at least three-subsequent months.

10.9 Shares and holdings in subsidiaries are measured by equity method. The effect of valuation of these assets is shown in the profit and loss account as Share in net profit (loss) of subsidiaries measured by equity method. Other shares and interests recognized as fixed assets are valued at the acquisition price, taking into account write-downs for impairment losses.

10.10 Amounts receivable and payable on account of loans, cash loans and other debts are recognized at the amount of the payment due, which comprises the interest due, taking into account specific provisions created according to the Ordinance of the Finance Minister of December 10, 2001, regarding the rules of creation of provisions for risk related to banking activity (Journal of Laws no. 149, Item 1672, as amended). The required provisions are built at the end of each

reporting period. Provisions for receivables denominated in foreign currencies are converted into zlotys together with the receivable covered by the provision.

10.11 The Bank settles deferred expenses if such expenses relate to months that follow the month in which they were incurred.

The Bank settles accrued expenses in an amount referring to the current reporting period, arising in particular from:

- specific services rendered to the Bank, if the amount of liability may be reliably determined,
- obligation to provide future services related to current business whose amount may be determined, even though the date when the liability arises is not yet known.

Deferred and accrued expenses are written off in relation to the lapse of time or the amount of payments for the services rendered. The time and manner of settlement depends on the nature of settled costs, according to the prudence-conservatism concept.

The expected, however, not yet incurred expenses recognized in accrued expenses decrease current expenses in the reporting period in which it was determined that such liabilities did not occur.

Deferred income includes, in particular payments received or due from business partners for services to be performed in future reporting periods.

10.12 The Bank creates provisions for future liabilities whose amount or the time when they arise may not be established. It is certain or quite likely that such liabilities will arise, which means that they result from past events that involve a payment obligation. As a consequence, the present or future assets of the unit will be used; reliable assessment of the liability amount is possible

In particular, the Bank creates provisions for liabilities due to its employees on account of bonuses and unused vacation leave.

Furthermore, the Bank creates provisions for transactions that result in losses. Such transactions include in particular:

- agreements regarding office space sublease at prices lower than agreed in lease agreements,
- lease agreements regarding office space not used to conduct business.

The provisions are created in the amount of the actual or estimate costs that Bank is not able to avoid.

The Bank also creates provisions for other future liabilities, and in particular, for the outcomes of ongoing judicial proceedings. Provisions for future liabilities are created against other operating costs.

If liabilities for which provisions have been created arise, they will decrease the amount of the created provisions. If the risk for which a provision has been created is reduced or eliminated, such a provision will increase the balance of other operating income or financial income.

10.13 Due to temporary differences between the value of assets and liabilities shown in the books of accounts and their tax value and the tax loss deductible in

the future, at the end of each reporting period the Bank establishes the amount of deferred tax liability and deferred tax assets.

Deferred tax assets are determined in an amount anticipated to be tax deductible in the future, due to negative temporary differences, which in the future will result in reducing the tax base and deductible tax loss determined according to the prudence-conservatism concept.

Deferred tax liability is established in the amount of the income tax that will have to be paid in the future, due to positive temporary differences, i.e. differences which will result in increasing the tax base in the future.

10.14 The net financial result includes: net operating result, net extraordinary gains/losses, and mandatory charges to the financial result on account of income tax. The net operating result includes the banking activity result adjusted for the difference between other operating revenues and other operating costs, cost of the Bank's activities, depreciation of fixed assets and intangible assets, provisions revaluation result. The banking activity result includes: interest and fee income, income from shares, holdings and other securities, financial operations result, FX result.

10.15 The Bank includes the following items into its interest income at the end of a reporting period:

- income not received in the reporting period arising from:
 - interest due to the Bank, including discount and capitalized interest on receivables classified as performing,
 - interest income, including discount, received in the previous reporting period referring to the current reporting period,
- current interest income referring to the reporting period,
- current interest income referring to the interest classified as deferred interest income in the previous periods,
- costs on account of matured and not matured interest on the Bank's liabilities referring to the reporting period.

The Bank does not include the following in its interest income:

- matured and not matured interest, including capitalized interest - on receivables "at risk" and "watched" receivables which are treated as suspended income until they are collected or written off,
- discount and interest collected in advance referring to future reporting periods.

10.16 Commission and fee income and expenses are included in the financial result when they are collected, i.e. upon their actual payment, except for commissions and fees related to the credit line facility made available by the European Bank for Reconstruction and Development, which are included into the financial result on an accrual basis.

10.17 The Bank evaluates daily FC positions (with reference to the NBP mid-rate). The result from the above-mentioned operations is recorded on a separate account "Revaluation result". The FX result is calculated on a daily basis and recorded on a separate account "FX result". Both accounts are presented in the profit and loss account in the position "FX result".

The result from forward transactions, not yet matured, is included in the FX financial result of a given reporting period. The result is calculated according to the following rules:

- current FX spot transaction result, forward transaction result are calculated by comparing the transaction rate with the market rate applied to similar transactions at the end of a reporting period, if the difference between the value date and the current date is more than two days. In other cases, the reference rate is the NPB mid-rate.

10.18 The Bank determines the amount of income tax on the basis of the gross financial result adjusted for permanent differences between tax income and financial income. The amount of tax resulting from temporary differences, due to the fact that particular items were recognized in income or costs for tax and accounting purposes at different dates, is shown as deferred tax liability or deferred tax assets. The amount of deferred tax liability and deferred tax assets is determined according to income tax rates applied during the fiscal year when the tax liability arises.

All specific provisions created by the Bank excluded from the assessment of corporate income tax liability have been recognized in temporary differences for the purpose of assessing the amount of deferred income tax.

Deferred tax assets as of June 30, 2003, and the comparable data as of June 30, 2002 are presented in the financial part of the semi-annual report in Note 17, whereas the deferred tax liability - in Note 27.

10.19 Financial data included in the semi-annual report have been prepared according to the rules of asset and liability valuation and measurement of the net financial result determined on the balance-sheet day, taking into account adjustments related to provisions, deferred tax assets and liability, referred to in the Accounting Act, and asset revaluation.

10.20 Below are mid EUR/PLN rates set by the National Bank of Poland in the first half of 2003 and the first half of 2002, applied to convert selected items from the balance sheet, the profit and loss account and cash flow account:

- As of June 30, 2003, the mid EUR rate published by the NBP on June 30, 2003, was PLN 4.457;
- As of June 30, 2002, the mid EUR rate published by the NBP on June 28, 2002 was PLN 4.0091;
- mid rate, calculated as an arithmetic mean of mid rates set by the National Bank of Poland on the last days of the months from January to June 2003, was PLN 4,311; mid rate calculated as an arithmetic means of average rates determined by the National Bank of Poland on the last days of the months from January to June 2002, was PLN 3.7026;
- in the first half of 2003, the highest mid EUR rate of PLN 4.4896 was published by the NBP on June 27, 2003; and the lowest mid EUR rate of PLN 3.9773 was published by the NBP on January 3, 2003.
- in the first half of 2002, the highest mid EUR rate of PLN 4,0091 was published by the National Bank of Poland on June 28, 2002; whereas the lowest mid EUR rate of PLN 3.5015 was published by the National Bank of Poland on January 8, 2002.

11. Comparative data in the financial statement as of June 30, 2002 have been modified so as to ensure comparability of data while the statement and explanation of differences resulting from adjustments due to changes in the accounting policy and principles pursuant to amendments to the Accounting Act and the manner of presenting have been enclosed in the Additional Notes in Section 32.

12. The key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for the first half of 2003 and corresponding financial figures for the first

half of 2002 displayed on the cover page of the semi-annual report have been converted into EUR according to the following rules:

- particular items on the assets and liabilities sides of the balance-sheet at the end of June 2003 have been translated into EUR at the mid-rate applied on June 30, 2003, published by the National Bank of Poland, i.e. PLN 4.457; comparative financial data have been converted into EUR at the mid-rate published on June 30, 2002, i.e., PLN 4.0091, published by the National Bank of Poland;
- particular items in the profits and loss account and cash flow statement for the first half of 2003 have been converted into EUR at a rate which is an arithmetic mean of mid rates set by the National Bank of Poland for the last days of the months from January to June 2003, i.e. PLN 4.311; comparative data have been translated into EUR at a rate which is an arithmetic mean of mid rates set by the National Bank of Poland for the last days of the months from January to June 2002, i.e., PLN 3.7026;

13. No reservations have been made in the presented 2003 semi-annual financial report and comparative financial data by the respective external auditors.

14. This semi-annual financial statement of the Bank does not include internal data of organizational units which prepare their financial statements independently.

15. A difference would occur between the financial statement of Fortis Bank Polska SA prepared as of June 30, 2003, in accordance with the Polish Accounting Principles (PZR), and a statement which would have been prepared according to the International Financial Reporting Standards (IFRS) with respect to the valuation of granted loans, cash loans and other own receivables. According to the IFRS 39, granted loans, cash loans and other own receivables should be measured at amortized cost, taking into account the effective interest rate and based on the valuation of impairment loss. In the Bank's financial statement, granted loans, cash loans and other own receivables have been shown in the amount of payment due (unpaid principal, capitalized interest, interest accrued matured and not matured), recognizing the specific provisions created under the Ordinance of the Finance Minister of December 10, 2001, regarding the principles of creating provisions for risks related to banking activity (Journal of Laws. no. 149 of 2001, Item 1672).

Apart from that, there are no significant differences between the Bank's financial statement prepared as of June 30, 2003, in compliance with the Polish Accounting Principles and a statement which would have been prepared according to the International Financial Reporting Standards.

Balance sheet

	Note	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
ASSETS				
I. Cash and due from the Central Bank	1	166 463	248 987	159 868
II. Treasury bills and other bills eligible for refinancing with the Central Bank				
III. Receivables due from other financial institutions	2	743 244	496 338	872 367
1. Current		351 881	242 319	209 582
2. Term		391 363	254 019	662 785
IV. Receivables due from customers	3	2 614 339	2 172 196	2 358 579
1. Current		490 384	418 610	454 677
2. Term		2 123 955	1 753 586	1 903 902
V. Receivables due from budget sector	4	4	1 308	
1. Current				
2. Term		4	1 308	
VI. Securities purchased under resale agreements	5			
VII. Debt securities	6	397 683	679 744	598 825
VIII. Shares and investments in subsidiaries	7, 10	57 061	6 572	8 561
IX. Shares and investments in sister companies	8, 10			
X. Shares and investments in associated entities	9, 10			
XI. Minority investments	11	50	45	45
XII. Other securities and other financial assets	12		3 416	1 317
XIII. Intangible fixed assets, incl.	14	14 556	14 459	16 404
- goodwill				
XIV. Tangible fixed assets	15	55 128	64 411	68 471
XV. Other assets	16	71 003	15 022	29 951
1. Seized assets - for sale				
2. Other		71 003	15 022	29 951
XVI. Prepayments and accrued income	17	41 483	42 665	46 048
1. Deferred income tax		35 360	37 050	36 071
2. Other prepayments and accrued income		6 123	5 615	9 977
Total assets		4 161 014	3 745 163	4 160 436
LIABILITIES				
I. Due to the Central Bank				
II. Due to other financial institutions	20	1 242 870	759 946	1 113 067

1. Current		435 470	13 981	128 620
2. Term		807 400	745 965	984 447
III. Due to customers	21	2 105 766	2 280 289	2 343 310
1. Savings:		313 030	256 670	293 318
a. Current		313 030	256 670	293 318
b. Term				
2. Others:		1 792 736	2 023 619	2 049 992
a. Current		603 884	667 276	489 544
b. Term		1 188 852	1 356 343	1 560 448
IV. Due to budget sector	22	26 338	26 913	29 269
1. Current		6 389	10 850	5 526
2. Term		19 949	16 063	23 743
V. Securities sold under repurchase agreements	23			
VI. Debt securities issued	20, 21, 22, 24			
1. Short-term				
2. Long-term				
VII. Other liabilities in respect of financial instruments		5 593		
VIII. Special funds and other liabilities	25	162 750	62 072	68 893
IX. Accruals and deferred income	26	103 451	84 943	79 148
1. Settlements of accrued expenses		10 491	7 648	8 632
2. Negative goodwill				
3. Other accruals and deferrals		92 960	77 295	70 516
X. Provisions	27	7 947	11 348	17 474
1. Provision for corporate income tax		7 462	8 505	16 165
2. Other provisions		485	2 843	1 309
a. Short-term				
b. Long-term		485	2 843	1 309
XI. Subordinated debt	28			
XII. Share capital	29	30 155	30 155	30 155
XIII. Unpaid contribution to share capital (negative value)				
XIV. Own shares (negative value)	30			
XV. Reserve capital	31	349 528	352 244	352 220
XVI. Revaluation reserve	32	1 564	2 011	4 025
XVII. Other reserve capital	33	97 281	96 062	96 062
XVIII. Retained earnings (or uncovered loss) from prior years		10 521	7 805	7 805
XIX. Net profit (loss)		17 250	31 375	19 008
Total liabilities		4 161 014	3 745 163	4 160 436
Capital Adequacy Ratio	34	14.99	20.70	18.93

Net book value		506 299	519 652	509 275
Number of shares		15 077 700	15 077 700	15 077 700
Net book value per share (in PLN)	35	33.58	34.46	33.78
Diluted number of shares				
Diluted book value per share (in PLN)	35			
OFF BALANCE SHEET ITEMS				
	Note	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
I. Contingent liabilities and assets:		1 416 780	1 350 573	1 481 122
1. Contingent liabilities granted:	36	996 750	891 105	860 015
a) lending commitments		865 768	769 491	720 638
b) guarantees		130 982	121 614	139 377
2. Contingent assets received:	37	420 030	459 468	621 107
a) lending commitments		298 222	335 889	559 055
b) guarantees		121 808	123 579	62 052
II. Commitments resulting from sale/purchase transactions		2 866 009	2 101 956	3 693 234
III. Other, including:		55 261		40 255
- FX forward transactions		55 261		40 255
Total off-balance sheet items		4 338 050	3 452 529	5 214 611

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PROFIT AND LOSS STATEMENT

	Note	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
I. Interest income	38	108 315	165 207
II. Interest expense	39	51 518	101 133
III. Net interest income (I-II)		56 797	64 074
IV. Commission and fee income	40	36 888	36 097
V. Commission and fee expense		5 802	5 290
VI. Net commission and fee income (IV-V)		31 086	30 807
VII. Income on shares, securities and other financial instruments with variable yield	41		1 405
1. From subsidiaries			
2. From sister companies			
3. From associated entities			
4. From other entities			1 405
VIII. Net income from financial operations	42	588	13 311
IX. FX result net		21 413	29 431

X. Result on banking activities		109 884	139 028
XI. Other operating income	43	3 160	3 073
XII. Other operating expenses	44	2 668	2 314
XIII. General expenses	45	69 383	70 170
XIV. Depreciation of tangible and intangible fixed assets		13 756	13 766
XV. Charges to provisions and value adjustments	46	33 998	37 915
1. Specific provisions and general risk reserve		33 998	37 915
2. Revaluation of financial assets			
XVI. Release of provisions and value adjustments	47	28 068	10 771
1. Release of specific provisions and general risk reserve		28 068	10 771
2. Revaluation of financial assets			
XVII. Net charges to/release of provisions and value adjustments (XV-XVI)		(5 930)	(27 144)
XVIII. Operating profit		21 307	28 707
XIX. Extraordinary gains/losses, net			
1. Extraordinary gains	49		
2. Extraordinary losses	50		
XX. Profit (loss) before taxation		21 307	28 707
XXI. Corporate income tax	51	4 414	8 064
1. current		3 733	12 939
2. deferred		681	(4 875)
XXII. Other mandatory charges to profit (loss)	52		
XXIII. Share in net profit (loss) of subsidiaries measured by equity method	53	357	(1 635)
XXIV. Net profit (loss)	54	17 250	19 008
Net profit (loss) (for 12 months)		29 617	28 173
Weighted average number of ordinary shares		15 077 700	15 077 700
Profit (loss) per one ordinary share (in PLN)	55	1.96	1.87
Weighted average diluted number of ordinary shares			
Diluted profit (loss) per one ordinary share (in PLN)	55		

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MOVEMENTS IN OWN EQUITY

	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
I. Opening balance of own equity	519 652	489 503	489 503
a) Changes in adopted accounting principles (policy)		764	764
b) Correction of material errors			
I.a. Opening balance of own equity after reclassification to confirm with current year presentation	519 652	490 267	490 267
1. Opening balance of share capital	30 155	30 155	30 155
1.1. Movements in share capital			
a) increases (in respect of)			
- issue of shares			
b) decreases (in respect of)			
- redemption of shares			
1.2. Closing balance of share capital	30 155	30 155	30 155
2. Opening balance of unpaid contribution to share capital			
2.1. Movements in unpaid contributions to share capital			
a) increases			
b) decreases			
2.2. Closing balance of unpaid contribution to share capital			
3. Opening balance of own shares			
a) increases			
b) decreases			
3.1 Closing balance of own shares			
4. Opening balance of reserve capital	352 244	352 220	352 220
4.1. Movements in reserve capital	(2 716)	24	
a) increases (in respect of)		24	
- issuance of shares above their par value			
- profit distribution (mandatory)			
- distribution of profit (voluntary)			
- sale and liquidation of fixed assets		24	
b) decreases (in respect of)	(2 716)		
- covering prior period losses	(2 716)		
- sale and liquidation of fixed assets			
4.2. Closing balance of reserve capital	349 528	352 244	352 220
5. Opening balance of revaluation reserve	2 011	4 025	4 025
5.1. Movements in revaluation reserve	(447)	(2 014)	
a) increases (in respect of)	482	1 490	

- sale and liquidation of fixed assets			
- valuation of available-for-sale securities	482	1 490	
b) decreases (in respect of)	(929)	(3 504)	
- sale of fixed assets			
- liquidation of fixed assets		(24)	
- valuation of available-for-sale securities	(929)	(3 480)	
5.2. Closing balance of revaluation reserve	1 564	2 011	4 025
6. Opening balance of General Risk Fund	79 044	79 044	79 044
6.1. Movements in General Risk Fund	1 219		
a) increases (in respect of)	1 219		
- profit distribution	1 219		
b) decreases (in respect of)			
6.2. Closing balance of General Risk Fund	80 263	79 044	79 044
7. Opening balance of other reserve capital	17 018	17 018	17 018
7.1. Movements in other reserve capital			
a) increases (in respect of)			
b) decreases (in respect of)			
7.2. Closing balance of other reserve capital	17 018	17 018	17 018
8. Opening balance of undistributed profit (uncovered loss) from prior year	39 180	7 805	7 805
8.1. Opening balance of undistributed profit from prior years	41 896	10 521	10 521
a) changes in adopted accounting principles (policy)			
b) corrections of material errors			
8.2. Opening balance of undistributed profit from prior year after reclassification to confirm with current year presentation	41 896	10 521	10 521
8.3. Movements in undistributed profit from prior years	(31 375)		
a) increases (in respect of)			
- profit distribution			
b) decreases (in respect of)			
- profit distribution	(31 375)		
- changes in adopted accounting principles (policy)	(31 375)		
8.4. Closing balance of undistributed profit from prior years	10 521	10 521	10 521
8.5. Opening balance of uncovered loss from prior years	(2 716)	(2 716)	(2 716)
a) changes in adopted accounting principles (policy)			
b) corrections of material errors			
8.6. Opening balance of uncovered loss from prior years, after reclassification to confirm with current year presentation	(2 716)	(2 716)	(2 716)
8.7. Movements in uncovered loss from prior years	2 716		

a) increases (in respect of)			
- loss for covering			
b) decreases (in respect of)	2 716		
- profit distribution			
- loss coverage from the reserve capital	2 716		
8.8. Closing balance of uncovered loss from prior years		(2 716)	(2 716)
8.9. Closing balance of undistributed profit or uncovered loss from prior years	10 521	7 805	7 805
9. Net income	17 250	31 375	19 008
a) net profit	17 250	31 375	19 008
b) net loss			
II. Closing balance of own equity	506 299	519 652	509 275
III. Closing balance of own equity, including the proposed profit distribution (loss covering)	506 299	488 277	509 275

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CASH FLOW STATEMENT

	30.06.2003 (current year)	30.06. 2002 (prior year)
A. CASH FLOW FROM OPERATING ACTIVITY (I+/-II) - indirect method*		
I. Net profit (loss)	17 250	19 008
II. Adjustments for:	(229 794)	(191 630)
1. Share in net profit (loss) of subsidiaries measured by equity rights	(357)	1 635
2. Depreciation	13 756	13 766
3. Foreign exchange gains/(losses)	(62 157)	71 006
4. Interest and dividends received and paid	2 631	(625)
5. Profit (loss) on investments	(10 301)	(23 699)
6. Change in other reserves	(13 672)	(178)
7. Change in debt securities held	11 099	(14 119)
8. Change in amounts due from financial sector	(137 369)	(19 731)
9. Change in amounts due from customers and budget	(430 675)	(244 838)
10. Change in securities purchased under resale agreements		
11. Change in shares, securities and other financial instruments with variable yield	3 411	11 356
12. Change in amounts due to financial sector	527 172	111 292
13. Change in amounts due to customers and budget	(175 098)	(132 526)
14. Change securities sold under repurchase agreements		
15. Change in securities issued		
16. Change in other liabilities	70 875	(32 948)

17. Change in prepayments and accrued income	4 025	(3 173)
18. Change in deferred income	15 665	13 943
19. Other items	(48 799)	57 209
III. Net cash flow from operating activity (I+/-II) - indirect method	(212 544)	(172 622)
B. CASH FLOW FROM INVESTING ACTIVITY (I-II)		
I. Cash inflows from investing activity	2 060 609	711 134
1. Sale of shares in subsidiaries		70 230
2. Sale of shares in sister companies		
3. Sale of shares in associated entities		
4. Sale of other shares, securities and financial assets	2 042 846	634 743
5. Sale of tangible and intangible fixed assets	577	243
6. Other inflows	17 186	5 918
II. Cash outflows from investing activity	(1 831 300)	(944 334)
1. Purchase of shares in subsidiaries	(50 000)	
2. Purchase of shares in sister companies		
3. Purchase of shares in associated entities		
4. Purchase of other shares, securities and financial assets	(1 775 795)	(936 947)
5. Purchase of tangible and intangible fixed assets	(5 505)	(7 387)
6. Investments in real estate and intangible fixed assets		
7. Other outflows		
III. Net cash flow from investing activity (I+/-II)	229 309	(233 200)
C. CASH FLOW FROM FINANCIAL ACTIVITY (I-II)		
I. Cash inflows from financial activity	17 913	18 525
1. Long-term loans from other banks	17 913	18 525
2. Long-term loans from other financial institutions		
3. Issue of debt securities		
4. Increase in subordinated debt		
5. Net inflows from issuance of own shares and additional payments to share capital		
6. Other inflows		
II. Cash outflows from financial activity	(7 640)	(13)
1. Repayment of long-term loans contracted from other banks		
2. Repayment of long-term loans contracted from other financial institutions		
3. Redemption of debt securities		
4. Other financial liabilities		
5. Payment of liabilities under financial lease agreements		
6. Decrease in subordinated debt		
7. Payment of dividends and other payments to owners		
8. Other payments (not to owners) related to profit distribution		
9. Purchase of own shares		

10. Other outflows	(7 640)	(13)
III. Net cash flow from financial activity (I+/-II)	10 273	18 512
D. NET CASH FLOW (AIII+/-BIII+/-CIII)	27 038	(387 310)
E. CHANGE IN CASH IN BALANCE-SHEET	27 038	(387 310)
- including changes in cash arising from FX rate differences	4 499	4 349
F. CASH AT THE BEGINNING OF THE REPORTING PERIOD	491 306	756 760
G. CASH AT THE END OF THE REPORTING PERIOD (F+/-D)	518 344	369 450
- including cash with restricted option of use		

NOTES

Notest to [balance sheet](#)

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Note 1a

CASH AND DUE FROM CENTRAL BANK	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current account	166 413	248 950	159 826
b. Mandatory reserve			
c. Amounts of Bank Guarantee Fund			
d. Other	50	37	42
TOTAL of cash and due from Central Bank	166 463	248 987	159 868

As at June 30 of 2003, the Bank's mandatory reserve on the current account with NBP amounted to PLN 97 239 thousand.

As at December 31 of 2002, the Bank's mandatory reserve on the current account with NBP amounted to PLN 103 403 thousand.

As at June 30 of 2002, the Bank's mandatory reserve on the current account with NBP amounted to PLN 110 659 thousand.

Note 1b

CASH (BY CURRENCY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. in Polish zloty	129 654	207 628	145 339
b. in foreign currency (PLN equivalent)	36 809	41 359	14 529
b1. unit/currency 1000/EUR	5 268	8 175	1 145
in thousand PLN	23 479	32 864	5 834
b2. unit/currency 1000/USD	3 259	1 851	1 743

in thousand PLN	12 697	7 104	7 044
b3. unit/currency 1000/CAD	84	61	47
in thousand PLN	242	149	126
b4. unit/currency 1000/GBP	19	60	68
in thousand PLN	120	370	420
b5. other currencies (in PLN thousand)	271	872	1 105
TOTAL CASH	166 463	248 987	159 868

[Wróć do bilansu](#)

Note 2a

RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS (BY CATEGORY)	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current accounts	351 844	242 280	209 377
b. Credits, loans and placements, incl.	362 217	252 765	660 016
- placements in other banks and financial institutions	324 140	207 000	622 273
c. Purchased receivables			
d. Realized guarantees and commitments			
e. Other receivables (in respect of)	26 622	693	875
- documentary transactions	24 085		
- L/C discounts	2 537	693	875
f. Interest	2 561	625	3 213
- accrued	2 561	625	3 213
- overdue			
Total gross receivables due from other financial institutions	743 244	496 363	873 481
g. Provisions for receivables due from other financial institutions (negative value)		(25)	(1 114)
Total receivables due from other financial institutions (net)	743 244	496 338	872 367

Note 2b

GROSS RECEIVABLES DUE FROM FINANCIAL INSTITUTIONS (BY MATURITY)	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current accounts	351 844	242 280	209 377
b. Term, with maturity from balance sheet date:	388 839	253 458	660 891
- up to 1 month	236 020	207 709	452 374
- 1 month - 3 months	90 655		171 696
- 3 months - 1 year	24 294	221	105
- 1 year - 5 years	37 269	43 670	34 016

- over 5 years			
- overdue	601	1 858	2 700
c. Interest	2 561	625	3 213
- accrued	2 561	625	3 213
- overdue			
Total receivables due from other financial institutions (gross)	743 244	496 363	873 481

Note 2c

RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS (BY CONTRACTUAL MATURITY)	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current accounts	351 844	242 280	209 377
b. Term, with duration:	388 839	253 458	660 891
- up to 1 month	65 470	207 693	312 221
- 1 month - 3 months	215 000		271 309
- 3 months - 1 year	70 486	217	41 337
- 1 year - 5 years	37 883	45 548	36 024
- over 5 years			
c. Interest	2 561	625	3 213
- accrued	2 561	625	3 213
- overdue			
Total receivables due from other financial institutions (gross)	743 244	496 363	873 481

Note 2d

RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS (BY CURRENCY)	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a.in Polish zloty (PLN)	483 898	392 757	671 491
b. in foreign currency (PLN equivalent)	259 346	103 606	201 990
b1. unit/currency 1000/USD	38 515	7 030	30 570
in PLN thousand	150 079	26 987	123 558
b2. unit/currency 1000/EUR	23 931	18 107	18 568
in PLN thousand	106 660	72 793	74 442
b3. unit/currency 1000/CAD	186	92	145
in PLN thousand	537	223	388
b4. unit/currency 1000/SEK	1 095	554	2 786
in PLN thousand	532	243	1 228
b5. other receivables (in PLN thousand)	1 538	3 360	2 374
Total receivables due from other financial institutions (gross)	743 244	496 363	873 481

Note 2e

RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS (GROSS)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
1. Performing loans	740 082	493 880	867 568
2. Loans on watch-list			
3. Non-performing loans, including:	601	1 858	2 700
- substandard			
- doubtful	601	1 858	2 700
- loss			
4. Interest:	2 561	625	3 213
a) accrued	2 561	625	3 213
b) overdue			
- from performing and loans on watch-list			
- from non-performing loans			
Total receivables due from other financial institutions (gross)	743 244	496 363	873 481

Note 2f

VALUE OF LEGAL COLLATERAL DIMINISHING THE BASE FOR CALCULATION OF SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Loans on watch-list			
b. Non-performing loans, including:	601	1 858	2 250
- substandard			
- doubtful	601	1 858	2 250
- lost			
Total value of collateral diminishing the base for calculation of specific provisions for receivables due from other financial institutions	601	1 858	2 250

Note 2g

SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Loans on watch-list			
b. Non-performing loans, including:		25	1 114
- substandard			
- doubtful		25	1 114
- loss			
Total specific provisions for receivables due from other financial institutions		25	1 114

Note 2h

MOVEMENTS IN SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
1. Opening balance	25		
a) Increases (in respect of)		1 278	1 114
- creating provision		1 000	1 114
- FX differences		278	
b) Utilisation (in respect of)			
c) Releases (in respect of)	25	1 253	
- repayment of debts	25	1 091	
- FX differences		162	
2. Closing balance		25	1 114
3. The required amount of specific provisions for receivables due from other financial institutions acc. to the binding law			225

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Note 3a

RECEIVABLES DUE FROM CUSTOMERS (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Credits and loans	2 647 978	2 217 857	2 401 878
b. Purchased receivables	8 602	2 249	2 446
c. Realized guarantees and commitments	3 779	3 616	3 645
d. Other receivables (in respect of)	10 488	10 520	8 995
-VISA cards settlements	10 488	10 520	8 923
-L/C discounts			72
e. Interest	101 465	85 763	83 132
- accrued	18 427	17 441	21 027
- overdue	83 038	68 322	62 105
Total receivables from customers (gross)	2 772 312	2 320 005	2 500 096
g. Provision for receivables from customers (negative value)	(157 973)	(147 809)	(141 517)
Total receivables due from customers (net)	2 614 339	2 172 196	2 358 579

The Bank does not have any loans related to financial leases.

Note 3b

RECEIVABLES DUE FROM CUSTOMERS (BY MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts	488 277	416 151	453 609
b. Term, with maturity from balance sheet date:	2 182 570	1 818 091	1 963 355
- up to 1 month	150 499	67 786	146 976
- 1 month - 3 months	94 239	120 431	88 883
- 3 months - 1 year	419 438	288 421	358 069
- 1 year - 5 years	516 142	502 401	547 430
- over 5 years	611 665	422 656	486 156
- overdue	390 587	416 396	335 841
c. Interest	101 465	85 763	83 132
- accrued	18 427	17 441	21 027
- overdue	83 038	68 322	62 105
Total receivables due from customers (gross)	2 772 312	2 320 005	2 500 096

Note 3c

RECEIVABLES DUE FROM CUSTOMERS (BY CONTRACTUAL MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts	488 277	416 151	453 609
b. Term, with duration:	2 182 570	1 818 091	1 963 355
- up to 1 month	42 183	31 611	27 207
- 1 month - 3 months	90 795	77 662	98 796
- 3 months - 1 year	667 481	530 345	604 124
- 1 year - 5 years	627 169	596 464	635 330
- over 5 years	754 942	582 009	597 898
c. Interest	101 465	85 763	83 132
- accrued	18 427	17 441	21 027
- overdue	83 038	68 322	62 105
Total receivables due from customers (gross)	2 772 312	2 320 005	2 500 096

Note 3d

RECEIVABLES DUE FROM CUSTOMERS (BY CURRENCY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. in Polish zloty (PLN)	1 377 832	1 179 584	1 209 511
b. in foreign currencies (PLN equivalent)	1 394 480	1 140 421	1 290 585
b1. Unit/currency 1000/EUR	222 585	193 439	211 666
in PLN thousand	992 060	777 662	848 592

b2. Unit/currency 1000/USD	94 153	93 620	106 005
in PLN thousand	366 875	359 390	428 450
b3. Unit/currency 1000/CHF	11 709	1 218	4 974
in PLN thousand	33 636	3 369	13 543
b4. Other currencies (in PLN thousand)	1 909		
Total receivables due from customers (net)	2 772 312	2 320 005	2 500 096

Note 3e

RECEIVABLES DUE FROM CUSTOMERS (GROSS)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
1. Performing loans	2 196 468	1 817 846	2 078 053
2. Loans on watch-list	83 792	62 583	28 395
3. Non-performing loans, including:	390 587	353 813	310 516
- substandard	82 056	75 473	58 109
- doubtful	69 280	57 914	75 260
- loss	239 251	220 426	177 147
4. Interest:	101 465	85 763	83 132
a) accrued	18 427	17 441	21 027
b) overdue	83 038	68 322	62 105
- from performing and loans on watch-list	308	129	638
- from non-performing loans	82 730	68 193	61 467
Total receivables due from customers (gross)	2 772 312	2 320 005	2 500 096

Note 3f

VALUE OF LEGAL COLLATERAL DIMINISHING THE BASE FOR CALCULATION OF SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM CUSTOMERS	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
1. Performing loans (including interest)			
a. Loans on watch-list	43 104	28 018	13 688
b. Non-performing loans, including:	240 404	210 525	144 789
- substandard	63 803	49 479	31 873
- doubtful	54 323	49 670	30 506
- loss	122 278	111 376	82 410
Total value of collateral diminishing the base for calculation of specific provisions for receivables due from customers	283 508	238 543	158 477

Note 3g

SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM CUSTOMERS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Performing loans	1 240	1 249	5 394
a. Loans on watch-list	987	593	823
b. Non-performing loans, including:	155 746	145 967	135 300
- substandard	4 523	6 437	6 343
- doubtful	8 753	7 393	6 453
- loss	142 470	132 137	122 504
Total specific provisions for receivables due from customers	157 973	147 809	141 517

Note 3h

MOVEMENTS IN SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM CUSTOMERS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
1. Opening balance	147 809	115 776	115 776
a) Increases (in respect of)	37 773	109 509	40 794
- change in risk category	33 754	106 906	37 508
- foreign exchange differences	3 984	2 603	3 286
- other	35		
b) Utilisation (in respect of)			
c) Releases (in respect of)	(27 609)	(77 476)	(15 053)
- repayment	(21 955)	(10 618)	(10 697)
- change in risk category	(3 440)	(46 162)	
- write off	(2 214)	(18 347)	(3 238)
- other (incl. foreign exchange differences)		(2 349)	(1 118)
2. Closing balance	157 973	147 809	141 517
3. The required amount of specific provisions acc. to the binding law	130 267	120 139	124 014

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Note 4a

RECEIVABLES DUE FROM BUDGET (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Credits and loans		1 300	
b. Purchased receivables			
c. Realized guarantees and commitments			
d. Other receivables (in respect of)			

- VISA cards settlements			
e. Interest	4	8	
- accrued	4	8	
- overdue			
Total receivables due from budget (gross)	4	1 308	
f. Provision for receivables from budget (negative value)			
Total receivables due from budget (net)	4	1 308	

The Bank does not have any loans related to financial leases.

Note 4b

RECEIVABLES DUE FROM BUDGET (BY MATURITY DATE)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts			
b. Term, with maturity from balance sheet date:		1 300	
- up to 1 month			
- 1 month - 3 months			
- 3 months - 1 year		1 300	
- 1 year - 5 years			
- over 5 years			
- overdue			
c. Interest	4	8	
- accrued	4	8	
- overdue			
Total receivables due from budget (gross)	4	1 308	

Note 4c

RECEIVABLES DUE FROM BUDGET (BY CONTRACTUAL MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts			
b. Term, with duration:		1 300	
- up to 1 month			
- 1 month - 3 months			
- 3 months - 1 year		1 300	
- 1 year - 5 years			
- over 5 years			
c. Interest	4	8	
- accrued	4	8	
- overdue			

Total receivables due from budget (gross)	4	1 308	
--	----------	--------------	--

Note 4d

RECEIVABLES DUE FROM BUDGET (BY CURRENCY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. in Polish zloty (PLN)	4	1 308	
b. in foreign currencies (PLN equivalent)			
b1. Unit/currency 1000/DEM			
in PLN thousand			
b2. Other currencies (in PLN thousand)			
Total receivables due from budget (net)	4	1 308	

Note 4e

RECEIVABLES DUE FROM BUDGET (GROSS)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
1. Performing loans		1 300	
2. Loans on watch-list			
3. Non-performing loans, including:			
- substandard			
- doubtful			
- lost			
4. Interest:	4	8	
a) accrued	4	8	
b) overdue			
- from performing and loans on watch-list			
- from non-performing loans			
Total due from budget (gross)	4	1 308	

Note 4f

VALUE OF LEGAL COLLATERAL DIMINISHING THE BASE FOR CALCULATION OF SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM BUDGET

not applicable

Note 4g

SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM BUDGET

not applicable

Note 4h**MOVEMENTS IN SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM BUDGET**

not applicable

[Wróć do bilansu](#)**Note 5****SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

not applicable

[Wróć do bilansu](#)**Note 6a**

DEBT SECURITIES	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Issued by central banks, of which:	111 955	299 441	42 892
- bonds denominated in foreign currency			
b. Issued by other banks, of which:			
- denominated in foreign currency			
c. Issued by other financial institutions, of which:			
- denominated in foreign currency			
d. Issued by non-financial institutions, of which:			
- denominated in foreign currency			
e. Issued by State Treasury of which:	285 728	380 303	555 933
- denominated in foreign currency			
f. Issued by local authorities, of which:			
- denominated in foreign currency			
g. Repurchased own securities			
Total debt securities	397 683	679 744	598 825

Note 6b

DEBT SECURITIES (BY CATEGORY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
1. Issued by State Treasury, of which:	285 728	380 303	555 933
a) bonds	181 949	57 398	323 901
b) treasury bills	103 779	322 905	232 032
c) other (by category)			

2. Issued by parent entity, of which:			
a) bonds			
b) other (by category)			
3. Issued by major investor, of which			
a) bonds			
b) other (by category)			
4. Issued by subsidiaries, of which:			
a) bonds			
b) other (by category):			
5. Issued by sister companies, of which:			
a) bonds			
b) other (by category):			
6. Issued by associates, of which:			
a) bonds			
b) other (by category):			
7. Issued by others, of which:	111 955	299 441	42 892
a) bonds	25 475	43 797	42 892
- NBP bonds against mandatory reserve	25 475	43 797	42 892
b) other (by category):	86 480	255 644	
- NBP bills	86 480	255 644	
Total debt securities	397 683	679 744	598 825

Note 6c

MOVEMENTS IN DEBT SECURITIES	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a) Opening balance	679 744	265 471	265 471
b) Increases (in respect of)	1 778 729	2 143 579	952 620
- purchases	1 775 796	2 139 426	935 279
- discount			
- interest	2 823	3 418	3 222
- premium			
- value adjustments	110	735	14 119
c) Decreases (in respect of)	(2 060 790)	(1 729 306)	(619 266)
- sale	(2 053 877)	(1 721 091)	(619 266)
- interest	(5 548)	(6 671)	
- discount			
- premium			
- value adjustments	(1 365)	(1 544)	
d) Closing balance	397 683	679 744	598 825

Debt securities securing the Bank's liabilities:

- treasury bills held as security for the Banking Guarantee Fund:
 - as at 30.06.2003 - 1 100 bills at total nominal value of PLN 11 000 thousand,
 - as at 31.12.2002 - 1 100 bills at total nominal value of PLN 11 000 thousand,
 - as at 30.06.2002 - 1 100 bills at total nominal value of PLN 11 000 thousand,
- treasury bills blocked against the technical loan granted by NBP; technical loan is granted in 80% of the blocked bills value;
 - as at 30.06.2003 - total nominal value of PLN 78 000 thousand,
 - as at 31.12.2002 - total nominal value of PLN 120 000 thousand,
 - as at 30.06.2002 - total nominal value of PLN 50 000 thousand,
- available-for-sale NBP bonds converted by NBP in February 2002 related to lowering the mandatory reserve rate were
 - as at 30.06.2003 - total nominal value of PLN 24 979 thousand,
 - as at 31.12.2002 - total nominal value of PLN 24 979 thousand,
 - as at 30.06.2002 - total nominal value of PLN 24 979 thousand,
- NBP bonds held in the portfolio as a result of lowering the mandatory reserve rate and cannot be sold until their maturity
 - as at 30.06.2003 - none
 - as at 31.12.2002 - total nominal value of PLN 16 652 thousand,
 - as at 30.06.2002 - total nominal value of PLN 16 652 thousand.

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Note 7a

SHARES AND INVESTMENTS IN SUBSIDIARIES	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a) in banks			
b) in other financial institutions	57 061	6 572	8 561
c) in non-financial institution			
Total shares and investments in subsidiary	57 061	6 572	8 561

Note 7b

MOVEMENTS IN SHARES AND INVESTMENTS IN SUBSIDIARIES	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
Opening balance	6 572	10 196	10 196
a) Increases (in respect of)	50 489	378	
- purchase of shares	50 000		
- release of provision	489	378	
b) Decreases (in respect of)		(4 002)	(1 635)
- creating of specific provision		(4 002)	(1 635)
Closing balance	57 061	6 572	8 561

Note 7c

SHARES AND INVESTMENTS IN SUBSIDIARIES

not applicable

Note 7d

MOVEMENTS IN GOODWILL OF SUBSIDIARIES

not applicable

Note 7e

MOVEMENTS IN NEGATIVE GOODWILL OF SUBSIDIARIES

not applicable

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Note 8a

SHARES AND INVESTMENTS IN SISTER COMPANIES

not applicable

Note 8b

MOVEMENTS IN SHARES AND INVESTMENTS IN SISTER COMPANIES

not applicable

Note 8c

SHARES AND INVESTMENTS IN SISTER COMPANIES, INCL. GOODWILL

not applicable

Note 8d

MOVEMENTS IN GOODWILL OF SISTER COMPANIES

not applicable

Note 8e

MOVEMENTS IN NEGATIVE GOODWILL OF SISTER COMPANIES

not applicable

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Note 9a

SHARES AND INVESTMENTS IN ASSOCIATED ENTITIES

not applicable

Note 9b

MOVEMENTS IN SHARES AND INVESTMENTS IN ASSOCIATED ENTITIES

not applicable

Note 9c

SHARES AND INVESTMENTS IN ASSOCIATED ENTITIES, INCL. GOODWILL

not applicable

Note 9d

MOVEMENTS IN GOODWILL OF ASSOCIATED ENTITIES

not applicable

Note 9e

MOVEMENTS IN NEGATIVE GOODWILL OF ASSOCIATED ENTITIES

not applicable

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Note 10

SHARES AND INVESTMENTS IN AFFILIATES

L.p.	a	b	c	d	e	f
	enterprise's name (& legal form)	seat	type of activity	type of capital affiliation (subsidiary, associated company); description of direct or indirect relations	method of consolidation/valuation by equity rights or indication that the unit is not subject to consolidation or valuation by equity rights	date of taking over/date of beginning significant influence
1.	Fortis Securities Polska S.A.	Poland	brokerage activity	subsidiary	valuation by equity rights	23.12.1999
g	h	i	j	k	l	
share value at cost	deductions total (incl. depreciaton)	shares (balance sheet value)	pownership (%)	% of votes at the Shareholders Meeting	other ownership	
68 196	11 135	57 061	100%	100%		

L.p.	a		m					
	Enterprise's name	Own equity	including:					
			share capital	due to capital (negative value)	reserve capital	other own capital	including:	
						undistributed profit (uncovered loss) from previous years	net profit (loss)	
1.	Fortis Securities Polska	7 224	9 048		692	(2 516)	(3 325)	526
n				o				
payables		including:		receivables		including:		
		short term	long term			short term	long term	
50 243		50 243		239		239		
p		r		s		t		
assets		sales revenue		value of unpaid shares by issuer		dividends received/taking part in profits from last year		
8 677		1 302						

The unaudited financial data of Fortis Securities Polska S.A. are presented as at June 30, 2003.

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Note 11a

SHARES AND INVESTMENTS IN OTHER ENTITIES	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. other financial institutions			
b. non-financial institutions	50	45	45
Total shares and investments in other entities	50	45	45

As at June 30, 2003 the Bank owned 7 (seven) shares of EUR at par value of 11 113.41 in S.W.I.F.T., the global banking communication entity.

Note 11b

MOVEMENTS IN SHARES AND INVESTMENTS IN OTHER ENTITIES	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
Opening balance	45	39	39
a) Increases (in respect of)	5	6	6
- purchase			
- discount			
- interest			
- other (FX differences)	5	6	6

b) Decreases (in respect of)			
- sale			
- interest			
- premium			
- discount			
- other (FX differences)			
Closing balance	50	45	45

Note 11c

MINORITY INVESTMENTS IN OTHER ENTITIES

L.p.	a enterprise's name (& legal form)	b seat	c type of activity	d shares (balance sheet value)	e share in total number of share capital (in percentage)	f number of votes at the Shareholders Meeting	g		h unpaid shares by issuer
							own equity	including: share capital	
1	S.W.I.F.T. S.C.	Belgium	interbank communication	50					

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Note 12a

OTHER SECURITIES AND FINANCIAL ASSETS (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. pre-emptive rights			
b. derivatives			
c. other (by category)		3 416	1 317
- participation units in investment funds			
- settlements on account of derivative measurement		3 416	1 317
Total other securities and financial assets (by category)		3 416	1 317

Note 12b

MOVEMENTS IN OTHER SECURITIES AND FINANCIAL ASSETS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
Opening balance	3 416	74 774	74 774
a) Increases (in respect of)			
- purchase			
b) Decreases (in respect of)	(3 416)	(71 358)	(73 457)
- redemption of participation units		(62 101)	(62 101)
- financial instruments valuation	(3 416)	(9 257)	(11 356)
Closing balance		3 416	1 317

Note 12c

OTHER SECURITIES AND FINANCIAL ASSETS (BY CURRENCY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. in Polish zloty (PLN)		3 416	1 317
b. in foreign currencies (PLN equivalent)			
b1. Unit/currency 1000/BEF			
in PLN thousand			
b2. Unit/currency 1000/EUR			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total other securities and financial assets		3 416	1 317

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Note 13a

FINANCIAL ASSETS (BY CATEGORY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. cash	173 395	254 949	164 744
b. financial assets held for trading	73 182	155 620	1 317
c. credits and loans granted by the Bank and own receivables not held for trading	3 350 655	2 663 880	3 226 070
d. held-to-maturity financial assets	25 475	16 764	17 090
e. available-for-sale financial assets	299 076	510 821	581 780
Total financial assets	3 921 783	3 602 034	3 991 001

Note 13b

FINANCIAL ASSETS (BY CURRENCY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. in Polish zloty (PLN)	2 293 767	2 374 700	2 542 763
b. in foreign currencies (PLN equivalent)	1 628 016	1 227 334	1 448 238
b1. Unit/currency 1000/EUR	243 017	211 916	224 897
in PLN thousand	1 083 125	851 942	902 878
b2. Unit/currency 1000/USD	130 237	96 031	129 603
in PLN thousand	507 481	368 644	527 466
b3. Unit/currency 1000/CHF	11 337	946	4 660
in PLN thousand	32 567	2 620	12 688
b4. Other currencies (in PLN thousand)	4 843	4 128	5 206
Total financial assets	3 921 783	3 602 034	3 991 001

Note 13c

FINANCIAL ASSETS HELD FOR TRADING - TRADING PORTFOLIO (ACC. TO MARKETABILITY)	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
A. Unrestricted marketability, quoted on Stock Exchange (book value)	73 182	152 204	
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):	47 162		
- fair value	47 162		
- market value			
- value at purchase cost	47 122		
c. other - by category (book value):	26 020	152 204	
c1. T-bills	26 020	152 204	
- fair value	26 020	152 204	
- market value			
- value at purchase cost	25 566	148 462	
B. Unrestricted marketability, and quoted on OTC market (book value)			
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):			
c1.			
C. Unrestricted marketability and non-quoted on regulated market (book value)		3 416	1 317
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):		3 416	1 317
c1. financial instruments		3 416	1 317

- fair value		3 416	1 317
- market value			
- value at purchase cost			
D. Restricted marketability (book value)			
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):			
c1.			
Total value at purchase cost	72 688	148 462	
Total opening balance value	155 620	12 673	12 673
Total value adjustments	494	3 742	
Total book value	73 182	155 620	1 317

Note 13d

HELD-TO-MATURITY FINANCIAL ASSETS (BY MARKETABILITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
A. Unrestricted marketability, quoted on Stock Exchange (book value)			
a. bonds (book value):			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
b. other - by category (book value):			
b1.			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
B. Unrestricted marketability, and quoted on OTC market (book value)			
a. bonds (book value):			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
b. other - by category (book value):			
b1.			

- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
C. Unrestricted marketability and non-quoted on regulated market (book value)		0	
a. bonds (book value):			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
b. other - by category (book value):		0	
b1. participation units in open investment funds		0	
- value adjustments (for a given period)			
- opening balance value		62 101	
- value at purchase cost			
- write-off of participation units in investment funds		62 101	
D. Restricted marketability (book value)	25 475	16 764	17 090
a. bonds (book value):	25 475	16 764	17 090
- value adjustments (for a given period)			
- opening balance value	16 652	16 839	16 839
- value at purchase cost	24 979	16 652	16 652
b. other - by category (book value):			
b1. participation units in open investment funds			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
Total value at purchase cost	24 979	16 652	16 652
Total opening balance value	16 764	78 940	16 839
Total value adjustments	496	112	438
Total book value	25 475	16 764	17 090

Note 13e

AVAILABLE-FOR-SALE FINANCIAL ASSETS (BY MARKETABILITY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
A. Unrestricted marketability, quoted on Stock Exchange (book value)	134 787	84 431	323 901
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):	134 787	84 431	323 901
- fair value	134 787	84 431	323 901

- market value			
- value at purchase cost	131 937	80 142	321 814
c. other - by category (book value):			
c1.			
- fair value			
- market value			
- value at purchase cost			
B. Unrestricted marketability, and quoted on OTC market (book value)	164 239	426 345	257 834
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):	164 239	426 345	257 834
c1. Treasury bills	77 759	170 701	232 032
- fair value	77 759	170 701	232 032
- market value			
- value at purchase cost	74 242	166 023	223 900
c2. NBP bills	86 480	255 644	25 802
- fair value	86 480	255 644	25 802
- market value			
- value at purchase cost	86 335	254 762	24 979
C. Unrestricted marketability and non-quoted on regulated market (book value)			
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):			
c1.			
- fair value			
- market value			
- value at purchase cost			
D. Restricted marketability (book value)	50	45	45

a. shares and investments (book value):	50	45	45
- fair value			
- market value	50	45	45
- value at purchase cost	50	45	45
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):			
c1.			
- fair value			
- market value			
- value at purchase cost			
Total value at purchase cost	292 564	500 972	570 738
Total opening balance value	510 821	248 671	248 671
Total value adjustments	6 512	9 849	11 042
Total book value	299 076	510 821	581 780

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Note 14a

INTANGIBLE FIXED ASSETS	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. research and development costs			
b. goodwill			
c. patents, licences and related rights, incl.	14 556	14 459	16 404
- purchased software	14 556	14 459	16 404
d. other intangible fixed assets			
e. prepayments for intangible fixed assets			
Total intangible fixed assets	14 556	14 459	16 404

Note 14b

MOVEMENTS IN INTANGIBLE ASSETS (by category)

	a	b	c		d	e	f
	research and developme nt costs	goodwi ll	patent s, licence s and related rights	includin g: softwar e	other intangibl e assets	prepayment s for intangible fixed assets	Intangibl e assets total
a) Opening			34 900	34 900			34 900

balance of intangible assets (gross)							
b) increases (in respect of)			3 098	3 098		1 211	4 309
- share capital increase							
- purchase			703	703			703
- investment settlement			2 395	2 395			2 395
- other						1 211	1 211
c) decreases (in respect of)			(11)	(11)			(11)
- liquidation			(7)	(7)			(7)
- other			(4)	(4)			(4)
d) closing balance of intangible assets (gross)			37 987	37 987		1 211	39 198
e) opening balance of accumulated depreciation			(20 441)	(20 441)			(20 441)
f) depreciation (in respect to)			(4 201)	(4 201)			(4 201)
- cost of obtaining share capital							
- purchase			(4 208)	(4 208)			(4 208)
- liquidation			7	7			7
- other							
g) closing balance of accumulated depreciation			(24 642)	(24 642)			(24 642)
h) opening balance of write-offs for							

impairment loss							
- increase							
- decrease							
i) closing balance of write-offs for impairment loss							
j) net intangible assets at the end of the period			13 345	13 345		1 211	14 556

In the first 6 months of 2003, there was no unplanned depreciation of intangible assets.

Note 14c

INTANGIBLE FIXED ASSETS (by ownership)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. own	14 556	14 459	16 404
b. used under rental, lease or other agreements, incl. leasing			
Total intangible fixed assets	14 556	14 459	16 404

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Note 15a

TANGIBLE FIXED ASSETS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
Tangible fixed assets			
a) Tangible fixed assets, of which:	53 988	58 273	63 249
- land (incl. perpetual usufruct right)			
- buildings, premises, ground or water structures			
- technical equipment and machines	13 105	14 382	18 028
- vehicles	4 332	3 920	4 025
- other fixed assets	36 551	39 971	41 196
b) Assets under construction	1 140	6 024	5 222
c) Advances for assets under construction		114	
Total tangible fixed assets	55 128	64 411	68 471

Note 15b

TABLE OF MOVEMENT OF TANGIBLE FIXED ASSETS (by category)

	land (incl. perpetual usufract right)	buildings, premises, ground or water structures	technical equipment and machines	vehicles	other fixed assets	total fixed assets
a) opening balance of fixed assets value (gross)			46 012	9 620	58 171	113 803
b) increases (in respect to)			4 221	1 630	276	6 127
- purchase			740	1 630	261	2 631
- investment settlements			3 481		15	3 496
- other						
c) decrease (in respect to)			(109)	(1 525)	(764)	(2 398)
- sale			(92)	(1 470)	(92)	(1 654)
- liquidation			(17)	(55)	(672)	(744)
- other						
d) closing balance of fixed assets value (gross)			50 124	9 725	57 683	117 532
e) opening balance of accumulated depreciation			(31 630)	(5 700)	(18 200)	(55 530)
f) depreciation for period (in respect to)			(5 389)	307	(2 932)	(8 014)
- current write-off			(5 464)	(971)	(3 049)	(9 484)
- sale			62	1 270	29	1 361
- liquidation			13	8	88	109
- other						
g) closing balance of accumulated depreciation			(37 019)	(5 393)	(21 132)	(63 544)
h) opening balance of write-offs for impairment loss						
- increases						
- decreases						

i) closing balance of write-offs for impairment loss						
j) closing balance of net fixed assets			13 105	4 332	36 551	53 988

In the first half of 2003, there was no unplanned depreciation of fixed assets.

Note 15c

ON-BALANCE FIXED ASSETS (BY OWNERSHIP)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Own	55 118	64 280	68 353
b. Used under rental, lease or other agreements, incl. leasing	10	131	118
- operating leases	10	17	118
- advances for fixed assets under construction		114	
Total on-balance sheet fixed assets	55 128	64 411	68 471

Note 15d

OFF-BALANCE FIXED ASSETS

not applicable

[Wróć do bilansu](#)

Note 16a

OTHER ASSETS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
1. Assets seized for sale			
2. Other, including:	71 003	15 022	29 951
- interbank settlements	51 267	6 022	24 976
- settlements with suppliers and recipients	2 716	2 330	2 279
- settlements with employees	1 092	633	1 212
- contentious claims			235
- tax settlements	945	6 232	22
- other settlements	16 541	1 130	1 672
- provisions for other assets	(1 558)	(1 325)	(445)
Total other assets	71 003	15 022	29 951

Note 16b**ASSETS SEIZED FOR SALE**

not applicable

Note 16c**MOVEMENTS IN ASSETS SEIZED FOR SALE**

not applicable

[Wróć do bilansu](#)**Note 17a**

PREPAYMENTS AND ACCRUED INCOME	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Long-term	39 728	40 465	45 077
- deferred corporate income tax	35 360	37 050	36 071
- other prepayments and accrued income	4 368	3 415	9 006
b. Short-term	1 755	2 200	971
- capital acquisition costs settlement	1 755	2 200	971
Total prepayments and accrued income	41 483	42 665	46 048

Note 17b

MOVEMENTS IN ASSETS IN RESPECT OF DEFERRED CORPORATE INCOME TAX	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
1. Opening balance	37 050	31 666	31 666
a. related to financial result	37 050	31 666	31 666
- accrued interest	3 094	8 087	8 087
- prepayments	70	134	134
- provision for non-performing loans	28 312	21 472	21 472
- other provisions	5 574	1 816	1 816
- derivatives adjustments to fair value		157	157
b. related to own equity			
c. related to goodwill or negative goodwill			
2. Increases	2 239	10 598	8 033
a. related to financial result of the period due to negative temporary differences (in respect of)	2 239	10 598	8 033
- accrued interest			
- prepayments			
- provision for non-performing loans		6 840	7 028
- other provisions	2 223	3 758	1 005
- derivatives adjustments to fair value			

- securities adjustments to fair value	16		
b. related to financial result of the period due to income tax losses (in respect of)			
c. related to own equity due to negative temporary differences (in respect of)			
d. related to own equity due to income tax losses (in respect of)			
e. related to goodwill or negative goodwill due to negative temporary differences (in respect of)			
3. Deductions	3 929	5 214	3 628
a. related to financial result of the period due to negative temporary differences (in respect of)	3 929	5 214	3 628
- accrued interest	900	4 993	3 413
- prepayments	41	64	58
- provision for non-performing loans	2 988		
- other provisions			
- derivatives adjustments to fair value		157	157
- securities adjustments to fair value			
b. related to financial result of the period due to income tax losses (in respect of)			
c. related to own equity due to negative temporary differences (in respect of)			
d. related to own equity due to income tax losses (in respect of)			
e. related to goodwill or negative goodwill due to negative temporary differences (in respect of)			
4. Closing balance	35 360	37 050	36 071
a. related to financial result	35 360	37 050	36 071
- accrued interest	2 194	3 094	4 674
- prepayments	29	70	76
- provision for non-performing loans	25 324	28 312	28 500
- other provisions	6 287	5 574	2 821
- derivatives adjustments to fair value	1 510		
- securities adjustments to fair value	16		
b. related to own equity			
c. related to goodwill or negative goodwill			

Note 17c

OTHER PREPAYMENTS AND ACCRUED INCOME	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a) prepayments and accrued income, of which:	4 109	3 515	6 130
- settlements of capital acquisition costs	1 755	2 200	2 725
- Bank Guarantee Fund costs	544		456

- rent	38	124	442
- Social Benefit Fund	402		332
- insurance	268	518	268
- other	1 102	673	1 907
b) Other, including:	2 014	2 100	3 847
- income to be received	2 014	1 720	1 234
- interest on discount placements		380	2 613
Total other prepayments and accrued income	6 123	5 615	9 977

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Note 18

SUBORDINATED LOANS

Not applicable

[Wróć do bilansu](#)

Note 20a

DUE TO OTHER FINANCIAL INSTITUTIONS (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts and deposits	496 829	91 696	454 702
- placements of banks and other entities	61 402	73 315	326 252
b. Loans and borrowings received	743 379	663 305	648 156
c. Promissory notes			
d. Own share issue			
e. Other, in respect of	10		4 591
- amounts due in respect of financial collateral	10		4 591
f. Interest	2 652	4 945	5 618
Total due to other financial institutions	1 242 870	759 946	1 113 067

Note 20b

DUE TO OTHER FINANCIAL INSTITUTIONS (BY MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current	435 426	13 981	128 449
b. Term, with maturity from the balance sheet date:	804 792	741 020	979 000
- Up to 1 month	61 379	77 691	290 402
- 1 month - 3 months		24	40 418
- 3 months - 1 year	34		24
- 1 year - 5 years	743 379	663 305	648 156
- 5 years - 10 years			

- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	2 652	4 945	5 618
Total due to other financial institutions	1 242 870	759 946	1 113 067

Note 20c

DUE TO OTHER FINANCIAL INSTITUTIONS (BY CONTRACTUAL MATURITY)	30.06. 2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current	435 426	13 981	128 449
b. Term, with maturity from the balance sheet date:	804 792	741 020	979 000
- Up to 1 month	2 620	58 497	215 929
- 1 month - 3 months	36 473	19 194	114 891
- 3 months - 1 year	22 319	24	24
- 1 year - 5 years	297 879	259 958	244 929
- 5 years - 10 years	445 501	403 347	403 227
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	2 652	4 945	5 618
Total due to other financial institutions	1 242 870	759 946	1 113 067

Note 20d

DUE TO OTHER FINANCIAL INSTITUTIONS (BY CURRENCY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a.in Polish zloty (PLN)	257 866	41 329	209 018
b. in foreign currency (PLN equivalent)	985 004	718 617	904 049
b1. unit/currency 1000/EUR	197 914	163 093	170 026
in PLN thousand	882 101	655 665	681 651
b2. unit/currency 1000/USD	20 879	10 984	49 970
in PLN thousand	81 356	42 166	201 968
b3. unit/currency 1000/CHF	7 501	7 511	7 504
in PLN thousand	21 547	20 786	20 430
b4. Other currency (in PLN thousand)			
Total due to other financial institutions	1 242 870	759 946	1 113 067

[Wróć do bilansu](#)

Note 21a

DUE TO CUSTOMERS (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts and deposits	1 896 426	2 046 574	2 030 546
b. Loans and borrowings received			
c. Promissory notes			
d. Own share issue			
e. Other, in respect of	203 905	226 850	299 057
- amounts due in respect of financial collateral	201 864	225 064	299 057
- VISA settlements	2 041	1 786	
- term deposit settlements			
f. Interest	5 435	6 865	13 707
Total due to customers	2 105 766	2 280 289	2 343 310

Note 21b

DUE TO CUSTOMERS - SAVINGS (BY MATURITY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current	312 999	256 635	292 932
b. Term, with maturity from the balance sheet date:			
c. Interest	31	35	386
Total due to customers - other	313 030	256 670	293 318

Note 21c

DUE TO CUSTOMERS - SAVINGS (BY CONTRACTUAL MATURITY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current	312 999	256 635	292 932
b. Term, with maturity from the balance sheet date:			
c. Interest	31	35	386
Total due to customers - other	313 030	256 670	293 318

Note 21d

DUE TO CUSTOMERS - OTHER (BY MATURITY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Current	603 846	667 232	488 694
b. Term, with maturity from the balance sheet date:	1 183 486	1 349 557	1 547 977
- Up to 1 month	584 585	989 133	1 148 023
- 1 month - 3 months	390 041	145 535	234 875

- 3 months - 1 year	129 081	129 937	153 541
- 1 year - 5 years	57 112	61 016	11 538
- 5 years - 10 years	22 507	23 936	
- 10 years - 20 years			
- over 20 years	160		
- overdue			
c. Interest	5 404	6 830	13 321
Total due to customers - other	1 792 736	2 023 619	2 049 992

Note 21e

DUE TO CUSTOMERS - OTHER (BY CONTRACTUAL MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current	603 846	667 232	488 694
b. Term, with duration:	1 183 486	1 349 557	1 547 977
- up to 1 month	381 291	537 559	884 367
- 1 month - 3 months	483 847	495 097	432 809
- 3 months - 1 year	207 220	202 580	209 525
- 1 year - 5 years	86 430	88 258	21 276
- 5 years - 10 years	20 462	26 063	
- 10 years - 20 years	4 076		
- over 20 years	160		
- overdue			
c. Interest	5 404	6 830	13 321
Total due to customers - other	1 792 736	2 023 619	2 049 992

Note 21f

DUE TO CUSTOMERS (BY CURRENCY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. in Polish zloty (PLN)	1 691 268	1 830 402	1 858 257
b. in foreign currencies (in respect of)	414 498	449 887	485 053
b1. Unit/currency 1000/USD	63 842	70 558	73 268
in PLN thousand	248 767	270 859	296 133
b2. Unit/currency 1000/EUR	36 290	43 956	44 173
in PLN thousand	161 743	176 713	177 093
b3. Unit/currency 1000/CHF	589	290	3 892
in PLN thousand	1 693	1 789	10 597
b4. Unit/currency 1000/GBP	266	54	153
in PLN thousand	1 707	151	948
b5. Other currencies (in PLN thousand)	588	375	282
Total due to customers	2 105 766	2 280 289	2 343 310

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Note 22a

DUE TO BUDGET (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current accounts and deposits	24 969	25 519	29 162
b. Loans and borrowings received			
c. Promissory notes			
d. Own share issue			
e. Other, in respect of	1 330	1 365	
- amounts due in respect of financial collateral	1 330	1 365	
f. Interest	39	29	107
Total due to budget	26 338	26 913	29 269

Note 22b**DUE TO BUDGET - SAVINGS (BY MATURITY)**

not applicable

Note 22c**DUE TO BUDGET - SAVINGS (BY CONTRACTUAL MATURITY)**

not applicable

Note 22d

DUE TO BUDGET - OTHER (BY MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current	6 385	10 849	5 512
b. Term, with maturity from the balance sheet date:	19 914	16 035	23 650
- Up to 1 month	19 914	16 035	23 629
- 1 month - 3 months			21
- 3 months - 1 year			
- 1 year - 5 years			
- 5 years - 10 years			
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	39	29	107
Total due to budget - other	26 338	26 913	29 269

Note 22e

DUE TO BUDGET- OTHER (BY CONTRACTUAL MATURITY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Current	6 385	10 849	5 512
b. Term, with duration:	19 914	16 035	23 650
- up to 1 month	15 469	12 067	17 687
- 1 month - 3 months	4 445	3 968	5 963
- 3 months - 1 year			
- 1 year - 5 years			
- 5 years - 10 years			
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	39	29	107
Total due to budget - other	26 338	26 913	29 269

Note 22f

DUE TO BUDGET (BY CURRENCY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. in Polish zloty (PLN)	25 568	26 345	28 386
b. in foreign currencies (in respect of)	770	568	883
b1. Unit/currency 1000/EUR	173	141	220
in PLN thousand	770	568	883
b2. Unit/currency 1000/USD			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total due to budget	26 338	26 913	29 269

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Note 23**SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

not applicable

[Wróć do bilansu](#)

Note 24a**DEBT SECURITIES ISSUED**

not applicable

Note 24b**MOVEMENTS IN DEBT SECURITIES ISSUED**

not applicable

Note 24c**LONG-TERM LIABILITIES FROM DEBT SECURITIES ISSUED**

not applicable

The Bank does not have liabilities secured on the Issuer assets.

[Wróć do bilansu](#)

Note 25

SPECIAL FUNDS AND OTHER LIABILITIES	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
1. Special funds	1 674	807	1 828
- social benefit fund	1 043	606	1 133
- other	631	201	695
2. Other liabilities	161 076	61 265	67 065
- interbank settlements	101 254	48 844	49 425
- settlements with shareholders	30 155		
- liabilities arising from other transactions with customers	15 178	815	1 826
- tax settlements	2 826	3 835	8 447
- settlements with suppliers and customers	1 907	4 226	1 048
- other	9 756	3 545	6 319
Total special funds and other liabilities	162 750	62 072	68 893

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Note 26a

ACCRUALS AND DEFERRED INCOME	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Short-term, of which:	10 491	7 648	8 632
- provision for sub-lease agreements	3 916	4 487	
- provision for variable part of remuneration	1 841	1 038	1 961
- provision for unused leave of absence	1 836	1 836	1 450
- provision for rents	884		2 527
- provision for legal consultation and audit	391	224	936

- provision for promotion	233		100
- provision for employee training	98		279
- other interperiod settlements	1 292	63	1 379
b. Long-term, of which:			
-			
Total accruals and deferred income	10 491	7 648	8 632

Note 26b

CHANGE IN NEGATIVE GOODWILL

not applicable

Note 26c

OTHER ACCRUALS AND DEFERRALS	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Short-term, incl.	109	260	273
- prepayments	109	260	273
b. Long-term, incl.	92 851	77 035	70 243
- deferred income	92 851	77 035	70 243
Total other accruals and deferrals	92 960	77 295	70 516

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Note 27a

MOVEMENTS IN DEFERRED CORPORATE INCOME TAX PROVISION	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
1. Opening balance	8 505	16 635	16 635
a. related to financial result	7 954	15 661	15 661
- accrued interest on securities	1 052	2 001	2 001
- other accrued interest	2 573	6 797	6 797
- derivative measurement		44	44
- unpaid discount	2 249	1 735	1 735
- unrealized FX differences	922	3 549	3 549
- investment relief, net	988	1 347	1 347
- difference between balance-sheet and tax depreciation		188	188
- securities adjustments to fair value	170		
b. related to own equity	551	974	974
- securities adjustments to fair value	551	974	974
c. related to goodwill or negative goodwill			
2. Increases	1 030	1 235	5 371

a. related to financial result of the period due to positive temporary differences (in respect of)	1 030	684	2 392
- accrued interest on securities			1 773
- other accrued interest	403		
- derivatives measurement			
- unpaid discount		514	619
- unrealized FX differences			
- investment relief, net			
- securities adjustments to fair value		170	
- difference of balance-sheet and tax depreciation	627		
b. related to own equity due to positive temporary differences (in respect of)		551	2 979
- securities adjustments to fair value (revaluation capital)		551	2 979
c. related to own equity due to negative temporary differences (in respect of)			
3. Deductions	2 073	9 365	5 841
a. related to financial result of the period due to positive temporary differences (in respect of)	1 908	8 391	5 841
- accrued interest on securities	75	949	
- other accrued interest		4 224	2 298
- derivative measurement		44	44
- unpaid discount	663		
- unrealized FX differences	922	2 627	3 180
- investment relief, net	92	359	232
- securities adjustments to fair value	156		
- difference of balance-sheet and tax depreciation		188	87
b. related to own equity due to positive temporary differences (in respect of)	165	974	
- securities adjustments to fair value (revaluation capital)	165	974	
c. related to goodwill or negative goodwill due to positive temporary differences (in respect of)			
- securities adjustments to fair value			
4. Closing balance	7 462	8 505	16 165
a. related to financial result	7 076	7 954	12 212
- accrued interest on securities	977	1 052	3 774
- other accrued interest	2 976	2 573	4 499
- derivative measurement			
- unpaid discount	1 586	2 249	2 354
- unrealized FX differences		922	369
- investment relief, net	896	988	1 115
- securities adjustments to fair value	14	170	

- difference of balance-sheet and tax depreciation	627		101
b. related to own equity	386	551	3 953
- securities adjustments to fair value (revaluation capital)	386	551	3 953
c. related to goodwill or negative goodwill			

Note 27b

DEFERRED INCOME TAX PROVISION (BY CURRENCY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. in Polish zloty (PLN)	7 462	8 505	16 165
b. in foreign currencies (in respect of)			
b1. Unit/currency 1000/USD			
in PLN thousand			
b2. Unit/currency 1000/EUR			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total deferred income tax provision	7 462	8 505	16 165

Note 27c

OTHER PROVISIONS (BY CATEGORY)	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
- off-balance sheet commitments provision	460	2 843	809
- provision for employees benefits			500
- provision for legal risk	25		
Total other provisions	485	2 843	1 309

Note 27d

OTHER PROVISIONS	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Short-term			
b. Long-term	485	2 843	1 309
- off-balance sheet commitments provision	460	2 843	809
- provision for employees benefits			500
- provision for legal risk	25		
Total other provisions	485	2 843	1 309

Note 27e

OTHER PROVISIONS (BY CURRENCY)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. in Polish zloty (PLN)	319	2 734	1 309
b. in foreign currencies (in respect of)	166	109	
b1. Unit/currency 1000/EUR	37	27	
in PLN thousand	166	109	
b2. Unit/currency 1000/USD			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total deferred income tax provision	485	2 843	1 309

Note 27f**MOVEMENTS IN OTHER SHORT-TERM PROVISIONS**

not applicable

Note 27g

MOVEMENTS IN OTHER LONG-TERM PROVISIONS	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
Opening balance	2 843	1 016	1 016
- off-balance sheet commitments provision	2 843	516	516
- provision for employees benefits		500	500
a) Increases (in respect of)	282	3 781	356
- creating provision for off-balance sheet commitments	244	3 781	356
- creating provision for legal risk	25		
- creating provision for FX differences	13		
b) utilisation (in respect of)			
-			
c) releases (in respect of)	(2 640)	(1 954)	(63)
- release of off-balance sheet commitments provision	(2 640)	(1 454)	(63)
- release of provision for employees benefits		(500)	
Closing balance	485	2 843	1 309
- off-balance sheet commitments provision	460	2 843	809
- provision for legal risk	25		500
Total other long-term provisions	485	2 843	1 309

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Note 28a**SUBORDINATED DEBT**

not applicable

Note 28b**MOVEMENTS IN SUBORDINATED DEBT**

not applicable

[Wróć do bilansu](#)**Note 29****SHARE CAPITAL** (par value of 1 share = 2 PLN)

Series /issue	Type of shares	Type of preference	Number of shares	Issue value	Type of capital covering	Date of registration	Eligibility for dividend
A	bearer share	common shares	634,060	1,268,120	cash	19.12.1990	from full payment
B	bearer share	common shares	1,115,940	2,231,880	cash	30.04.1991	from full payment
C	bearer share	common shares	2,000,000	4,000,000	cash	14.07.1994	01.01.1994
D	bearer share	common shares	1,250,000	2,500,000	cash	11.07.1996	01.01.1995
E	bearer share	common shares	1,250,000	2,500,000	cash	11.04.1997	01.01.1996
F	bearer share	common shares	625,000	1,250,000	cash	04.06.1998	01.01.1997
G	bearer share	common shares	740,000	1,480,000	cash	04.06.1998	01.01.1997
H	bearer share	common shares	761,500	1,523,000	cash	08.10.1999	01.01.1999
I	bearer share	common shares	1,675,300	3,350,600	cash	03.07.2000	01.01.1999
J	bearer share	common shares	5,025,900	10,051,800	cash	28.06.2001	01.01.2000
Total number of shares			15,077,700				
Total share capital				30,155,400			

As at June 30, 2003 the following shareholders owned stock representing at least 5% of the Bank's share capital or 5% of the votes in the General Meeting of Shareholders (AGM):

- Fortis Bank: 99.10% of share capital, with the right of 11,308,275 votes at the General Meeting of Shareholders or 99.10% of total votes at AGM. However, in accordance with Article 26 of the Bill dated 29.08.1997 r. Banking Law (Dz. U. Nr 140, item 939 as amended) with reference to the resolution No. 159/KNB/99 of Banking Supervision

Commission as of 16.08.1999 r. relating to permission granted to Fortis Bank to purchase shares of PPABank SA, Fortis Bank has permission only to acquire shares which give it up to 75% of the total voting rights at the AGM.

[Wróć do bilansu](#)

Note 30a

OWN SHARES

not applicable

Note 30b

BANK SHARES OWNED BY SUBSIDIARIES

not applicable

[Wróć do bilansu](#)

Note 31

RESERVE CAPITAL	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. Share premium	349 528	351 853	351 853
b. Mandatory reserve		391	367
c. Statutory			
d. Contribution from shareholders			
e. Other			
Total reserve capital	349 528	352 244	352 220

[Wróć do bilansu](#)

Note 32

REVALUATION RESERVE	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
a. fixed assets revaluation	521	521	545
b. deferred income tax	(386)	(551)	
c. FX differences from foreign branches			
d. Other	1 429	2 041	3 480
- value adjustment of available-for-sale securities	1 429	2 041	3 480
Total revaluation capital	1 564	2 011	4 025

[Wróć do bilansu](#)

Note 33

OTHER RESERVE CAPITAL (BY PURPOSE)	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
- General Risk Fund	80 263	79 044	79 044
- Other	17 018	17 018	17 018
Total other reserve capital	97 281	96 062	96 062

[Wróć do bilansu](#)

Note 34

Capital Adequacy Ratio calculation	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
Risk weighted assets	2 584 900	2 108 029	2 284 751
Risk weighted contingent liabilities	212 370	158 308	196 319
Total weighed assets and contingent liabilities	2 797 270	2 266 337	2 481 070
Equity capital	30 155	30 155	30 155
Additional capital	349 528	352 244	352 220
Reserve capital	17 018	17 018	17 018
General Risk Fund	80 263	79 044	79 044
Fixed assets revaluation capital	521	521	545
Undistributed profit (uncovered loss) from previous years	10 521	7 805	7 805
Subordinated debt			
Deductions of core funds and supplementary own funds	65 795	10 910	13 482
capital exposure in financial institutions	57 061	6 572	8 561
60%/30% of net intangible assets in 2003/2002	8 734	4 338	4 921
Equity total for the purpose of the capital adequacy ratio calculation	422 211	475 877	473 305
Total capital adequacy requirement	225 273	183 925	199 995
Capital Adequacy Ratio	14,99%	20,70%	18,93%

[Wróć do bilansu](#)

Note 35

Book value per share	30.06.2003 (current year)	31.12. 2002 (prior year)	30.06. 2002 (prior year)
Equity capital	30 155	30 155	30 155
Additional capital	349 528	352 244	352 220
Reserve capital	17 018	17 018	17 018

General Risk Fund	80 263	79 044	79 044
Revaluation reserve	1 564	2 011	4 025
Undistributed profit (uncovered loss) from previous years	10 521	7 805	7 805
Net profit	17 250	31 375	19 008
Total	506 299	519 652	509 275
Number of shares	15 077 700	15 077 700	15 077 700
Book value per share (in PLN)	33,58	34,46	33,78

Diluted book value per share

not applicable

[Wróć do bilansu](#)

Note 36

CONTINGENT LIABILITIES GRANTED TO AFFILIATED ENTITIES	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Guarantees and sureties granted to:	1 211		323
- subsidiaries			
- sister companies			
- associated entities			
- major investor			
- controlling entity	887		
b. Other, incl.	18 372	11 085	21 959
confirmed export L/C	5 518		
- subsidiaries			
- sister companies			
- associated entities			
- major investor			
- controlling entity			
Visa card limits granted to	85	75	86
- subsidiaries	75	75	75
- sister companies			
- associated entities			
- major investor			
- controlling entity			
credit lines granted to	5 785		21 873
- subsidiaries			
- sister companies			
- associated entities			

- major investor			
- controlling entity			
import L/C	6 984		
- subsidiaries			
- sister companies			
- associated entities			
- major investor			
- controlling entity			
Total guarantees and sureties granted to affiliated entities	19 583	11 085	22 282

[Wróć do bilansu](#)

Note 37

CONTINGENT LIABILITIES RECEIVED FROM AFFILIATED ENTITIES	30.06.2003 (current year)	31.12.2002 (prior year)	30.06.2002 (prior year)
a. Guarantees and sureties received from:	93 323	92 241	33 771
- subsidiaries			
- sister companies			
- associated entities			
- major investor			
- controlling entity	79 261	79 838	23 762
b. Other, incl.	11 329		10 320
Reguarantees received from:			
- subsidiaries			
- sister companies			
- associated entities			
- major investor			
- controlling entity			130
Credit lines received from:	11 329		
- subsidiaries			
- sister companies			
- associated entities			
- major investor			
- controlling entity			
Total guarantees and sureties received from affiliated entities	104 652	92 241	44 091

NOTES TO PROFIT AND LOSS STATEMENT

[Wróć do rachunku zysków i strat](#)

Note 38

INTEREST INCOME	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
a. Interest income from financial institutions	19 363	38 169
b. Interest income from customers	74 413	100 915
c. Interest income from budget	41	
d. Fixed income securities	14 497	26 122
e. Other	1	1
Total interest income	108 315	165 207

[Wróć do rachunku zysków i strat](#)

Note 39

INTEREST EXPENSE	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
a. Interest expense on transactions with financial institutions	15 071	23 307
b. Interest expense on transactions with customers	35 736	76 717
c. Interest expense on transactions with budget	687	1 106
d. Other	24	3
Total interest income	51 518	101 133

[Wróć do rachunku zysków i strat](#)

Note 40

COMMISSION AND FEE INCOME	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
a. Commission and fee income on banking activity	36 888	36 097
b. Commission and fee income on brokerage activity		
Total commission and fee income	36 888	36 097

[Wróć do rachunku zysków i strat](#)

Note 41

INCOME ON SHARES, SECURITIES AND OTHER FINANCIAL INSTRUMENTS WITH VARIABLE YIELD	01.01.2003-30.06.2003 (current year)	01.01.2002-30.06.2002 (prior year)
a. Subsidiaries		
b. Sister companies		
c. Associated entities		
d. Other		1 405
Total income on shares, securities and other financial instruments with variable yield		1 405

[Wróć do rachunku zysków i strat](#)

Note 42

NET INCOME FROM FINANCIAL OPERATIONS	01.01.2003-30.06.2003 (current year)	01.01.2002-30.06.2002 (prior year)
a. Transactions with securities and other financial instruments	588	13 311
- income	5 759	19 403
- expense	5 171	6 092
b. Other financial transactions		
Total net income from financial operations	588	13 311

[Wróć do rachunku zysków i strat](#)

Note 43

OTHER OPERATING INCOME	01.01.2003-30.06.2003 (current year)	01.01.2002-30.06.2002 (prior year)
a. Asset management fees		
b. Sales, liquidation of fixed assets, intangible assets and seized assets for sale	592	243
c. Recovered past-due, written-off, uncollectible debts	2	6
d. Compensation, penalties, fines received	495	846
e. Donations		
f. Other	2 071	1 978
- income on rents and leases	800	450
- income on purchase of debts	319	31
- provision for cash differences settlement	181	191
- leasing	7	6
- other	764	1 300
Total other operating income	3 160	3 073

[Wróć do rachunku zysków i strat](#)

Note 44

OTHER OPERATING EXPENSES	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
a. Asset management fees		
b. Sales, liquidation of fixed assets, intangible assets and seized assets for sale	927	335
c. Recovered past-due, written-off, uncollectible debts	281	217
d. Compensation, penalties, fines paid	32	30
e. Donations	45	13
f. Other	1 383	1 719
- provision for contentious liabilities	543	
- debt recovery expenses	303	406
- improperly paid-out deposits		970
- provision for employee benefits		120
- other	537	223
Total other operating expenses	2 668	2 314

[Wróć do rachunku zysków i strat](#)

Note 45

GENERAL EXPENSES	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
a. Remuneration	27 869	27 200
b. Social security premium and other employee benefits	6 582	6 797
c. Material losses	34 271	35 709
d. Taxes and levies	114	6
e. Bank Guarantee Fund charges	547	458
f. Other general expenses		
Total general expenses	69 383	70 170

[Wróć do rachunku zysków i strat](#)

Note 46

CHARGES TO PROVISIONS AND REVALUATION	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
a. Charges to provisions for:	33 998	37 915
- performing loans	489	1 098
- loans on watch-list	598	1 724
- non-performing loans	32 667	34 686
- contingent liabilities		

- general risk reserve	244	356
- other		51
b. Revaluation:		
- of financial assets		
- other		
Total charges to provisions and revaluation	33 998	37 915

[Wróć do rachunku zysków i strat](#)

Note 47

RELEASE OF PROVISIONS AND DECREASE IN RESPECT OF REVALUATION	01.01.2003-30.06.2003 (current year)	01.01.2002-30.06.2002 (prior year)
a. Releases of provisions for:	28 068	10 771
- performing loans	499	
- loans on watch-list	53	1 040
- non-performing loans	24 843	9 657
- contingent liabilities	2 628	64
- general risk reserve		
- other	45	10
b. Revaluation:		
- of financial assets		
- other		
Total releases of provisions and decrease in respect of revaluation	28 068	10 771

[Wróć do rachunku zysków i strat](#)

Note 49

EXTRAORDINARY GAINS

not applicable

[Wróć do rachunku zysków i strat](#)

Note 50

EXTRAORDINARY LOSSES

not applicable

[Wróć do rachunku zysków i strat](#)

Note 51a

CURRENT CORPORATE INCOME TAX	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
1. Gross profit before tax	21 307	28 707
2. Differences between gross profit before taxation and taxable income	(7 482)	22 693
- permanent	(4 832)	2 133
- temporary	(2 605)	20 572
- other	(45)	(12)
3. Taxable income	13 825	51 400
4. Corporate Income Tax 27% 2003/28% 2002	3 732	13 934
5. Increases, exemptions, deductions and abatements		
6. Corporate Income Tax payable as shown in CIT declaration	5 611	13 934
- as shown in the profit&loss statement	4 414	8 064
- on items which increased/decreased the Bank's equity		
- on items which increased/decreased the Bank's goodwill or negative goodwill		

Note 51b

DEFERRED INCOME TAX AS SHOWN IN PROFIT&LOSS STATEMENT	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
- decrease/increase due to arising and reversing the temporary differences	681	(7 178)
- decrease/increase due to changes in tax rates		2 303
- decrease/increase due to carryover of tax loss, tax allowances or temporary differences		
- decrease/increase due to write-off of assets for income tax or no possibility to use the provision for deferred income tax		
- other deferred tax items		
Total deferred income	681	(4 875)

Detailed information on the differences between corporate income tax charge as shown in profit&loss statement and the corporate income tax declaration:

a) there was neither investment tax allowance nor investment premium claimed as at 30.06.2003 (in PLN thousand)

	30.06.20 03	30.06.20 02
b) tax deductible donations granted (in PLN thousand)	45	12

c) there were not any discontinuance of payment, exemptions, deductions or abatements

d) deferred tax liabilities as of 30.06.2003 (in PLN thousand) divided into categories:

	30.06.2003	30.06.2002
accrued interest on securities	3 619	13 852
other accrued interest	11 020	16 065
derivatives measurement		1 317
unpaid discount	5 875	9 390
net investment tax allowance	3 319	4 276
difference between balance-sheet and tax depreciation	2 325	373
securities measurement	1 480	14 119
deferred tax liability base	27 638	59 392
tax	7 462	16 165
tax rates	27%	28,24,22%

e) deferred tax assets as of 31.12.2002 (in PLN thousand) divided into categories:

	30.06.2003	30.06.2002
interest payable	8 126	16 823
deffered income	108	273
provision for non-performing loans	93 792	111 457
derivatives measurement	5 593	-
other provisions	23 285	9 395
other	58	763
deferred tax asset base	130 962	138 711
tax after correction	35 360	36 071
difference between liability and receivable	(27 898)	(19 906)
tax rates	27%	28,24,22%

f) changes resulting from the change of tax rates did not occur

g) the Bank did not release any deffered tax assets due to the inability of claiming the future tax receivables

h) income tax on extraordinary gains amounts to 0

The change related to temporary differences in income tax reported in the P&L Account is decreased by the deferred income tax in the amount of PLN 132 thousand in respect of the released provision for impairment loss of a subsidiary, i.e. Fortis Securities Polska S.A. The release of the provision is recognized as the share in net profit (loss) of subsidiaries.

Note 51c

TOTAL DEFERRED INCOME TAX	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
- included in equity	386	3 953
- included in goodwill and negative goodwill		

Note 51d**INCOME TAX AS SHOWN IN PROFIT&LOSS STATEMENT**

not applicable

[Wróć do rachunku zysków i strat](#)

Note 52**OTHER OBLIGATORY CHARGES TO PROFIT (LOSS)**

not applicable

[Wróć do rachunku zysków i strat](#)

Note 53

SHARE IN NET PROFIT (LOSS) OF SUBSIDIARIES MEASURED BY EQUITY RIGHTS	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
- write-off of subordinates goodwill		
- write-off of subordinates negative goodwill		
- write-off of difference in net assets valuation	357	(1 635)

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Note 54**ALLOCATION OF NET PROFIT**

The net profit of the Bank for the 2002 fiscal year amounted to PLN 31,374,465.79 was allocated as follows: the amount of PLN 30,155,400 to the payment of a dividend and the remaining amount of PLN 1,219,065,79 to the general risk fund. Moreover, the General Meeting of Shareholders adopted a resolution regarding covering of financial effects of introduction in the Bank of necessary changes resulting from the amendment of Accounting Act made in 2001, in the amount of PLN 2,716,155.98, from the Bank's additional capital. On the liabilities side of the balance sheet as of June 30, 2002, the amount of PLN 7,805 thousand was reported in the item Undistributed Profit (Uncovered Loss) from previous years which comprised the amount of PLN 10,521 thousand - Undistributed Profit for 2001, and PLN (2,716) thousand - loss resulting from the Accounting Act changes. After covering the loss, in the item Undistributed Profit (Uncovered Loss) from previous years of the balance sheet statement as of June 30, 2003, the amount of PLN 10,521 thousand is reported, i.e. the undistributed profit for 2001.

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Note 55

PROFIT PER ORDINARY SHARE	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
Net profit	29 617	28 173
Weighted average ordinary shares	15 077 700	15 077 700
Profit per ordinary share (in PLN)	1.96	1.87

Diluted profit per share	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
Net profit		
Projected weighted average ordinary shares		
Diluted profit per ordinary share (in PLN)		

NOTES TO CASH FLOW STATEMENT

Structure of cash (ref. to balance-sheet movements of cash)	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
Cash	66 839	37 557
Travellers checks and valuable stamps	50	42
Current account with NBP	99 574	122 269
Nostro accounts with Polish banks	353	212
Nostro accounts with foreign banks	6 580	4 665
O/N deposits of Polish banks	118 966	185 000
O/N deposits of foreign banks	225 880	19 500
Current receivables from financial institutions	64	
Interest receivable from performing debit balances	38	205
Total cash	518 344	369 450

Other items - operating activity	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
Donations granted	44	13
Interest on lombard loan		17
Change in balance of accrued income from securities	1 897	(6 847)
Change in balance of other assets	(50 740)	64 026
Total	(48 799)	57 209

Other inflow - investment activity	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
Realised interest on securities in 2002/2001, accrued in 2003/2002	12 222	5 293
Realised and accrued interest on securities in 2003/2002	4 964	625
Total	17 186	5 918

Other outflow - financial activity	01.01.2003- 30.06.2003 (current year)	01.01.2002- 30.06.2002 (prior year)
Donations granted	(44)	(13)
Intrest on long-term bank loans	(7 596)	
Total	(7 640)	(13)

Operating activity includes the Bank's core activity that generates income. The funds generated from operating activity are intended to maintain operating capacity, making new investments, repayment of debts without employing external financing, and the amount of the funds is used as a basis for assessment of the effectiveness of the Bank's particular operations. The operating activity refers primarily to core banking activity such as:

- maintaining banking accounts,
- granting credits and cash loans,
- accepting deposits.

In addition, the Bank includes to the operating activity the following items: income tax payments, revenues from income tax surplus payments, adjustments of the net financial result by depreciation and all non-cash items related to investment and financial activity.

The investment activity is connected with purchasing and sale of long-term assets that allow the Bank to generate future profits, specifically the following:

- receipts and expenses related to sale/purchase of fixed tangible and intangible assets,
- receipts and expenses related to sale/purchase of shares and stakes in companies,
- receipts and expenses related to sale/purchase of debt securities.

The financial activity involves changes in the volume and relations of own capital to outside capital invested in the Bank, specifically the following:

- contracting and repaying long-term loans towards banks,
- receipts from own share issues,
- expenses related to the dividend paid to owners,
- expenses for social purposes (donations).

Additional Explanatory 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 of June 30, 2003 PLN thousand	Gross loans as of June 30, 2002 PLN thousand
Wholesale	486,524	469,754
Private individuals	289,235	169,216
Motor vehicles	187,825	161,526
Construction services	184,764	231,191
Production of food and beverages	140,675	45,717
Other production	116,286	104,069
Municipal and housing services	106,381	103,252
Retail trade in industrial goods	104,378	99,352
Production of metal goods	62,293	65,396
Power plants, gasworks and waterworks	54,832	67,110
Retail trade in groceries	40,121	13,931
Economic building industry	39,638	28,463
Non-banking financial services	38,030	37,187
Timber and wooden goods	37,555	28,588
Land transport	33,169	36,409
Print shops and publishers	32,854	34,284
Rubber and plastic products	22,971	10,496
Trade in means of transport	21,488	19,771
Paper and stationery	19,652	16,225
Production of textiles and fabrics	18,682	19,669
Other chemical products	17,629	15,350
Furniture and accessories	17,454	15,691
Other services	452,358	471,180
Other sectors	184,196	190,810
Total	2,708,990	2,454,637

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, 2003 PLN in thousands	Gross loans as at June 30, 2002 PLN in thousands
--------------------------------	---	---

- Małopolska Region	356,930	265,423
- Northern Region	217,813	158,270
- Silesia Region	229,727	203,789
- Eastern Region	1,517,850	1,478,961
- Western Region	386,670	348,194
TOTAL	2,708,990	2,454,637

For the needs of the above comparison,

- the Malopolska Region comprises the following provinces: Malopolska, Podkarpackie and Swietokrzyskie,
- the Silesia Region comprises the following provinces: Silesia and Opole,
- the Eastern Region comprises the following provinces: Mazovia, Lublin, Łódz, 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 are presented in the Table below. Interest is not included.

Entity type	Gross loans as at June 30, 2003 PLN in thousands	Gross loans as at June 30, 2002 PLN in thousands
Financial sector	38,143	37,745
- insurance institutions and pension funds	134	173
- other financial intermediaries	37,697	37,467
- auxiliary financial institutions	312	105
Non-financial sector	2,670,847	2,416,892
- State-owned enterprises and companies	66,645	77,759
- private enterprises and companies and cooperatives	1,992,258	1,828,030
- individual entrepreneurs	307,620	327,608
- individuals	285,933	168,989
- individual farmers	967	958
- non-commercial institutions operating in favor of households	6,936	4,625
- settlements with non-financial entities on account of VISA card settlements	10,488	8,923
TOTAL	2,708,990	2,454,637

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

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

In the first half of 2003, the Bank did not exceed the maximum exposure limit determined in the Banking Law with respect to any customer or capital group. As regards seven (7) customers, the Bank's exposure exceeded 10% of equity and totaled PLN 418 million, as compared to June 30, 2002 when in relation to 27 customers the Bank's exposure exceeded

10% of its equity and totaled PLN 833 million and in relation to no customer the exposure limit determined in the Banking law was exceeded.

1.5. Data regarding credit risk exposure

As of June 30, 2003, the Bank's financial exposure was concentrated mainly in services, trade and production and amounted to 39%, 24% and 17% of the loan portfolio value, respectively. Exposure in other sectors is relatively low. As compared to June 30, 2002, the Bank increased its exposure in the production sector while decreased in services.

Detailed information regarding the credit risk exposure to industries where the Bank's exposure exceeds 5% of the total loan portfolio is presented in Additional Notes - Section 4.2.1.e.

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, 2003 PLN in thousands	Deposits as at June 30, 2002 PLN in thousands
- Małopolska Region	639,562	689,305
- Northern Region	201,964	194,175
- Silesia Region	232,598	266,088
- Eastern Region	791,971	929,221
- Western Region	260,535	279,976
TOTAL	2,126,630	2,358,765

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 of June 30, 2003 PLN thousand	Deposits as of June 30, 2002 PLN thousand
Private individuals	1,261,486	1,527,946
Other services	175,262	191,293
Wholesale	127,745	102,603
Construction services	53,723	59,806
Other production	48,142	23,483
Land transport	39,577	25,314
Production of metal goods	35,751	30,120
Production of food and beverages	34,238	22,567
Retail trade in groceries	30,280	4,776
Retail trade in industrial goods	28,594	12,737

Legal and economic services	26,951	27,543
Science and technology services	19,969	19,305
Municipal and housing services	16,286	25,409
Educational services	15,013	11,692
Non-banking financial services	12,364	35,387
Motor vehicles	11,924	6,979
Public services	11,565	18,820
Production of textiles and fabrics	11,290	4,044
Rubber and plastic products	10,592	1,587
Housing building industry	9,527	9,184
Paper and stationery	8,893	2,290
Other sectors	137,458	195,880
Total	2,126,630	2,358,765

In Sections 2.1. and 2.2. amounts due to the non-financial and State budget sectors are presented.

3. Information about changes in the value of subsidies for foreign branches, with the balance as of the beginning of the period, increases and decreases, broken by specific entities, and the balance as of 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 or originated in order to obtain gains as a result of short-term price fluctuations,
- Financial assets held to maturity - financial assets of payments or maturity determined or possible to determine, which the bank intends and is able to hold 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 - financial assets which originated as a result of giving cash directly to the other party to a contract, except for assets earmarked for fast sale,
- Liabilities related to financial instruments - 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 cash loans granted by the Bank, own receivables not held for trading, financial assets held to maturity, financial assets available for sale and liabilities related to financial instruments:

Financial assets held for trading	As of June 30, 2003 in PLN thousand	As of June 30, 2002 in PLN thousand
Opening balance	155,620	12,673
Increases (on account of)	636,169	

- purchase	636,067	
- interest	102	
Decreases (on account of)	(718,607)	(11,356)
- sale	(711,846)	
- valuation of financial instruments	(4,054)	(11,356)
- discount	(2,707)	
Ending balance	73,182	1,317

Loans and cash loans granted by the Bank and own receivables not held for trading	June 30, 2003 in PLN thousand	June 30, 2002 in PLN thousand
Opening balance	2,663,880	3,099,884
Increases	724,513	298,211
- net credit balance increase	427,365	269,250
- net deposits balance increase from banks	226,020	
- net interest accrued balance increase	17,632	12,613
- other receivables balance increase	25,897	1,295
- specific provisions balance decrease	27,599	15,053
Decreases	(37,738)	(172,025)
- specific provisions balance increase	(37,738)	(41,908)
- net deposit balance decrease from banks		(130,117)
Ending balance	3,350,655	3,226,070

Financial assets held to maturity	June 30, 2003 in PLN thousand	June 30, 2002 in PLN thousand
Opening balance	16,764	16,839
Increases (on account of)	25,475	251
- transfer from the assets available for sale	24,979	
- valuation	496	
- interest		251
Decreases (on account of)	(16,764)	
- redemption	(16,652)	
- interest	(112)	
Ending balance	25,475	17,090

Financial assets available for sale	June 30, 2003 in PLN thousand	June 30, 2002 in PLN thousand
Opening balance	510,821	248,671
Increases (on account of)	1,142,565	952,375

- purchase	1,139,729	935,279
- interest	2,721	2,971
- valuation	110	14,119
- FX rate differences	5	6
Decreases (on account of)	(1,354,310)	(619,266)
- sale	(1,325,379)	(619,266)
- interest	(2,729)	
- valuation	(727)	
- transfer to assets held to maturity	(25,475)	
Ending balance	299,076	581,780

Liabilities related to financial instruments	June 30, 2003 in PLN thousand	June 30, 2002 in PLN thousand
Opening balance	0	
Increases (on account of)	5,593	
- valuation of derivative instruments	5,593	
Decreases (on account of)		
Ending balance	5,593	

4.2.

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

a)

- Financial assets held for trading - as of June 30, 2003 the portfolio of securities held for trading included Treasury bills of the book value amounting to PLN 25,970 thousand. Additionally, profit generated as a result of measurement to market of these assets amounted to PLN 50 thousand. In this item, the Bank recognizes also Treasury bonds whose balance sheet value as of the end of June 2003 amounted to PLN 47,219 thousand. At the measurement of these securities loss was incurred in the amount of PLN 57 thousand;
- Financial assets held to maturity - in this item, the Bank recognizes bonds issued by the National Bank of Poland related to the maintenance of the mandatory reserve; their value at the end of June 2003 totaled PLN 25,475 thousand;
- 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 of the end of June 2003, their total value stood at PLN 299,076 thousand;
- Credits and loans 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 2,652,552 thousand on account of loans granted, decreased by the specific provision created and increased by the interest accrued, interbank placements with the interest - PLN 671,348 thousand and receivables related to discounting letters of credit and documentary transactions - PLN 26,755 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.

Debt securities held for trading are measured at fair value and the effects of a change in the 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-downs 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.

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 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.

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.

Amounts receivable and payable on account of loans, cash loans 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, 2001 regarding the rules of creating provisions for risk related to banking activity (Journal of Laws No 149 item 1672, as amended). The required provisions are created at the end of each reporting period. Provisions for receivables denominated in foreign currencies are translated into Polish zlotys together with the amounts receivable covered by the provisions.

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

The Bank does not acquire any financial instruments from the regulated market.

d) Information on interest rate risk

As of the end of June 30, 2003, 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 maintained longer interest rate re-pricing periods of PLN assets versus PLN liabilities, to utilize the decreasing interest rate trend to increase interest income. In order to achieve longer 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 ten years, and Treasury bills. The effect thus achieved was additionally reinforced by short re-pricing periods (mostly up to three months) of deposits accepted by the Bank from clients which reduced the average re-pricing period on the liabilities side. Using such a technique, the Bank achieved a profitable, from the point of view of the market situation, balance sheet structure position while keeping the liquidity at a safe level.

e) Information on credit risk

The Bank's credit activity focuses on the service of small and medium enterprises. The majority of loans are granted entities operating in trade and services economic sectors. 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	As of June 30, 2003				As of June 30, 2002			
	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 trade	390,846	14.4%	95,678	3.5%	387,378	15.8%	82,376	3.4%
of which lost			54,966	2%			61,630	2.5%
Other services	351,234	13%	101,124	3.7%	442,841	18%	28,339	1.2%
of which lost			22,367	0.8%			16,018	0.7%
Private individuals	269,265	9.9%	19,970	0.7%	154,335	6.3%	14 881	0.6%
of which lost			13,486	0.5%			7 636	0.3%
Motor vehicles	179,213	6.6%	8,612	0.3%	161,164	6.6%	362	0%
of which lost			423	0%			19	0%
Construction services	109,971	4.1%	74,793	2.8%	210,182	8.6%	21,009	0.9%
of which lost			45,657	1.7%			4,350	0.2%
Production of food and beverages	123,825	4.6%	16,850	0.6%	29,180	1.2%	16,537	0.7%
of which lost			7,299	0.3%			6,309	0.3%

4.2.2 Financial assets that are measured at amortized costs.

In this manner, the Bank measures assets held to maturity, i.e. bonds issued by the National Bank of Poland, blocked for the mandatory reserve. As of June 30, 2003 the value of these securities amounted to PLN 24,979 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 consideration specific provisions built under the Ordinance of the Finance Minister dated December 10, 2001 regarding the rules of creating provisions for risk related to banking activity (Journal of Laws No 149 item 1672, as amended).

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, while the other assets are measured to amortized cost.

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 2003, the Bank entered into two cash bills repurchase agreement transactions, one for the amount of PLN 100 million and one for PLN 50 million. These transactions were concluded and settled between May 30 and June 3, 2003.

In the reporting period in question, the Bank was not a party to any agreement under which financial assets are transformed into securities.

4.2.5 Data regarding the effects of measurement of available-for-sale financial assets at market value:

As of January 1, 2003 and June 30, 2003 the available-for-sale securities were measured to market value. The positive measurement value was recognized in the Bank's balance sheet statement in the Revaluation Fund item. The measurement results are presented in the Table below:

	Measurement value in PLN thousand	
	As of January 1, 2003	As of June 30, 2003
Treasury bills	1,046	324
Treasury bonds	995	1,105
TOTAL	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 2003, 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 103,790 thousand. The Bank earned profit on the above transactions in the amount of PLN 517 thousand, while the discount sold amounted to PLN 3,487 thousand. In addition to the above, T-bills in the book value of PLN 5,032 thousand were transferred from the available-for-sale asset portfolio to the held-for-trading asset portfolio.
- The NBP cash bills in the nominal value of PLN 150,000 thousand. The Bank incurred loss on the above transactions in the amount of PLN 2 thousand, while the discount sold amounted to PLN 53 thousand.

4.2.7 In the first half of 2003, the Bank did not generate any income or incur any expenses on account of financial assets sold whose fair value could not be reliably measured before.

4.2.8 At the end of June 2003, 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 2003, the Bank built specific provisions for risk related to credit exposures. The data regarding decreases and increases in the value of this group of financial assets are presented in notes nos. 2H and 3H to the balance sheet statement. Changes in the value of subsidiary's shares held by the Bank on account of impairment loss is presented in no. note 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:

	As of June 30, 2003 in PLN thousand		As of June 30, 2002 in PLN thousand	
	Interest accrued	interest received	interest accrued	interest received
Interbank placements	2,362	15,780	3,123	34,403
Loans	7,783	67,696	13,021	88,516
Receivables purchased	40	54	1	14
Guarantees paid	5		1	5
securities bought under repurchase agreements		97		
TOTAL	10,190	83,627	16,146	122,938

4.2.11 Deferred interest income:

	As of June 30, 2003 in PLN thousand	As of June 30, 2002 in PLN thousand
Interest capitalized	66	32
Deferred interest income on receivables purchased	100	82
Deferred interest income on guarantees paid	3,961	3,304
Deferred interest income on loans	88,724	66,825
TOTAL	92,851	70,243

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:

	As of June 30, 2003 in PLN thousand		As of June 30, 2002 in PLN thousand	
	Interest accrued	Interest paid	Interest accrued	Interest paid
Current accounts	116	9,994	1,414	20,862
Interbank deposits	527	4,663	594	4,954
Term deposits	4,144	17,748	9,728	40,890
Blocked deposits	1,259	3,367	2,846	9,562
Credit facilities and loans received	2,080	7,596	4,850	5,430
TOTAL	8,126	43,368	19,432	81,698

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.

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.

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.

Description of derivative instruments as of June 30, 2003			
Instrument	FX Forward	FX Swap	Securities forward
number of transactions that have not matured yet	554	14	1
Future revenue/payments	variable	variable	variable
Maturity	2003.07.01 - 2004.04.13	2003.07.01 - 2003.09.15	2003.07.09
possibility of exchange into another asset / liability item	no	no	no
Agreed rates/amounts of revenue and payment dates	variable	variable	variable
other conditions	none	none	none
risk type	FX rate, liquidity, counter party	FX rate, liquidity, counter party	interest rate, liquidity, counter party

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

Instrument type	Nominal value							
	As of June 30, 2003 in PLN thousand				As of June 30, 2002 in PLN thousand			
	Maturity				Total	Banks	Other	Total
	up to 3 months		3 months - 1 year					
Banks	Other	Banks	Other					
- FX forward	2,229	150,11		182,752	335,09	8,392	848,22	856,621

			2			3		9	
- FX swap	561,88 1		97,310			659,19 1	701,26 2		701,262
Total	564,11 0	150,11 2	97,31 0	182,75 2	994,28 4	709,65 4	848,22 9	1,557,8 83	

Derivative transactions are made by the Bank at market prices binding on transaction dates. The Table below presents valuation of instruments that did not mature as of June 30, 2003:

Instrument type	Positive market value				Negative market value			
	As of June 30, 2003		As of June 30, 2002		As of June 30, 2003		As of June 30, 2002	
	Banks	Other	Banks	Other	Banks	Other	Banks	Other
- FX forward	28	5,523	357	20,062		5,596		19,782
- FX swap	1,504		11,568		6,935		10,810	
Total	1,532	5,523	11,925	20,062	6,935	5,596	10,810	19,782

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 counter party risk/ The Bank does not have comparable data as of June 30, 2002.

Instrument type	Balance sheet equivalent	
	As of June 30, 2003	
	Banks	Others
- FX forward		3,353
- FX swap	1,267	
Total	1,267	3,353

4.2.14 Risk management objectives and rules

Risk types

The Bank's strategy as regards risk has the following objectives:

- protection of funds and liabilities of other type, such as deposits, share capital, securities, entrusted to the Bank by clients and shareholders;
- 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;
- 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:

- Step 1: identification of potential risks involved.
- Step 2: check whether the Bank is able to assess and monitor identified potential risks in an efficient way from start to maturity.
- Step 3: check if identified potential risks can be hedged at market prices, under which conditions and to what extent.
- Step 4: check if envisaged sales prices cover hedging costs (risk premium).
- Step 5: check 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 and the concerned Business Line nevertheless is of the opinion that good reasons exist for launching the product or service, the Board of Executives, upon the request of the concerned Business Line or the Risk Department, 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. Today, the following limits exist:

- Current liquidity limit - Unstable Liabilities
Liquid Assets must exceed Unstable Liabilities less one third of the Free Inter-bank Funds and less one third of Available Inter-bank funds from Fortis Bank Brussels
- Current liquidity limit - Largest Depositors
Liquid Assets must exceed total Largest Deposits less one third of Free Inter-bank Funds and less one third of Available Inter-bank funds from Fortis Bank Brussels.
- Current liquidity limit - Largest deposit concentration by economic sector
Liquid Assets must exceed Largest Deposit Concentration by Economic Sector less one third of Free Inter-bank Funds and less one third of Available Inter-bank funds from Fortis Bank Brussels.
- Current liquidity limit - Minimum Level
Liquid assets must exceed PLN 350 million.
- Current liquidity limit - Potential Commitments
Liquid Assets must exceed Potential Commitments less one third of Free Inter-bank Funds and less one third of Available Inter-bank funds from Fortis Bank Brussels.
- Long-term liquidity limit - All Currencies
The Maximum Cumulated Gap - All Currencies position may not exceed 70% of core deposits in all currencies.
- Short-term liquidity limit - All Currencies
The Maximum 30-day Cumulated Gap - All Currencies position may not exceed 35% of core deposits in all currencies.
- Long-term liquidity limit - PLN
The Maximum Cumulated Gap - PLN may not exceed 70% of core deposits in PLN.
- Short-term liquidity limit - PLN
The Maximum 30-day Cumulated Gap - PLN may not exceed 35% of core deposits in PLN.
- Long-term liquidity limit - USD

- The Maximum Cumulated Gap - USD may not exceed PLN 450 million plus half of the Available Inter-bank funds from Fortis Bank Brussels.
- Short-term liquidity limit - USD
The Maximum 30-day Cumulated Gap - USD may not exceed PLN 200 million plus half of the Available Inter-bank funds from Fortis Bank Brussels.
 - Long-term liquidity limit - EUR
The Maximum Cumulated Gap - EUR may not exceed PLN 250 million plus half of the Available Inter-bank funds from Fortis Bank Brussels.
 - Short-term liquidity limit - EUR
The maximum 30-day cumulated gap - EUR may not exceed PLN 100 million plus half of the Available Inter-bank funds from Fortis Bank Brussels.

These are the limits valid as of the balance sheet date, i.e. June 30, 2003. They may be changed or new limits may be added at any time by the Board of Executives upon a proposal of the ALCO Committee.

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

Liquidity Risk Management Objectives

- to keep PLN deposits priced at table rates at a minimum level of approximately 40% of total PLN customer deposits.
- to keep PLN deposits with a contractual maturity exceeding 3 months at a minimum level of approximately 30% of total PLN customer deposits.
- to keep the evolution of USD deposits in line with the evolution of USD loans.

Market risk

The Bank monitors market risk, i.e. FX risk and interest rate risk through a multidimensional limits and reports system. At present, the following limits are applied:

Interest rate risk

- Maximum Interest Earnings at Risk
The maximum cumulated negative changes reported in the Net Interest Earnings at Risk - Shock Interest Rate Change Scenario may not exceed 20% of the total forecasted net interest earnings of the current year.
- Maximum economic value at risk - I
The absolute value of the total negative value changes in the Economic Value at Risk - Shock Interest Rate Change Scenario may not exceed 10% of the Bank's Equity.
- Maximum economic value at risk - II
The absolute value of the total negative value changes in the Economic Value at Risk - Shock Interest Rate Change Scenario for 3 and 6 Months Rates may not exceed 10% of the Bank's Equity.

Foreign Exchange Risk

- Overnight Position Limits
- The maximum global¹ overnight position may not exceed PLN 70,000,000,
- Overnight Value at Risk Limit
- The maximum end of day value at risk² may not exceed PLN 400,000,
- Daily Position Limits
- The maximum global intraday position may not exceed PLN 140,000,000
- Daily Value at Risk Position Limit
- The maximum intraday value-at-risk position³ may not exceed PLN 800,000.

These are the limits valid as of the balance sheet date. They may be changed or new limits

may be added at any time by the Board of Executives upon a proposal of the ALCO Committee.

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.

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, each time the Committee meets.

¹It is the higher of the total of all long and the total of all short foreign currency positions in specific currencies, computed in absolute categories

²It is a statistically estimated potential loss resulting from the overnight position in each currency.

³It is a statistically estimated potential loss resulting from the intraday position in each currency.

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 Fortis Group Central Risk Management department in Brussels offers assistance in implementing new risk management methodologies. Both departments are in regular touch with each other.

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.

Risk Monitoring and Measurement Tools:

The following tools have so far been developed:

- tools enabling the collection of up-to-date information about margins, volumes and profits from deposit and loan products offered by the Bank,
- tools applied in setting negotiable interest rates for term deposits with fixed and variable interest,
- risk databases with information about interest rate risk and liquidity risk, used in the process of taking decisions regarding strategic and long-term investments,
- application to monitor on an on-going basis currency, interest rate and liquidity risks,
- Basel 2 database - including comprehensive data regarding credit and operational risks.

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 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. 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.

As regards entities that qualify to, or have been classified into a higher-risk category using a classification system adopted by the Bank, additional procedures are applied along with the generally binding ones, to mitigate the Bank's risk.

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 IPS 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 IPS BL that offers services to Individuals, Professionals 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 IPS Business Line.

Monitoring is conducted based on internal Bank's procedures, taking into account the provisions of the Finance Minister Ordinance dated December 10, 2001 regarding the creation of provisions for risk related to banking activities, and the rating rules binding in the Fortis group.

Risk is mitigated and secured 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 The Bank does not apply hedge accounting specified in Chapter 5 of the Ordinance of the Finance Minister of December 10, 2001, regarding detailed rules of bank accounting (Journal of Laws no. 149, Item 1673 of 2001).

In connection with the above, the information required under Sections 4.2.16 and 4.2.17 do not apply to Fortis Bank Polska SA.

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

In the first half of 2003, 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 of June 30, 2003, the following assets of Fortis Bank Polska SA constituted collateral for commitments:

- Treasury bills of the nominal value of PLN 78,000 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 11,000 thousand that collateralize the Guaranteed Means Protection Fund under the Bank Guarantee Fund. As of June 30, 2003, the value of funds covered by the guarantee system accumulated in the Bank amounted to PLN 2,137,373 thousand;
- Bonds related to the reduction of the mandatory reserve rates, in the value of PLN 24,979 thousand, converted by the National Bank of Poland in February 2002 (marketable bonds).

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

In the first half of 2003, the Bank entered into one repo agreement (buy-sell-back transaction) with a customer of the Bank regarding T-bills in the nominal value of PLN 300,000.

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								
entity/product	June 30, 2003				June 30, 2002			
	financial entities	non-financial entities	State budget sector	Total	financial entities	non-financial entities	State budget sector	Total
- credit lines in loan accounts	5,785	264,991	1,300	272,076	21,873	219,999		241,872
- overdraft facilities in current accounts	2,435	280,438	1,019	283,892	498	332,424		332,922
- open VISA limits	257	52,823	65	53,145	158	46,632	66	46,856
- import Letters of Credit	6,984	56,807		63,791		48,988		48,988
- Framework Financing Agreements		132,864		132,864				
- interbank deposits with the future value date	60,000			60,000	50,000			50,000
Total	75,461	787,923	2,384	865,768	72,529	648,043	66	720,638

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

entity / maturity	As of June 30, 2003		As of June 30, 2002	
	up to 1 year	1 year or longer	up to 1 year	1 year or longer
financial entities		5,785		21,873
non-financial entities	179,788	85,203	155,914	64,085
State budget entities	1,300			
Total	181,088	90,988	155,914	85,958

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								
Entity / product	June 30, 2003				June 30, 2002			
	financial entities	non-financial entities	State budget sector	Total	financial entities	non-financial entities	State budget sector	Total
- guarantees issued	1,415	104,622	38	106,075	385	137,406	42	137,833
- Framework Guarantee Agreements		10,223		10,223				
- confirmed export Letters of Credit /accepted drafts	14,684			14,684	1,544			1,544
Total	16,099	114,845	38	130,982	1,929	137,406	42	139,377

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

Specification	As of June 30, 2003		As of June 30, 2002	
	related to financing	guarantees	related to financing	guarantees
Parent entity		887		323
Subsidiaries	75		75	
Affiliated entities	12,779	5,518	21,884	
Other entities	852,914	124,577	698,679	139,054
Total	865,768	130,982	720,638	139,377

As of the end of June 30, 2003, the Bank held the following off-balance sheet items related to affiliated entities:

- Three guarantees issued to Fortis Bank SA in Brussels for the total amount of PLN 887,000 for the period from one month to three years;
- a limit in VISA card in the amount of PLN 75,000 granted to Fortis Securities Polska S.A.;
- a limit in VISA card in the amount of PLN 12,000 granted to Fortis Lease Polska sp. z o.o., the off-balance sheet debt on that account amounts to PLN 10,000;
- unused credit line in the amount of PLN 5,785 thousand granted to Fortis Lease Polska Sp. z o.o. for up to five (5) years;
- Fortis Lease Polska Sp. z o.o. Held also two documentary L/Cs opened for the total amount of PLN 6,984 thousand.

By analogy, at the end of June 2002, the Bank held the following off-balance sheet items related to affiliated entities:

- A guarantee issued to Fortis Bank in Rotterdam for the amount of PLN 323,000;
- a limit in VISA card in the amount of PLN 75,000 granted to Fortis Securities Polska S.A.;
- a limit in VISA card in the amount of PLN 12,000 granted to Fortis Lease Polska S.A, and the off-balance sheet debt on that account amounted to PLN 11,000;
- unused credit line in the amount of PLN 21,873 thousand granted to Fortis Lease Polska sp. z o.o. for up to five (5) years.

10. Information about a proposed dividend payment.

The payment of dividend for the 2002 fiscal year was approved by the General Meeting of Shareholders on June 26, 2003.

Fortis Bank Polska SA has not issued any preference shares.

11. Information about liabilities related to approved dividend payment.

As of June 30, 2003, the Bank had commitments related to the approved dividend payment in the amount of PLN 30,155 thousand. The dividend was paid on September 2, 2003.

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 of June 30, 2003, 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 2003, 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 2003, the Bank incurred costs of fixed assets under construction, fixed assets for own needs in the amount of PLN 5.4 million.

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

In the period between June 30, 2003 and June 30, 2004, the Bank plans to make investment outlays in the amount of PLN 17.4 million.

The Table below presents investment costs incurred as of June 30, 2003 and as of June 30, 2002:

	As of June 30, 2003 PLN thousand	As of June 30, 2003 PLN thousand
Investments in progress	2,219	3,597
Fixed assets	2,631	2,256
Equipment	740	1,187
Vehicles	1,630	560
Other	261	509
Intangible fixed assets	703	1,454
Computer software purchased	703	1,454
TOTAL	5,553	7,307

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' credit policy towards affiliated entities and a percentage share assigned to transactions with such entities.

- loan agreement concluded on September 24, 1998 with Fortis Bank S.A. and Fortis Bank Nederland NV (former Generale Bank). On November 12, 1999, an Annex to the Agreement was signed. Under the Agreement, the Bank was granted a credit line of up to DEM 200 million (at present EUR 102 million) for seven years.
- Loan Agreement dated September 24, 2001 with Fortis Bank (Nederland), with its registered office in Rotterdam. Under the Agreement, the Bank was granted a credit line of EUR 50 million for 4 years.
- Fortis Bank Polska SA concluded transactions on the interbank market with Fortis Bank in Brussels. As of June 30, 2003, the balance of placements amounted to PLN 75,000 thousand. Fortis Bank Brussels also has nostro and loro accounts and an overnight deposit account. As of the end of June 2003, the balance of overnight deposits made amounted to PLN 225,880 thousand. 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 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. Under the Agreement, a revolving multi-currency credit facility was granted in the amount of PLN 55 million to be repaid by November 17, 2005, bearing the market interest rate. As of the end of June 2003, the credit outstanding balance amounted to PLN 37,032 thousand.
- Overdraft Credit Facility Agreement dated April 5, 2002 with Fortis Lease Polska Sp. z o.o. Under the Agreement, Fortis Lease was granted an overdraft facility in the amount of PLN 0.5 million under the market conditions, to be repaid by April 7, 2003. The off-balance sheet commitment on that account as of June 30, 2003 amounted to PLN 5,785

thousand.

16.2. Data concerning affiliated companies on:

a) receivables and liabilities:

	As of June 30, 2003 in PLN thousand		As of June 30, 2002 in PLN thousand	
	Parent company	Subsidiar y	Parent company	Subsidiar y
Receivables				
Current receivables	240,555		19,706	
Term deposits	75,000		20,499	
Loans	128			800
Interest	610		2,369	4
Other assets		20	653	192
Total receivables	316,293	20	43,227	996
Liabilities				
Current accounts		469	847	688
Interest accrued			15	0.5
Total liabilities		469	862	688.5

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

	As of June 30, 2003 in PLN thousand		As of June 30, 2002 in PLN thousand	
	Parent company	Subsidiar y	Parent company	Subsidiar y
Income				
Interest income	3,996	3	88	4
Commission and fee income	301	6	50	11
Other operating income		100		258
Total income	4,297	109	138	273
Expense				
Interest expense	506	4		94
Commission and fee expense	131		50	
Operating costs		97		289
Total costs	637	101	50	383

c) granted credit facilities, including irrevocable commitments,

As of June 30, 2003, Fortis Securities Polska SA had a VISA card limit up to PLN 75 thousand.

On September 30, 2002, the Bank extended to Fortis Securities Polska SA an overdraft facility of PLN 1 million, to be repaid until March 31, 2004, on market conditions. As of June 30, 2003

Fortis Securities Polska had no outstanding debt related to that facility.

d) other data:

As of the end of June 2003, 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 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. 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". Fortis Securities Polska SA has not yet reported the increase of its share capital in its financial report as of June 30, 2003, because it was not registered yet.

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

In the first half of 2003, 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.

Since the beginning of 2003 until June 30, 2003, 73 loans totaling PLN 2,214 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:

As of June 30, 2003, the Bank did not have any costs on account of provisions created for future liabilities towards employees.

In the first half of 2003, 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 1,400 thousand PLN;
- Variable part of the remuneration in the amount of PLN 428 thousand;

21. Information about costs of financing employee pension schemes.

The Bank does not finance employee pension schemes.

22. Information about custody operations.

As of June 30, 2003, the Custody Services Group at Fortis Bank Polska SA maintained 24 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 468,704 thousand. During the first half of 2003, 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.

At the end of June 2002, Fortis Bank Polska SA had 873 FTEs (full-time equivalent). In the course of 12 months, this number increased to 884. The average employment between January and June 2003 totaled 883 FTEs.

Structure of employment in terms of education:

	As of June 30, 2003	As of June 30, 2002
High-school graduates	39%	42%
College graduates	8%	8%
University	53%	50%

25. In the financial statement - 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	as of June 30, 2003 in PLN thousand	as of June 30, 2002 in PLN thousand
Board of Executives	1,913	2,596
Supervisory Board	170	180
Holders of procuration	1,782	1,784

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 2003 or in 2002.

26. In the financial statement - 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 of June 30, 2003 Fortis Bank Polska SA extended:

to the Supervisory Board Members:

- two (2) guarantees for American Express card in the outstanding balance of USD 10,000 as of June 30, 2003;
- one (1) overdraft in the ROR account (i.e., checking and savings account) of the outstanding balance of PLN 25,000 as of June 30, 2003, to be repaid until August 2, 2004, at an interest rate corresponding to the applied market rates;
- two (2) Visa card limit of the outstanding balance of PLN 32,000 as of June 30, 2003, which is reported as the off-balance sheet debt.

to the Board of Executives' Members

- two (2) foreign currency loans of the total outstanding balance as of June 30, 2003 amounting to EUR 97,000, of maturity between three and ten years; the interest rate does not differ from market rates;
- two (2) overdraft facilities in ROR accounts (i.e., checking and savings accounts) for the total amount of PLN 100,000 as of June 30, 2003 and maturity up to one year; the interest rates do not differ from market rates;
- one (1) guarantee amounting as of June 30, 2003 to PLN 54,000, for the period up to one year;
- seven (7) VISA card limits - the total debt balance on that account reported in off-balance sheet items amounted as of June 30, 2003 to PLN 114,000.

to holders of procuration

- six (6) overdraft facilities in ROR accounts (i.e., checking and savings accounts) for the total amount of PLN 96,000 as of June 30, 2003 and maturity up to one year; the interest rates do not differ from market rates;
- six (6) loans, including ones denominated in foreign currency, of the outstanding balance of PLN 295,000 as of June 30, 2003, with a repayment term between two and five years, at an interest rate corresponding to the applied market rates;
- five (5) Visa card limits - the total debt balance on that account reported in off-balance sheet items amounted as of June 30, 2003 to PLN 38,000.

to persons related to managing of supervising persons:

- one (1) limit in the ROR account of the outstanding balance of PLN 60,000 as of June 30, 2003, to be repaid until September 1, 2003, at an interest rate corresponding to the applied market rates;
- one (1) FC loan of the outstanding balance of EUR 7,000 as of June 30, 2003, with a repayment term of 5-10 years, at an interest rate corresponding to the applied market rates;
- 1 VISA card limit of up to PLN 5,000 as of June 30, 2003.

to employees:

- 29 advance payments for business expenses of the total amount of PLN 30,000.

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

	June 30, 2003	June 30, 2002
Employee loans in PLN	8,076	8,756

thousand		
Number of employee loans	253	251

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

27. In the first half of 2003, no significant events occurred referring to previous years, presented in the financial report for the current period.

28. Information about important events that occurred after the balance sheet date and were not shown in the financial/consolidated statements.

On September 2, 2003 a dividend was paid in the amount of PLN 30,155 thousand pursuant to the decision adopted by the General Meeting of Shareholders on June 26, 2003 regarding the allocation of the 2002 net profit.

29. In the reporting period in question, no important events occurred which affected the structure of the balance sheet items and financial result.

30. In the first half of 2003, 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 of June 30, 2002:

ASSETS:

BALANCE SHEET STATEMENT in PLN thousand	As of June 30, 2002	change on account of reclassification	As of June 30, 2002 incl. changes
Assets			
XII. Other securities and other financial assets		1,317	1,317
XVI. Prepayments and accrued income	47,365	(1,317)	46,048
2. Other prepayments and accrued income	11,294	(1,317)	9,977

The change refers to the movement of derivatives valuation from the "Other prepayments and accrued income" item to "Other securities and other financial assets."

LIABILITIES:

LIABILITIES	as of June 30, 2002	change on account of reclassification	as of June 30, 2002 after reclassification	change of valuation rules	as of June 30, 2002 incl. changes
III. Due to customers	2,343,310		2,343,310		2,343,310
1. Savings:		293,318	293,318		293,318
a) current		293,318	293,318		293,318
2. others:	2,343,310	(293,318)	2,049,992		2,049,992
a) current	782,862	(293,318)	489,544		489,544
XVI. Revaluation reserve	545		545	3,480	4,025
XVIII. Undistributed profit (uncovered loss) from prior years	11,285		11,285	(3,480)	7,805

The item: "Current savings" was separated from the "Other current liabilities".

The measurement to fair value of available-for-sale securities was moved from the "Net profit/loss" to the "Revaluation reserve."

PROFIT AND LOSS ACCOUNT:

Profit and Loss Account	January 1- June 30, 2002	change of account of reclassification	January 1- June 30, 2002 incl. changes
XIII. General expenses	69,612	558	70,170
XIV. Depreciation of tangible and intangible fixed assets	14,324	(558)	13,766
XV. Charges to provisions and revaluation	39,550	(1,635)	37,915
2. Revaluation of financial assets	1,635	(1,635)	
XVII. Net charges to/release of provisions and revaluation (XV-XVI)	(28,779)	1,635	(27,144)
XVIII. Operating profit	27,072	1,635	28,707
XX. Profit (loss) before taxation	27,072	1,635	28,707
XXIII. Share in net profit (loss) of subsidiaries measured by equity rights		(1,635)	(1,635)

The change consists in moving the depreciation of capital raising costs from "Depreciation of tangible and intangible fixed assets" to "General expenses."

Furthermore, financial assets revaluation expenses related to the valuation of the subsidiary were moved from "Revaluation of financial assets" to "Share in net profit (loss) of subsidiaries measured by equity rights."

CASH FLOW STATEMENT:

Cash flow statement	January 1- June 30, 2002	change on account of reclassification	January 1- June 30, 2002 incl. changes
A. Cash flow from operating activity indirect method	(172,622)		(172,622)
II. Adjustments for:	(191,630)		(191,630)
1. Share in net profit (loss) of subsidiaries measured by equity rights		1,635	1,635
2. Depreciation	14,324	(558)	13,766
6. Change in other reserves	292	(470)	(178)
11. Change in shares or holdings, other securities and other financial assets		11,356	11,356
17. Change in prepayments and accrued income	7,155	(10,328)	(3,173)
19. Other items	58,844	(1,635)	57,209
III. Net cash flow from operating activity (I+/-II) - indirect method	(172,622)		(172,622)

The changes consisted in moving the financial assets revaluation expenses related to the valuation of the subsidiary from "Other items" to "Share in net profit (loss) of subsidiaries measured by equity rights."

Furthermore, the depreciation of capital raising costs was moved from "Depreciation" to "Change in prepayments and accrued income."

A change in the balance of other financial assets was moved from the "Change in prepayments and accrued income" to "Change in shares or holdings, other securities and other financial assets."

A change in the balance of deferred tax liability was moved from "Change in other reserves" to "Change in prepayments and accrued income."

Capital adequacy ratio:

The change in the amount of the capital adequacy ratio is described in Section 33 hereafter.

33. Changes in the applied accounting policies and manner of preparing financial statements/consolidated financial statements, made with respect to the previous fiscal year(s), their reasons, titles and impact of financial consequences due to such changes on the property and financial situation, liquidity, financial result and profitability.

Pursuant to the Ordinance of the Finance Minister of September 26, 2002, which amended the ordinance regarding special rules of bank accounting (Journal of Laws no. 157, item 1314), the Bank changed the manner of presentation of the net valuation of available-for-sale financial assets. According to the new rules, the Bank recognizes the effects of valuation of financial assets available for sale in the revaluation fund.

The results of the changes introduced into the Accounting Principles were recognized in the comparative data for 2002 in the balance sheet statement and in the "Movements in Own Equity" in item "Undistributed profit (uncovered loss) from previous years" and "Revaluation reserve."

Change of the solvency ratio

In the comparable data as of the end of June 2002, the solvency ratio of 18.93% was reported (the solvency ratio previously reported as of the end of 2002 amounted to 19.07%). The need to achieve comparability of information results from the change in own equity for the purposes of the calculation of the solvency ratio in connection with the change of the accounting policy applied (related to the amendment of the Accounting Act).

34. In the first half of 2003, the Bank did not make any correction of material errors.

35. The financial statements for the period January 1 - June 30, 2003 were prepared with an assumption that the Bank's economic activities will be continued in the foreseeable future.

36. In the first half of 2003, the Bank did not merge with any other entity.

Information required under Items 37 and 38 does not refer to Fortis Bank, since the Bank is not required to financial statements on a consolidated basis. Detailed explanations in this matter are given in Item 39.

39. If the issuer does not prepare consolidated statements, the additional explanatory notes to the financial statements should include information about legal grounds for a decision not to prepare consolidated statements.

The Bank's only controlled entity is the brokerage house 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 is immaterial for a reliable and transparent presentation of the property, financial situation and financial result of the Bank. As of the end of June 30, 2003, the total assets of Fortis Securities Polska SA constituted 1.4% of the Bank's total assets, FSP's total income made up 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 Annual Report.

40. If the issuer required to prepare financial statements on a consolidated basis excludes, under separate regulations, a controlled entity from its consolidated statements, or using the equity method (one-line consolidation), additional notes to the consolidated statements should provide legal grounds for excluding such an entity from the consolidated statements, with relevant data and key economic and financial indicators being given.

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:

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

As of June 30, 2003, the Supervisory Board was composed of 7 members, and the Board of Executives of 8 members.

41.2. Additional information to the Bank assets and liabilities

The foreign currency structure of assets and liabilities is presented in the table below.

Foreign currency structure of assets and liabilities as of June 30, 2003.

Currency	Assets in PLN thousand	Assets (%)	Liabilities in PLN thousand	Liabilities (%)
AUD	131	0.00%	9	0.00%
CAD	2,854	0.07%	794	0.02%
CHF	32,831	0.79%	23,588	0.56%
CZK	110	0.00%	38	0.00%
DKK	564	0.02%	94	0.00%
EUR	1,123,138	26.99%	1,099,303	26.42%
GBP	398	0.01%	2 154	0.05%
HUF	8	0.00%		0.00%
JPY	162	0.00%		0.00%
NOK	410	0.01%	25	0.00%
PLN	2,466,193	59.27%	2,649,141	63.67%
SEK	746	0.02%	297	0.01%
USD	533,469	12.82%	385,571	9.27%
Total	4,161,014	100.00 %	4,161,014	100.00%

Board of Executives Report on Fortis Bank Polska SA activity in the first half of 2003

I. SUMMARY OF THE BANK'S ACTIVITY IN THE FIRST HALF OF 2003

A. Key factors affecting Fortis Bank Polska financial performance in the first half of 2003

In the first half of 2003, Fortis Bank Polska generated a net profit of PLN 17 million, which is by PLN 2 million (or 10.5%) lower than in a similar period of 2002. One should note however, that the pace of growth of the 2002 financial result was exceptional as it exceeded the 2001 net profit three times.

At the same time, the Bank controlled its operating expenses very carefully. In the first half of 2003, there was a further decrease of expenses by 1% as compared to the last year. Thus the Bank consistently proceeds towards a satisfying level of the operating expenses to income on banking activity ratio (currently it amounts to 76%).

Along with the increase of the net loan portfolio value by 11%, as compared to the first half of 2002, the amount of provisions created for non-performing loans grew up to PLN 158 million, i.e. by 12% over the same period of 2002. In the first 6 months of 2003, the loan portfolio quality improved. The share of non-performing loans in the total loan portfolio was 15% at the end of June, whereas it was 16% at the end of 2002.

In the same period, total deposits in the Bank fell by 10%; in this context however, we should take into account a significant (i.e. by several hundred percent) increase of the value of assets under management of Fortis Securities Polska SA (FSP), the Bank's subsidiary. Along with new or modified services of the Bank, branch offices cross sell products offered by FSP and Fortis Lease Polska to bank customers, which has contributed to a higher commission and fee income.

On June 26, 2003, the General Meeting of Shareholders of Fortis Bank Polska SA approved the Bank's financial statements for 2002 and the discharge of duties of both the Board of Executives and the Supervisory Board. The shareholders resolved that out of the 2002 net profit which amounted to PLN 31,375 thousand, the sum of PLN 30,155 thousand should be earmarked for the payment of dividends, whereas the remaining PLN 1,219 thousand was allocated to the general risk fund. Furthermore, Shareholders assembled at the General Meeting accepted a declaration regarding the corporate governance principles.

The most important factors that affected the financial performance of Fortis Bank Polska SA in the first half of 2003 were the following:

- Loan portfolio increase by 11%, as compared to the first half of 2002, up to PLN 2,614 million as of June 30, 2003. The share of non-performing loans in the total portfolio amounted to 15% at the end of June 2003 (and 3% concerns loans classified in the "watch-list" category) versus 13% as of the end of June 2002 (with 1.2% of "watch list" loans).
- Decrease of customer deposits by 10% as compared to June 2002. As of June 30, 2003 deposit volume amounted to PLN 2.132 billion.
- Commission and fee income increase by 2% due to the acquisition of new customers and diversification of the product range offered.
- Net interest income in the amount of PLN 57 million was lower than in the first half of 2002 by PLN 7 million, which was mainly due to the higher amount of non-performing loans and decreasing loan interest rates.
- Income from financial operations in the amount of PLN 0.6 million fell down by PLN 12

million as compared to the first half of 2002. It resulted mainly from the fact that in the first half of 2002, debt securities transactions were made on exceptionally profitable conditions.

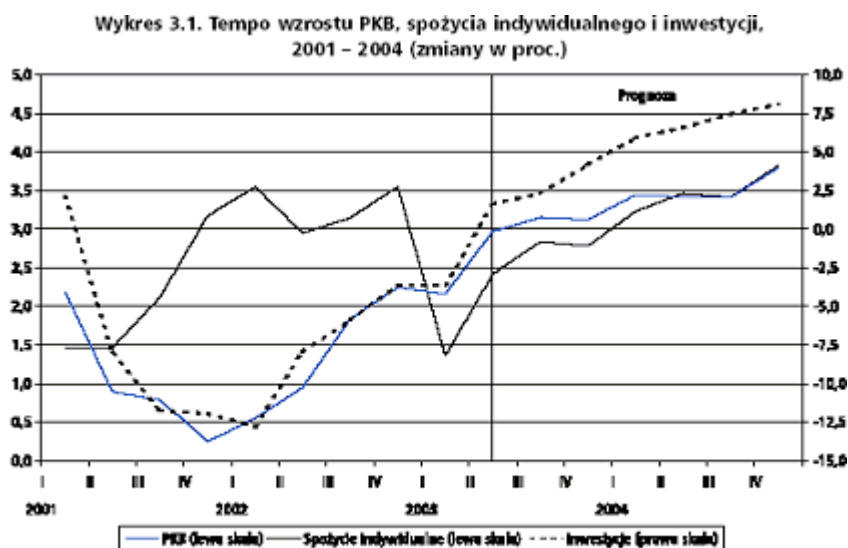
- FX result of PLN 21 million was lower by 27% as compared to the similar period of 2002, which was mainly due to the shrinking margins.
- Decrease in operating costs by 1% in comparison to last year. The cost/income ratio amounted to 76%.
- A small, as compared to last year, surplus of provisioning for credit risks in the first half of 2003 amounted to PLN 6 million, i.e. it was lower by almost 78% than at the end of June 2002 (in the first half of 2002 it equaled PLN 27 million).

B. External factors having had an impact on the Bank's development (report by CASE)

1. Polish economy in the first half of 2003

In the first half of 2003, investment growth was noted (by 1.5% p.a.) for first time in two years. It is certainly a result of a gradual improvement of enterprises financial standing recorded since the beginning of the year, particularly in the industry sector where the investment demand is the strongest. Information available shows that companies recreate little by little their investment in machines, devices and means of transport. The pace of growth of production sold in the respective industry sectors increased, and at the same time the rapid growth of export of such machines and devices was maintained whereas the import pace slowed down. Investment outlays of enterprises were financed rather with own funds, thanks to the improved financial results of companies.

The GDP growth gradually improved, mainly thanks to a decrease of the foreign trade deficit, which balanced a little slowdown of the domestic demand. In the second quarter of 2003, the household consumption increased by 2.4% with a simultaneous growth of households' income and a little increase of savings ratio.



Źródło: GUS oraz CASE
Uwaga: Od III kwartału 2003 r. prognoza CASE.

The most important political event in the first half of 2003 was the referendum in which voters approved Poland's joining the European Union. It will undoubtedly improve the outlook for the Polish economy.

2. Banking sector in the first half of 2003

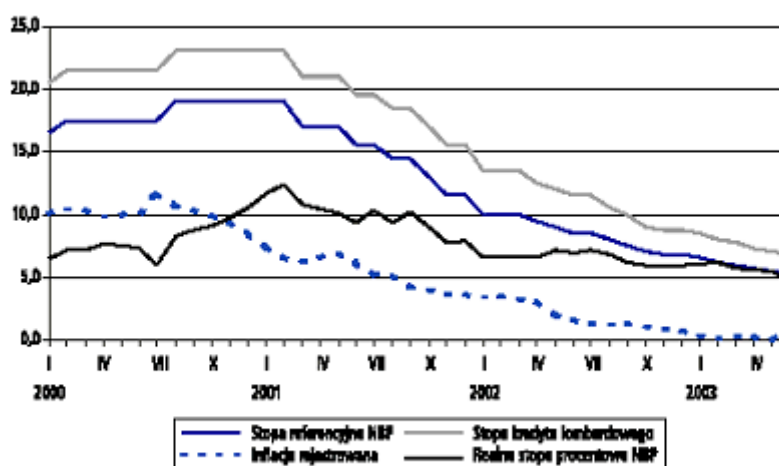
Negative tendencies in the Polish economy include the economy's financial cash flow. We observe a continuous growth of a mutual financing of enterprises in substitution for short-term financing by the banking sector.

Another issue is a limited creation of money despite a considerable loosening of the monetary policy since the beginning of 2001 (within six months of 2003, the NBP reduced base interest rates by the total of 150 basis points). Despite the assumption that with diminishing working capital loans the amount of investment loans should grow, financing extended to enterprises is very limited. It results from the increase of non-performing loans in banks, including the "lost" category loans.

Furthermore, despite a net decrease of loans granted by the banking sector to the state budget sector (caused by the government's accumulation of deposits rather than the financing level reduction), the share of the state government and local government sector in the assets of commercial banks has increased from 14 up to 20% since the beginning of 2001. Therefore, we observe a continuing growth of the share of public sector in the financing, prevailing over enterprise and household financing. This process limits the potential for financing an investment boom, so much needed for a long-lasting economic growth in the years to follow.

In the first half of 2003, the entire banking sector generated the total net profit of PLN 2.07 billion versus PLN 2.32 billion last year.

Wykres 2.5. Instrumenty polityki pieniężnej, 2000 - 2003, (w proc.)



Źródło: NBP i CASE.

Uwaga: Realna stopa procentowa NBP stanowi różnicę pomiędzy stopą referencyjną NBP a inflacją rejestrowaną w stosunku rocznym.

II. SHAREHOLDERS, CAPITAL AND FUNDS

A. Share capital

As of June 30, 2003 the Bank's share capital amounted to PLN 30,155,400 and was divided into 15,077,700 common bearer shares of PLN 2 nominal value each. In the first half of 2003 no changes as regards the share capital occurred.

B. Changes in the ownership structure in the first half of 2003

In the first half of 2003 no changes occurred in the shareholder structure.

As of June 30, 2003 the following entities held over 5% of Fortis Bank Polska SA shares:

Shareholder	Number of shares owned		Number of votes at the AGM	
Fortis Bank*	14,941,807	99.10%	11,308,275	75%
Others	135,893	0.90%	135,893	0.90%
Total:	15,077,700	100%		

*As of June 28, 2001 i.e. after share capital increase as a result of Series J shares issue, Fortis Bank S.A. in Brussels holds 99.10% of the Bank's shares, however, under Art. 26 of the Banking Law Act of 29.08.1997 (Dz. U /Official Journal/ No. 140, Item. 939 as amended) and according to Resolution No. 159/KNB/99 of the Banking Supervision Commission dated 16.08.1999 regarding the permission to acquire the Bank's shares by Fortis Bank S.A. - Fortis Bank S.A. may exercise not more than 75% of the total voting rights at the General Shareholders Meeting.

The Bank has not been informed of any agreements that may result in a change in the number of shares held by the present shareholders in the future.

C. Equity

As of June 30, 2003, the equity of Fortis Bank Polska SA amounted to PLN 506,299 thousand as compared to PLN 509,275 thousand of June 30, 2002. The Bank's equity still substantially exceeds the capital level required to secure the Bank's business.

On June 26, 2003, the Annual General Meeting of Shareholders of Fortis Bank Polska SA resolved to allocate PLN 30,155 thousand of the 2002 net profit to the payment of dividends, whereas the remaining PLN 1,219 thousand to be earmarked for the general risk fund.

Moreover, the Shareholders present at the AGM adopted a resolution regarding covering financial effects of the introduction in the Bank necessary changes resulting from the amendments to the Accounting Act dated 2001, amounting to PLN 2,716,155.98, by earmarking for that purpose a respective part of the Bank's additional capital. As of June 30, 2002, on the liabilities side of the balance sheet statement, in the "Profit (loss) from the previous years" the amount of PLN 7,805 thousand was presented, which comprised PLN 10,521 thousand of retained earnings from 2001 and PLN (2,716) thousand loss resulting from the changes to the Accounting Act. After covering the loss, as of June 30, 2003 the item "Profit (loss) from the previous years" of the balance sheet statement shows PLN 10,521 thousand retained earnings from 2001.

Pursuant to the provisions of Article 127 of the Banking Law Act, items classified as the Bank's equity include also the fixed assets revaluation reserve fund amounting to PLN 521 thousand at the end of June 2003.

In accordance with regulatory requirements concerning capital adequacy and exposure, the Bank deducted PLN 57,061 thousand from equity with regard to its net capital exposure in shares of Fortis Securities Polska SA (FSP) and PLN 8,734 thousand representing 60% of net intangible fixed assets.

The equity structure as of June 30, 2003 was as follows compared to June 30, 2002:

Category	June 30, 2003 PLN thousand	Dec. 31, 2002 PLN thousand	June 30, 2002 PLN thousand
Share capital	30,155	30,155	30,155
Additional capital	349,528	352,244	352,220
Reserve capital	17,018	17,018	17,018
General risk fund	80,263	79,044	79,044
Revaluation reserve fund	521	521	545
Retained earnings	10,521	7,805	7,805
Capital exposure relating to FSP	(57,061)	(6,572)	(8,561)
30% of net intangible assets - 2002	-	(4,338)	(4,921)
60% of net intangible assets - 2003	(8,734)	-	-
Total equity for the purpose of calculating the capital adequacy ratio	422,211	475,877	473,305

III. FINANCIAL RESULTS

A. Profit and loss account

1. Income relating to the banking activity

In the first half of 2003, total revenue amounted to PLN 167,204 thousand. Interest income in the amount of PLN 108,315 thousand remained the principal component. It consists mainly of the following items:

- interest on loans: PLN 75,578 thousand
- interest on inter-bank placements: PLN 18,142 thousand
- interest on securities: PLN 14,497 thousand

The Bank recorded an increase in fees and commissions income to PLN 36,888 thousand in the first half of 2003.

As of June 30, 2003, the Bank's FX result reached PLN 21,413 thousand, which accounted for 13% of the total revenue.

2. Financial costs relating to the banking activity

Interest expenses reached PLN 51,518 thousand and were lower by 49% in comparison to the first half of 2002. This amount includes the following items:

- interest on customer deposits: PLN 36,561 thousand
- interest on inter-bank deposits: PLN 5,190 thousand
- interest on credits and loans: PLN 9,676 thousand.

The decrease of interest expenses resulted mainly from the gradual reduction of base interest rates by the Monetary Policy Council and ensuing lower interest rates on customer deposits.

In the first half of 2003, commissions and fees paid amounted to PLN 5,802 thousand representing 4% of financial expenses.

3. Other income and expenses

Other revenue includes mainly:

- income on account of lease agreements: PLN 800 thousand,
- income from sale or liquidation of fixed assets and assets for sale: PLN 592 thousand,
- income from purchase of receivables: PLN 319 thousand,
- income from other services: PLN 1,253 thousand.

Other operating expenses include:

- expenses relating to the sale or liquidation of fixed assets and assets for sale: PLN 927 thousand,
- expenses related to making write-downs on disputed receivables: PLN 543 thousand,
- expenses relating to the enforcement of receivables: PLN 303 thousand,
- compensations, penalties and fines paid: PLN 281 thousand,
- other expenses: PLN 614 thousand.

Operating expenses reached PLN 69,383 thousand in the first half of 2003 and were lower by 1% compared to the similar period of 2002.

In the first six months of 2003, depreciation of fixed and intangible assets amounted to PLN 13,756 thousand, i.e. at the similar level as last year.

In the first half of 2003, the additional provisions were created in the amount of PLN 33,998 thousand, while provisions in the amount of PLN 28,068 thousand could be released. As a result the balance of the provisions increased by PLN 5,930 thousand. Specific provisions for non-performing loans were the key component.

4. Profit

In the first half of 2003, the Bank generated a pre-tax profit of PLN 21,307 thousand. The corporate income tax liability amounted to PLN 4,414 thousand.

As of June 30, 2003, the Bank's net profit amounted to PLN 17,250 thousand and was lower by PLN 1,758 thousand than in the same period of 2002.

Comparison of selected items of the profit and loss account (PLN thousand)

Profit and loss statement (in thousands)	June 30, 2003	Dec. 31, 2002	June 30, 2002	Change June 2002-June 2003
Net interest income	56,797	130,465	64,074	(11)%
Net fee and commission income	31,086	60,911	30,807	1%
Net income on FX transactions	21,413	52,620	29,431	(27)%
Net income on banking activities	109,884	265,377	139,028	(21)%
Net operating income	21,307	45,134	28,707	(26)%
Gross profit	21,307	45,134	28,707	(26)%
Income tax	4,414	10,135	8,064	(45)%
Net profit	17,250	31,375	19,008	(9)%

B. Balance sheet

1. Total assets

Total assets as of June 30, 2003 amounted to PLN 4,161,014 thousand, which represents an increase by PLN 578 thousand over the similar period of 2002.

Structure and comparison of selected balance-sheet items (PLN thousand)

Balance-sheet item	June 30, 2003	Share in total assets	June 30, 2002	Share in total assets	Change June 2003-June 2002
Cash and Central Bank balances	166,463	4%	159,868	4%	4%
Due from financial institutions	743,244	18%	872,367	21%	(15)%
Due from customers and the public sector	2,614,343	63%	2,358,579	57%	11%
Due to financial institutions	1,242,870	30%	1,113,067	27%	12%
Due to customers and the public sector	2,132,104	51%	2,372,579	57%	(10)%
Equity (including net profit)	506,299	12%	509,275	12%	(0.6)%
Retained earnings	10,521	0,3%	7,805	0.2%	35%
Share capital	30,155	0.7%	30,155	0.7%	-
Total assets	4,161,014		4,160,436		0.01%

2. Assets

Loans constituted the principal component of the Bank's assets (net, after deduction of non-performing loans provisions) and accounted for 63% of total assets as of June 30, 2003 as compared to 57% at the end of June 2002. The net loan portfolio increased by PLN 255,764 thousand up to PLN 2,614,343 thousand (an 11% increase versus June 2002). Provisions for non-performing loans amounted to PLN 157,973 thousand. The share of non-performing loans (excluding the "watch-list" category) stood at approximately 15%.

In the six months of 2003, the share of debt securities in total assets decreased from 14% at the end of June 2002 down to 10% at the end of June 2003 and amounted to PLN 397,683 thousand.

As of June 30, 2003, the securities portfolio consisted of securities issued by the Polish State Treasury and the NBP. The composition of the portfolio was as follows:

- State Treasury bonds: PLN 181,949 thousand,
- Treasury bills issued by the Ministry of Finance: PLN 103,779 thousand,
- NBP bills: PLN 86,480 thousand,
- NBP bonds issued due to the reduction of the mandatory reserve rate: PLN 25,475 thousand.

The share of cash and central bank account balances in total assets has not changed and as of the end of June 2003, similarly as the year before, it amounted to 4%.

Receivables due from the financial sector, including placements with other banks, accounted

for 18% of total assets as of June 30, 2003, which was lower than at the end of June 2002 when they made up 21% of total assets. The following items are included:

- PLN deposits: PLN 483,898 thousand
- foreign currency deposits: PLN 259,346 thousand;

In comparison to June 2002, the value of fixed assets decreased by PLN 13,343 thousand. The fixed assets primarily include:

- computer hardware: PLN 10,303 thousand,
- leasehold improvements (on rented office space): PLN 32,047 thousand.

Intangible fixed assets at the end of June 2003 amounted to PLN 14,556 thousand and included computer software.

Other assets accounted for 1.7% of total assets. This item consists primarily of interbank settlements in the amount of PLN 51,267 thousand.

3. Liabilities

Current accounts and term deposits from customers are the main liability. At the end of June 2003 deposits from customers and the State budget sector reached PLN 2,132,104 thousand, which represented 51% of total liabilities, as compared to 57% at the end of June 2002. The major part of these deposits was denominated in zlotys and amounted to PLN 1,716,836 thousand, representing 81% of all customer deposits. Foreign currency deposits reached PLN 415,268 thousand at the end of June 2003.

In the first half of 2003, the share of deposits placed by the financial sector slightly decreased. As of June 30, 2003, it accounted for 30% of total liabilities, compared to 27% the year before.

Special funds and other liabilities accounted for 4% of total liabilities at the end of June 2003. The main item (62%) concerns inter-bank settlements in the amount of PLN 101,254 thousand.

Other provisions item include a provision for contingent liabilities (PLN 460 thousand) and provision for legal risk (PLN 25 thousand).

4. Off-balance sheet items

As of June 30, 2003, off-balance sheet items totaled PLN 4,338,050 thousand and were lower by PLN 876,561 thousand as compared to June 2002. They consist of:

- Off-balance sheet items relating to commitments of the Bank:
 - items related to financing: PLN 865,768 thousand,
- guarantees: PLN 130,982 thousand.
- Off-balance sheet items relating to commitments in favor of the Bank:
 - items related to financing: PLN 298,222 thousand
- guarantees: PLN 121,808 thousand
- foreign currency exchange transactions concluded before year-end which did not yet mature on June 30, 2003: PLN 2,866,009 thousand.
- FX forward transactions: PLN 55,261 thousand.

C. Management of funds

1. Sources of funding, credits, loans, guarantees in favor of the Bank

Deposits, both from business entities and individuals, constitute the most important source of financing the Bank's credit activity.

The Bank also uses credit facilities from Fortis Bank (Nederland) N.V., in the amount of EUR 102 million for 7 years (1998-2004) and in the limit of EUR 50 million for 4 years (2001-2005).

The Bank also uses a 5-year credit facility in the amount of EUR 10 million granted by the European Bank for Reconstruction and Development (EBRD). Moreover, in December 2001, the Bank concluded a second credit agreement with this institution under which the EBRD granted to the Bank an additional credit facility in the amount of EUR 20 million for 5 years (starting from 2000) to be disbursed in two tranches earmarked for financing SME.

Data about the funding sources and utilization, with a breakdown into the main geographical regions of the country, is shown in Additional Notes in Section 2.

2. Interest rate management

The interest rates used in the Bank for floating rate loans are based on either LIBOR or EURIBOR interest rates with respect to foreign currency loans and WIBOR for PLN loans. The Bank also uses rates based on NBP Lombard and rediscount rates for PLN loans, i.e. the ones which are changed each time when the NBP Monetary Policy Council decides to change the concerned official interest rates. In some cases fixed interest rates may be used that are not changed over the duration of the loan agreement.

In the first half of 2003, following the NBP official interest rate cuts, the Bank decreased its interest rates on PLN deposits and loans. Also interest rates on EUR and USD deposits and loans were adjusted following market trends.

3. Risk management

From January through June 2003, liquidity and market risks were kept at a safe level, within the limits defined by the Board of Executives.

The Asset and Liability Management Committee (ALCO) plays the primary function in the bank risk management. Specifically, ALCO defines risk management strategies subject to the approval of the Board of Executives and the Supervisory Board, and monitors their realization on the on-going basis.

Risk supervision independent from the business activity is taken care of by the Risk Management Department, a unit directly reporting to the Vice-President - Chief Financial Officer. The Risk Management Department is responsible for monitoring market, liquidity and operational risks and the management of the Bank's asset and liability structure. The Risk Management Department manages the internal pricing system for interest-bearing products and sets its parameters. Moreover, the Risk Department is represented in the ALCO Committee and supports the Board of Executives advising it on the risks relating to new products or activities and the necessary changes to the existing structure of the balance sheet. The Risk Management Department manages the Bank's investment portfolio.

The liquidity and market risk (i.e. the FX and interest rate risks) are monitored by the Bank using a multi-dimensional system of limits and reports. ALCO reviews the limits and reporting techniques at least once a year. The Bank's Board of Executives may at any time decide to change the existing limits upon a motion made by ALCO.

In order to limit operational risk, in 2002 the Bank implemented a complex system of operational risk monitoring and management based on databases containing information about operating losses. The Bank pays particular attention to the reduction of operational risk by improving internal processes and limiting the risk related to the implementation of new

products and services.

Business process safety is the key objective of the comprehensive FBP Security Policy adopted by the Bank's Board of Executives in April 2003. The Bank's security policy, including physical and technical safety likewise the security of information and IT systems is to provide an optimum security level to the Bank's customers and employees, i.e. to create foundations for the secure management of the Bank's business, aimed at limiting risks to the level which is considered safe by the Board of Executives.

The credit risk management is the primary responsibility of the Risk Assessment and Credit Analyses Department and the Bank's credit committees. The credit risk analysis is based on a standard assessment methodology applied in the Bank. The analysis covers both the risk related to a given credit product and the risk of the Bank's total credit exposure towards the entity, including all the loans and credit risk-bearing financing products granted. There is a multi-level system of credit application analysis and credit decision making applied in the Bank, the purpose of which is to provide maximum objectivity in the application assessment and minimization of risk related to the Bank's credit exposure.

More information on the Bank's credit policy and the organization of the credit function is presented in Section IV.1 of this Report.

A detailed description of risk management objectives and rules is presented in Additional Notes Section 4.2.14.

4. Key financial indicators

The capital adequacy ratio decreased from 18.93% at the end of June 2002 to 14.99% at the end of June 2003, however it still by far exceeds the minimum required. This indicator represents the relationship between the Bank's equity and risk-weighted assets and off-balance sheet items in accordance with the rules defined by the Banking Supervision Commission.

The Bank's equity decreased by 11% versus June 2002, while risk-weighted assets and off-balance sheet items increased by 13% in the corresponding period.

Capital adequacy ratio and its determinants

Indicator	June 30, 2003	Dec. 31, 2002	June 30, 2002
Risk-weighted assets	2,584,900	2,108,029	2,284,751
Risk-weighted off-balance sheet items	212,370	158,308	196,319
Net equity	422,211	475,877	473,305
Capital adequacy ratio	14.99%	20.70%	18.93%

Performance indicators

Indicator	June 30, 2003	Dec. 31, 2002	June 30, 2002
Return on assets (ROA)	0.7%	0.8%	0.7%
Return on equity (ROE)	5.9%	6.5%	5.9%
Net interest margin	3.1%	3.27%	3.37%

Profit per share	1.96	2.08	1.87
Book value per share	33.58	34.46	33.78

These indicators were calculated as follows:

Capital adequacy ratio	Net equity to the total capital requirement * 12.5
Return on equity (ROE)	Net profit earned for the last 12 months to average annual balance of equity
Return on assets (ROA)	Net profit earned for the last 12 months to average annual balance of total assets
Net interest margin	Net interest income to average balance of assets
Profit per share	Net profit earned for the last 12 months to average weighted number of shares issued
Book value per share	Book value to the number of shares issued

Note: All the numbers were rounded up to integers.

IV. OPERATING ACTIVITY

A. Credit activity

1. Credit policy

Credit activity is one of the main sources of income of the Bank. The Bank offers the following types of loans:

- a. loans for enterprises:
 - overdraft facility
 - working capital and investment loans (PLN and FC)
 - discounting bills facility
- b. loans within the Personal Banking Packages:
 - overdraft limit
 - fast loan
 - mortgage loans.
- c. Straight Loan - a fixed advance addressed to corporate clients.

The Bank grants loans from funds of the European Bank for Reconstruction and Development to institutional clients. The EBOR credit line may be earmarked for loans (working capital loans, investment loans) and overdraft facilities. The Bank offers two types of loans granted for a period of 1 to 5 years: "a micro loan" up to an equivalent of EUR 30 thousand and a "small loan" amounting between EUR 30 thousand and EUR 125 thousand.

The Bank also issues PLN and FC guarantees, opens import letters of credit, advises and confirms export letters of credit upon order.

Because of the present macro-economic environment, the Bank's management adopted a prudent credit risk policy toward new loans. The objective was to improve the quality of the portfolio by taking a more selective approach to new risks and by reacting more quickly to financial problems of existing clients.

In order to reduce credit risk, the Bank applies specific procedures for granting and monitoring loans. In May 2003, the Supervisory Board and the Board of Executives of the Bank introduced

new Bank Credit Committee and Problem Assets Committee regulations and modified the standard of credit powers delegation as regards taking of credit decisions.

The Credit function supervises the Bank's credit activity with respect to credit risk analysis and monitoring, setting out credit standards and procedures, credit administration, credit documentation, and debt recovery. Since 2002, a reorganization of credit structures has been under way to improve the efficiency of operations. The debt recovery activity was centralized (local level issues) and currently debt collectors report to the Director of the Intensive Care and Recovery Department. The existing credit administration groups were joined to make one Credit Administration Department. In April 2003, a new Risk Assessment and Credit Analysis Department was formed within the Credits. The new department comprises the Credit Analysis and Credit Risk Groups.

In 2002, the Bank implemented a Credit Risk Management system, thanks to which it has become possible to register maximum Bank exposure limits towards entities and groups of affiliated entities in the operating system of the Bank, and also to measure and monitor the utilization of all credit lines granted. A central Collateral Recording database was launched to register collateral relating to credits and to classify them by collateral type and value, and establishment, renewal and expiry dates. The Bank has introduced a new credit application standard and a modified financial analysis program for assessing economic entities that use full accounting (CAPS).

The Credits have started a project aimed at creating a central database of financial data of borrowers as well as a set of tools for monitoring these customers. Following measures taken by Fortis group to conform to the New Basel Capital Accord requirements, the Bank extensively participates in works aiming at the implementation of internal rating methods to be used for determining the required regulatory capital. Since 2002 a new rating system for the Bank credit customers has been introduced - Fortis Masterscale Rating (FMS Rating).

The Fortis group banks started to implement a new uniform risk classification system based on International Accounting Standards. The new system will be used simultaneously with the classification based on the Ministry of Finance regulations.

By the end of 2003, the FMS Rating system and IAS based risk classification methodology should include the entire loan portfolio of the Bank.

2. Loan portfolio structure

The total net portfolio was by 10.8% higher as compared to the end of June 2002.

At the end of June 2002, net outstanding loans amounted to PLN 2,358,579 thousand and it increased to PLN 2,614,343 thousand at the end of June 2003. The PLN loan portfolio amounted to PLN 1,377,836 thousand as of the end of June 2003 and was by 14% higher than in June 2002. The EUR loan portfolio amounted to PLN 992,060 thousand at the end of June 2003, an increased by 17% as compared to June 2002. USD loans decreased as compared to June 2002 by 14% down to PLN 366,875 thousand as of June 30, 2003.

As of June 30, 2003, the Bank's financial exposure was concentrated mainly in services, trade and production and amounted to 39%, 24% and 17% of the loan portfolio value, respectively. Exposure in other sectors is relatively low. As compared to June 30, 2002, the Bank increased its exposure in production and decreased in services.

Information regarding the Bank's exposure to specific industries is presented in Additional Notes - Section 1.1

In the period from April to June 2003, a promotional campaign of mortgage loans was launched. As a result, the mortgage loan portfolio doubled as compared to 2002 both in terms of the balance and number of loans granted.

In terms of original maturity dates at the end of June 2003, the structure of receivables from the non-financial sector was as follows: 18% constituted overdrafts (increase by 8% in comparison to June 2002), 2% maturing in 1 month (increase by 55% in comparison to June 2002), 3% maturing in 1-3 months (decrease by 8%), 25% maturing in 3 months to 1 year (increase by 10%), 23% maturing in 1 to 5 years (decrease by 1%) and 28% loans with a maturity date longer than 5 years (increase by 26%).

As of June 30, 2003, 1,097 loans amounting to EUR 54.5 million were extended under the EBRD credit line, as compared to 536 loans amounting to the total of EUR 22.6 million in the first half of 2002. The outstanding balance amounted to EUR 18.9 million, compared to EUR 12.4 million as of June 30, 2002.

3. Non-performing loans

As of June 30, 2003, the balance of non-performing loans amounted to PLN 390,587 thousand (without the watch-list category) and comprised 15% of the total loan portfolio, including PLN 82,056 thousand of sub-standard loans (i.e. 3% of the total portfolio), PLN 69,280 thousand - doubtful loans (i.e. 2.6% of the portfolio) and PLN 239,251 thousand are lost loans (i.e. 9% of the portfolio).

4. Enforcement titles

The total amount of the Bank's receivables that have not been recovered as of June 30, 2003 under all the 73 enforcement titles was PLN 57,411 thousand.

B. Guarantees and Letters of Credit

As of the end of June 2003, the Bank had issued guarantees for the total amount of PLN 106,075 thousand, i.e. by 23% less than in a similar period of 2002. In Fortis Bank Polska SA, the same procedures apply to issuing bank guarantees and granting loans.

In the first half of 2003, the Bank did not issue any sureties or guarantees to any entity (or its subsidiaries) whose total amount represented at least 10% of its equity.

Detailed information on guarantees issued by the Bank with a breakdown in types of entities is shown in the Additional Notes - Section 9.

At the end of June 2003, the Bank's off-balance-sheet commitments resulting from import letters of credit totaled (when translated) PLN 63,791 thousand. In addition the Bank has got confirmed export letters of credit in the equivalent of PLN 14,684 thousand.

Sections 8 and 9 of the Additional Notes also include data regarding the letters of credit opened by the Bank.

C. Customer Deposits

At the end of June 2003, the customer deposits totaled PLN 2,132,104 thousand, a decrease by 10% compared to the end of June 2002, when the customer deposits amounted to PLN 2,372,579 thousand. Customers may place deposits in foreign currencies; however, the major part of the deposits is denominated in PLN (81%).

Deposits acquisition is made through the Bank branches, Business Centers, the Treasury Department and the e-banking systems.

The Bank offers current and auxiliary accounts, FC accounts, PLN or FC accounts for non-

residents, Silver, Gold, and Platinum accounts, Stock Investor accounts, deposits with negotiated interest rates (depending on the amount and term of deposit and the situation on the inter-bank market), as well as different types of fixed and variable interest rate term deposits in PLN and foreign currency. Moreover, institutional customers are offered deposits on the inter-bank market, such as overnight, tomorrow/next, spot/next, and term deposits at variable interest rates.

The Bank offers three tailor-made packages of services to its individual customers: Silver, Gold and Platinum Packages, which enable effective and safe management of funds deposited on savings and checking accounts opened with the Bank. The packages contain also deposit and loan products, payment cards as well as stock-exchange investment services and e-banking. These services and products are designed for individuals with a higher-than-average income. The Bank is also offering VISA Electron cards, Pl@net, and the e-Package based on home banking.

D. Custody services

The Bank offers services regarding securities custody and transaction settlements with respect to securities traded on the Polish regulated and non-regulated markets and acts as an agent in transactions concluded on international markets. The custody services are offered under the Decision issued by the Securities and Exchange Commission dated July 14, 2000 (KPWiG-4042-2/2000) by a separately organized Custody Services Group.

E. Money market and debt securities operations

The Bank's operations on the money market and the debt securities market can be divided into three categories:

- operations related to liquidity management,
- operations related to interest rate risk management, and
- operations related to the Bank's investing policy regarding funds derived from the equity.

The Treasury Department is responsible for the management of the Bank's liquidity and interest rate risk, both by ensuring funds for financing the Bank's assets and investing liquidity surplus. To this end, the Treasury Department uses placements and deposits on the interbank market, FX Swap transactions and investments in the Polish Treasury bills and bonds and cash bills of the National Bank of Poland.

The investment policy of Fortis Bank Polska SA is determined by the Asset and Liability Management Committee (ALCO). The capital is primarily invested in stable debt securities issued by the State Treasury or the NBP. The Treasury Department implements ALCO recommendations with respect to investments made on the money market or debt securities market.

F. Clearing activity

With respect to domestic and foreign clearing services, the Bank offers its company clients:

- International payments: service of import and export orders in convertible currencies,
- domestic transfers,
- currency exchange,
- FX forward transactions,
- securities accounts maintenance,
- documentary, import and export letters of credit,

- collection of checks drawn by other banks,
- collection of checks drawn on foreign banks,
- documentary collections.

As of July 1, 2003, the Bank changed customer account numbers according to the BBAN (Basic Bank Account Number) standard, which is to replace the existing bank account numbers. BBAN shall be introduced in all banks in operating Poland by the end of 2003. The said change should contribute to an improvement and automation of payments carried out. The implementation of BBAN in Poland is related to the action undertaken in other countries in Europe to introduce a uniform bank account number standard to international trading (IBAN - International Bank Account Number).

Payments sent to domestic banks are cleared through the ELIXIR and SORBNET systems. In August 2003, all units of Fortis Bank Polska SA stopped being serviced through the SYBIR system except for the Sub-Branch for the Poznań Branch for Mass Transaction Processing.

Since 1999, the Bank has been offering direct debit services.

The Bank offers foreign clients a collective account for non-resident business entities, to facilitate settlements with Polish business partners. Any instructions of the account holder, including opening of an account, are effected with the assistance of a correspondent bank and using authenticated SWIFT messages.

In order to improve and increase the efficiency of processes, in the first half of 2003, the Bank units servicing bank operations were reorganized and the Operations Department and the Network Support Department received a new division of tasks. As a result of the above organizational changes, the service of payment cards improved and a number of tasks performed formerly by the Branches were centralized, including the booking of deposits negotiated by customers with the Treasury Department. Moreover, the process of booking transactions concluded by the Bank on the inter-bank market was automated and new tools that facilitate monitoring of the correctness of transaction parameters were developed.

The Bank expanded its range of services by Forward Rate Agreements (FRA) and Interest Rate Swaps (IRS). These instruments, which facilitate interest rate risk management, are offered to business entities. Transactions are concluded through the Bank also on the inter-bank market. In 2003, further processes have taken place to centralize the service of transactions concluded directly by the Bank customers and the Treasury Department.

G. Co-operation with international financial organizations

In the first half of 2003, the Bank continued to co-operate with foreign and domestic banks with respect to foreign exchange, placement, securities and banknote transactions. The Bank holds foreign currency accounts in prominent banks in the main financial centers abroad, and maintains PLN loro accounts for foreign banks. Cooperation with the prominent banks enables the Bank to effectively handle payment orders of its customers as well as to carry out instructions received from abroad.

The Bank is a participant of the SWIFT international inter-bank network, which enables efficient and fast execution of payment orders, facilitates contacts with foreign banks and enables the implementation of new products related to international transactions. The Bank co-operates with a large number of foreign banks with respect to documentary transactions, which involves opening, advising and confirming of all types of letters of credit, making payments related to documentary collections. Furthermore, the Bank collects checks drawn in foreign currencies.

H. Development of banking services

In view of the next-year integration of Poland with the European Union, the Bank initiated a project that includes advising small and medium-sized enterprises on how they may apply for EU subsidies. In this connection, the Bank entered into co-operation with the Polish Agency for Enterprise Development and Regional Financing Institutions responsible for the distribution of EU assistance funds in Poland. Representatives of small and medium-sized enterprises interested in the EU subsidies may acquire needed information at every location of Fortis Bank Polska, likewise through the Bank call center and Internet web site. Additionally, the Bank organized meetings entitled "To the European Union with Fortis Bank" with entrepreneurs interested in this subject in selected towns throughout Poland. The Bank's actions were supported by the European Commission and The European Bank for Reconstruction and Development.

In the past six months, Fortis Bank Polska was particularly active on the retail market through a mortgage loan promotion campaign organized in the springtime. Customers were offered loans for housing purposes under new, more attractive terms and conditions. For instance, the Bank charged no fee for considering loan applications and it offered a lower commission. The Bank's range of products includes mortgage loans and mortgage and construction loans that enable customers to have up to 100% of their investment financed.

Since June 2003, the endowment life insurance with a capital investment fund ("Better Tomorrow for Your Child"), offered in cooperation with Credit Suisse Life & Pensions Insurance Company SA, has been available at the Bank branches. The insurance is designed for Fortis Bank personal account holders only. What is unique about the above insurance is that a portion of the regular insurance premium is earmarked for investments. Such funds are invested in a capital insurance fund units managed by Fortis Securities Polska SA. The Bank's cooperation with Credit Suisse Life & Pension will be continued.

Furthermore, the Bank prepared special term deposits for private customers of the Bank: "Lato" monthly deposit and a 7 or 14-day "E-deposit". The first deposit is offered to all customers whereas the second one has been designed for the PI@net Internet banking system users.

I. Technology enhancements

In the first half of 2003, the Bank's IT systems were adjusted to service the IBAN standard. The project required to convert the existing account numbers into the new standard and to modify databases.

Furthermore, the Bank implemented the Altiris system for IT infrastructure management (PC servers, workstations and notebooks in particular). The system facilitates e.g. hardware inventory and administration, license management and also software inventory and distribution. The major advantage of the system consists in its large reporting function.

Additionally, the Information Systems Department made a number of other implementations and improvements, e.g. a program for introduction and authorization of FX transaction effected by dealers, an application to collect, service and monitor enforcement and court actions to which the Bank is a party. Any single improvement as well as all of them altogether contribute to the enhancement of the Bank's organizational culture and are reflected in the quality of customer service.

J. Important Agreements

1. Commercial Cooperation Agreement with Fortis Bank

Back in 1997, Fortis Bank Polska SA and Fortis Bank based in Brussels, undertook mutually to cooperate and to promote their operations and institutional development through the establishment and activities of the European Desk (currently the International Desk of Fortis Bank).

The agreement provides that the parties undertake to cooperate on an exclusive basis. Both parties obliged themselves to refrain from entering into any agreements with any other institutions whose purposes or effects would be similar to the ones contained in the agreement.

2. Cooperation Agreement with Fortis Lease Polska Sp. z o.o.

Under the agreement dated January 2, 2002 and the Annex signed February 28, 2002, the Bank provides information to its clients about services offered by Fortis Lease Polska. Each time a client introduced by the Bank signs a lease agreement, the Bank receives an agency commission.

Agreements regarding transactions with parent entities and subsidiaries are presented in Chapter V Section C of this Report.

3. Loan Agreements concluded with the European Bank for Reconstruction and Development (EBRD)

On January 26, 2000, the Bank concluded a loan agreement with the European Bank for Reconstruction and Development under which it granted to the Bank a credit facility of up to EUR 10 million for five years to finance small and medium size enterprises (SME Finance Facility).

As a result of the Bank's successful cooperation with the EBRD, on the Bank concluded another loan agreement with EBRD on December 21, 2001, under which the latter grants to the Bank an additional credit facility of EUR 20 million for 5 years (counting from 2000) to be disbursed in two tranches, earmarked for financing SME sector.

4. Agreements with the National Bank of Poland

- a. Bank account agreement dated June 23, 2000 - agreement between the Bank and the NBP regards maintaining the Bank's current account in the SORBNET system. On December 19, 2002, Annex no. 8 to the agreement was signed.
- b. Agreement dated December 27, 2001. Under the agreement the Bank has opened a PLN term deposit account with the NBP Head Office Capital Operations Department. The Bank may keep funds on this account until the following business day.
- c. Agreement dated January 2, 2002. Due to the introduction of new ways of refinancing banks by NBP in the course of a business day, the Bank concluded an agreement with the NBP regarding a technical loan to be granted and secured through ownership right transfer of T-bills.
- d. Agreement dated September 20, 2002. Under this agreement the Bank has opened an account and depository account for Treasury bills in the Central Register of Treasury Bills with the NBP.
- e. Agreement dated February 19, 2002. The Agreement regards the exchange of NBP bonds held by the Bank, into a new issue of variable interest rate 10-year bonds, which took place on February 28, 2002.

5. Agreement concluded with the National Clearing Chamber (KIR) on February 15, 1999

The Bank participates in settlements through KIR in the ELIXIR and SYBIR systems.

6. Agreement concluded with Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych - PFRON (State Fund for the Rehabilitation of the Disabled) on February 4, 2002

The agreement defines terms and conditions under which PFRON shall partly finance interest on loans granted by the Bank to the institutions of special status where persons disabled are employed, under the provisions of Art. 32 item 1 of The Disabled Professional and Social Rehabilitation and Employment Act dated August 27, 1997. On June 9, 2003, Annexes no. 1 and 2 thereto were signed.

7. Agreement concluded with VISA International Service Association regarding issuance, service and settlement of VISA Classic and VISA Business payment cards

In 2000, the Bank concluded with VISA International Service Association the Annex to the License Agreement dated October 15, 1997 regarding issuance, functioning and settlement of VISA Classic and VISA Business payment cards. As of January 1, 2001 the Bank achieved the status of a Principal and Plus Member. Before the Bank performed its task in the VISA system only through Bank Śląski (BSK).

8. Agreement concluded with VISA International Service Association regarding the establishment of VISA Polska domestic organization, dated November 9, 2000

The member banks of Visa International operating in Poland have set up a domestic organization VISA POLSKA in order to standardize rules regarding the issuance of Visa cards and service of commercial outlets servicing VISA cards in Poland.

9. Insurance Agreements concluded with CIGNA STU SA Insurance and Reinsurance Company for VISA cardholders

- a. Insurance Agreement concluded on June 20, 2001, with Annex dated May 20, 2002. Insurance of holders of VISA Gold Cards issued by the Bank within the Personal Insurance Package with respect to the reimbursement of medical treatment and assistance costs incurred during travels abroad.
- b. Insurance Agreement concluded on January 10, 2002, with Annex dated November 22, 2002. Insurance of the holders of VISA Classic and VISA Electron Cards issued by Fortis Bank Polska within the Personal Insurance Package with respect to the reimbursement of medical treatment and assistance costs incurred during travels abroad.
- c. Insurance Agreement dated May 20, 2002. The Agreement concerns insurance of the holders of VISA Business Gold, VISA Business and VISA Business Electron Cards issued by the Bank.
- d. Insurance Agreement dated June 20, 2002 with Annex no. 1 dated September 12, 2002 and Annex no. 2 dated November 22, 2002. The Agreement concerns insurance of the holders of VISA Classic and VISA Gold Cards issued by the Bank as regards the coverage of post-warranty repairs.

10. General Insurance Agreement concluded with the Europa SA insurance company dated June 21, 2001.

Following the launch of mortgage loans, the Bank concluded an agreement with the Europa SA insurance company in order to provide insurance coverage for mortgage, construction, construction and mortgage loans as well as mortgage loans for the purchase of a building lot granted to private individuals.

11. Agreement concluded with Credit Suisse Life & Pensions insurance Company SA dated June 12, 2003

Under the above agreement, the Bank's customers holding a personal account may purchase the "Better Tomorrow for Your Child" endowment life insurance with an insurance capital fund

at the Bank branches. The insurance guarantees that after the insurance period stipulated in a relevant agreement concluded, the child will receive a benefit in the amount determined. In case of the policy owner's death, Credit Suisse Life & Pensions shall assume the obligation of insurance premiums payment and simultaneously, it shall pay a quarterly pension to the child until the insurance period end.

12. Agreement concluded with Allianz Polska Services Sp. z o.o. on May 9, 2002

In order to improve sales, the Bank signed an agreement with Allianz Polska Services Spółka z o.o. regarding agency services in the sale of products offered by the Bank - packages for individual clients and loans for housing purposes. Under the Agreement, Allianz Polska Financial Consultants, acting as agents, will offer potential clients comprehensive information and consulting on the Bank's services.

13. Co-operation agreement concluded with Bank Gospodarstwa Krajowego on April 23, 2001

This agreement concerns loans extended by the Bank and secured by sureties established by the funds of the National Loan Surety Fund (Krajowy Fundusz Poręczeń Kredytowych) established at Bank Gospodarstwa Krajowego under Act of May 8, 1997, on sureties and guarantees issued by the State Treasury and some legal entities. Such sureties may secure investment loans and loans earmarked for the purchase of manufacture and raw materials contracted by residents in PLN or a foreign currency.

14. Agreement on the performance of tasks of WSE Member - Issuer's Market Maker concluded with CA IB Securities SA on November 3, 2000.

With the implementation of a new WARSET system by the Warsaw Stock Exchange, the Bank concluded an agreement with CA IB Securities SA under which CA IB Securities SA will act as the WSE Member - Issuer's Market Maker with respect to the Bank's publicly traded common bearer shares.

15. Agreement concluded with the SWIFT international interbank network on May 22, 1998

16. Significant loan agreements

As of June 30, 2003, the Bank's exposure towards 8 Bank customers exceeded 10% of the Bank's equity and totaled to PLN 466 million. The loan exposure concentration limit specified in the banking law has not been exceeded towards any customer.

V. ORGANIZATIONAL AND CAPITAL ASSOCIATIONS WITH OTHER ENTITIES

A. The description of shareholder holding over 5% of votes at the General Shareholders' Meeting

Fortis Bank S.A. in Brussels holds 99.10% shares of Fortis Bank Polska SA.

Fortis is an international financial services provider active in the fields of insurance, banking and investment. With a market capitalization of EUR 22 billion and around 69 thousand employees, Fortis ranks among the 20 largest financial institutions in Europe. At the end of June 30, 2003, Fortis total assets amounted to EUR 501 billion (EUR 15 billion more than at the end of 2002).

In its key market, the Benelux countries, Fortis occupies a leading position and offers a broad

range of financial services to individuals, companies and the public sector. Outside its home market, Fortis concentrates on selected market segments.

Fortis is listed on the exchanges of Amsterdam, Brussels and Luxembourg and has a sponsored ADR program in the United States.

Despite difficult market conditions, in the first half of 2003 Fortis reported a net profit of EUR 671 million as compared to EUR 1,519 million for the corresponding period of 2002, and compared to EUR 532 million for 2002. In the first six months of 2003, Fortis reduced its capital exposure by EUR 2 billion - the securities portfolio decreased from EUR 10 billion as of the end of 2002 to EUR 8 billion as of June 30, 2003. Gradual revival on the securities market in the second quarter of 2003 resulted in a positive adjustment of the net value of the shares held in the amount of EUR 0.5 billion.

The net operating profit of the banking business, after realized capital gains but before value adjustment of the equity portfolio, amounted to EUR 857 million and was only by 8% lower than the result generated in the first half of 2002 when the market environment was much more favorable. This was mainly thanks to profit on bonds and further decline in costs (-2%). The net profit from the banking business in the amount of EUR 851 million was essential for the result of the entire Fortis group.

Fortis has maintained a strong net Core Capital level at EUR 16.9 billion, which is higher by 74% than the legally required minimum and buy 9% than the tier adopted by Fortis.

Key figures (EUR million):

		as of June 30, 2003	As of June 30, 2002	change 2003/2002
Net operating profit (before realized capital gains), of which:		923	1,171	(21%)
- Banking business		851	936	(9%)
- Insurance business		(34)	655	
Realized capital gains		500	219	128%
Net operating profit before value adjustment of the equity portfolio		1,423	1,390	2%
Value adjustment of the equity portfolio	realized	(647)	89	
	unrealized	(93)	-	
Net operating profit (after value adjustment of the equity portfolio)		683	1,479	(54%)
Other		(12)	40	
Net profit		671	1,519	(56)

Fortis is the second largest financial service provider in the Benelux. With respect to its total assets, Fortis ranks 17th among institutions that provide financial services in Europe, and in terms of various criteria (i.e. sales, revenues, assets and market value), Fortis is 38th in the world.

Fortis Bank enjoys high long-term rating issued by independent international rating agencies (Standard & Poor's: AA-; Moody's: Aa3, Fitch: AA-).

Fortis intends to gradually develop selected areas of activity so as to strengthen its position in Europe, both through the development of its own structures and mergers with other institutions.

B. Fortis Securities Polska S.A.

Fortis Securities Polska S.A. (FSP) - a subsidiary 100% owned by Fortis Bank Polska SA, distributes Treasury bonds and participation units in investment funds, and provides asset management services.

Under the cooperation agreement, in branches of Fortis Bank Polska SA there are FSP Customer Service Outlets (POK) and Information Points (PI) where investment portfolio management services are offered to the Bank customers.

Since mid-2002 when the company stopped rendering brokerage services, the company has noted a considerable increase in assets under management.

In 2002, FSP managed 779 portfolios in the total value of over PLN 163 million. The annual yield earned in the period January 1, 2002 through December 31, 2002 on the risk-free securities portfolio amounted to 19.29%.

On June 23, 2003 a decision was made to increase the capital exposure of Fortis Bank Polska in FSP by the total amount of PLN 50 million. The Bank increased its capital exposure through the subscription of 1,832,845 shares in the FSP's increased share capital in the nominal value of PLN 24 each, for the issue price of PLN 27.28 per share. The payment for the shares was made by a contribution in kind of Treasury bills of the valued at PLN 49,997 thousand; and in cash in the amount of PLN 2.7 thousand.

The increase of the FSP's equity is to strengthen the Company's credibility in the assessment of the institutional investors, who are the current addressees of the service offering.

The General Meeting of FSP Shareholders held on June 26, 2003 elected members of the company's Supervisory Board for the new tenure. Mr. Leszek Niemycki was re-elected Chairman of the Supervisory Board while Mr. Jan Bujak was again elected as a member of the Supervisory Board. Mr. Ronald Richardson was appointed as a member of the Supervisory Board for the first time, to replace Mr. Jean-Marie De Baerdemaeker. Both Mr. Daniel De Meeus d'Argenteuil and Freddy Van den Spiegel were re-elected as members of the Supervisory Board.

C. Transactions with associated entities

1. Loan Agreement with Fortis Bank in Brussels and Fortis Bank (Nederland) NV in Rotterdam

On November 12, 1999, the third Annex to this Agreement dated September 24, 1998 was signed in order to increase the credit line facility granted by Fortis Bank (Nederland) N.V. in Rotterdam up to DEM 200 million (EUR 102 million) for a period of seven years.

2. Loan Agreement with Fortis Bank Nederland NV, in Rotterdam

On September 24, 2001, the Bank concluded an agreement with Fortis Bank (Nederland) N.V. in Rotterdam, under which the Bank was granted a credit facility in the principal maximum amount of EUR 50 million for a period of 4 years.

3. Cooperation Agreement with Fortis Securities Polska SA

The agreement signed in October 13, 2000 aims at increasing the scope of the co-operation between the Bank and FSP:

- the Bank lets the necessary office space to FSP,

- the Bank agrees to sell the brokerage house products and services, including participation units in investment, pension, and foreign investment funds, through its branches.

On January 23, 2001 Annex No. 2 to the Cooperation Agreement with respect to issues related to the organization and operation of the outlets of FSP located at the Bank's branches was signed. These outlets (POK) operating in the branches sell participation units of investment funds and investment portfolios and render agency services for concluding investment account agreements.

4. Annex to the Cooperation Agreement with Fortis Securities Polska SA concluded with DB Securities SA

In connection with the contingent agreement signed between FSP and DB Securities SA regarding the sale of an organized part of the company, on June 26, 2002 the Bank and DB Securities SA signed an Annex to the Cooperation Agreement signed between the Bank and FSP on October 13, 2000, according to which both will co-operate in servicing loans for the purchase of securities on the secondary market, granted by the Bank to the brokerage house clients.

5. Loan agreements with Fortis Securities Polska SA

On September 30, 2002, the Bank granted Fortis Securities Polska SA an overdraft facility of PLN 1 million until March 31, 2004 at market conditions. As of June 30, 2003, FSP had no debt outstanding balance on that account.

The description of other transactions related to banking services rendered to affiliated entities is presented in the Additional Notes - Sections 16.1 and 16.2.

VI. STOCK PERFORMANCE ON THE WSE

The Bank debuted on the primary market of the Warsaw Stock Exchange on November 7, 1994.

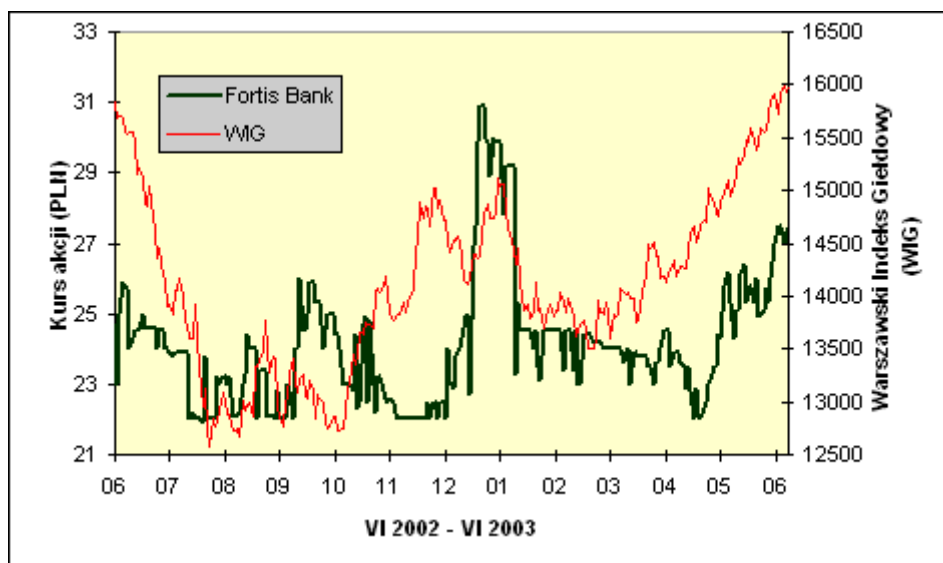
Since April 18, 2001, the Bank's shares are quoted in a two-fixing system. The Bank shares' name is abbreviated to FTS.

As a result of the acquisition of over 98% of the Bank's shares by Fortis Bank, the liquidity of the shares noticeably diminished in 2000. At present all the other shareholders hold only 135,893 shares, i.e. 0.90% of the total number of the shares.

At the first session in January 2003, the share price amounted to PLN 30.90. After a temporary decline, the revival on the WSE in the second quarter of 2003 had affected also the Bank's share price, which kept growing since March and amounted to PLN 27.40 on June 30, 2003 as compared to PLN 24.50 on June 28, 2002. The average turnover in the Bank's shares in the first half of 2003 was 213 shares per session in comparison to 54 shares per session in the first half of 2002.

In the first six months of 2003, the WIG index grew from 14,378.11 to 15,987.50 points, while WIG-banks, a sector sub-index, went down from 24,066.33 to 23,472.07.

Market indices for Fortis Bank Polska SA:



Ratio	30.06.2003	31.12.2002	30.06.2002
EPS ratio	1.96	2.08	1.87
P/E ratio	13.95	14.37	13.11
BVPS ratio	33.58	34.46	33.78
P/BV ratio	0.82	0.87	0.73

The book value per share is PLN 33.58. To make the appropriate calculation, the share capital, reserve capital, revaluation reserve, other reserve capital and the net profit for the fiscal year were included in equity.

VII. STRATEGY AND DEVELOPMENT PLANS

Fortis Bank Polska's strategy is interwoven with the overall strategy of Fortis group.

While observing the paramount goals, i.e. safeguarding customer deposits and insuring liquidity, the Bank will focus on providing high quality services in a customers oriented manner and based upon the values of Fortis group, implying that it should be caring, innovative, straightforward and stable while at all times complying with applicable laws, regulations and recommendations.

The activities of Fortis group are built on business lines responsible for servicing a designated customer segment or a selected market and its present strategy assumes:

- to enhance Fortis leading position in Benelux countries offering a broad range of financial services through a variety of distribution channels,
- to expand on selected activities in other European countries (including Poland) through those business lines which service market segments with growth potential,
- to increase the contribution of operations in selected markets in Asia and the United States.

When the Executive Committee of the Fortis group published its financial statements for the first half of 2003, the decision not to give any guidance on the year-end results was maintained.

Given the uncertainty as to the development of the macroeconomic situation in Poland, the Board of Executive of Fortis Bank Polska has decided not to make any statements concerning the performance of the Bank in 2003.

In the coming years the Bank will continue to pursue its strategy aiming at growth of the high-net-worth customer portfolio and SME portfolio. The strict control of costs and efficient use of capital should result in a further improvement of the financial performance.

Thanks to the support of the Fortis group, both in financial and organizational terms, the Bank has acquired important customers, improved the efficiency of lending procedures and risk management and expanded the Bank's activity on financial markets.

Through the new Financial Markets business line set-up in the second quarter of 2003, which corresponds to the Global Markets BL in the Fortis group structure, the Bank intends to increase its activity in the financial market and the trade in securities. The development of the Financial Markets BL is based on a customer driven strategy. The Bank intends to expand its offer of derivatives such as currency options, swaps and forward contracts on interest rates.

The Commercial Banking (CB) business line focuses, through its business center concept, on servicing its customers, in a way that will bring added value to them and the Bank. The Business Line CB:

- further develops the currently offered specialist services, such as cash management and leasing,
- and specializes in the financing of international trade and financial markets (money market transactions) and introduction of new products in this regard in co-operation with the business line Financial Markets.

Through both brick and non-brick distribution channels, the business line IPS's objective is to increase its market share through:

- organic growth targeting foremost the personal banking segment, whilst promoting asset gathering products and credit products related to the personal needs of such customers,
- developing its market share in the small companies segment, based upon a service package standardization and the credit policy which define the level of risk the Bank is willing to underwrite,
- offering innovative solutions and asking a fair price for services provided to customers,
- using low cost distribution channels, with a basic product offering, available also through both internet and call center technology, for the purpose of growing market share in the lower-end retail customer segment.

The Bank management plans a further improvement of operating standards and strengthening of risk management and internal controls functions in line with Fortis guidelines and the recommendations of the General Inspectorate of Banking Supervision (GINB).

VIII. ORGANIZATIONAL STRUCTURE

A. Bank's authorities

According to the Statute, the Bank's authorities consist of:

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

The following permanent and temporary committees act as advisory or decision-making bodies:

- Assets and Liabilities Committee (ALCO)
- Credit Committee
- Problem Assets Committee
- Regional Credit Committees,
- Business Continuity Committee
- Security Committee,
- Projects and User Applications Steering Committee.

The Credit Committee and the Problem Assets Committee operate in accordance with regulations approved by the Supervisory Board. The Credit Committee decides on granting credit lines exceeding PLN 1.5 million. The Problem Assets Committee (PAC) takes decisions concerning the assessment of borrowers' financial standing, classification of borrowers into risk categories and creating specific provisions for the Bank's receivables.

The Assets and Liabilities Committee (ALCO) is an advisory and decision-making body supporting the Board of Executives in effective management of the Bank's assets and liabilities by setting the main assumptions for the policy and the management of the balance sheet structure, setting minimal margins of the bank for specific products, approval of assumptions for the internal transfer price system and issuance of opinions on the introduction of new products that affect the structure of the balance sheet. In specific matters, in particular as far as liquidity and market risk management is concerned, the ALCO can take the necessary decisions. The scope, the organization and the tasks of the ALCO are defined in Regulations approved by Board of Executives.

The Business Continuity Committee plans and coordinates actions to be undertaken in emergency situations in order to ensure continuity of the Bank's operations.

The Security Committee is primarily to provide support to the Board of Executives in effective management of the Bank's security.

In order to improve project management processes, in May 2003 the Projects and User Applications Steering Committee was set up which coordinates also development of information technology solutions for the needs of specific organizational units of the Bank.

B. Business Lines and sales outlets

At of June 30, 2003, the Bank had 32 outlets in Poland.

The Bank's Head Office is located in Warsaw at Postępu 15.

The Bank's organization is structured along business lines servicing different groups of customers. In particular:

- IPS (Individuals, Professionals and Small Enterprises) services clients through a network of branches and personal banking sub-branches,
- CB (Commercial Banking) services medium-sized enterprises through the network of business centers,
- Financial Markets operates through the organizational structure of the Treasury Department, which provides support to the remaining business lines by offering financial markets products to IPS and CB customers.

Following personal changes to the composition of the Board of Executives and new division of duties among specific members of the Board of Executives consistent with their experience, in

May 2003 the Bank's organizational structure was modified. The changes are illustrated by a chart enclosed to this Report.

As of June 30, 2003, the Bank operated through the following units:

- 21 (twenty one) full-service Branches (three Branches in Kraków, four Branches in Warsaw, Łódź Branch, Lublin Branch, Częstochowa Branch, Gliwice Branch, Katowice Branch, Poznań Branch, Gdynia Branch, Wrocław Branch, Bydgoszcz Branch, Zakopane Branch, Szczecin Branch, Kielce Branch, Bielsko-Biała Branch and Gdańsk Branch),
- 6 (six) Personal Banking Sub-branches - two in Warsaw, one in Wrocław, Poznań, Katowice and Łódź, and a sub-branch of the Poznań Branch for Mass Transaction Processing (in cooperation with an external company), and
- 5 (five) Business Centers.

IX. SUPERVISORY BOARD, BOARD OF EXECUTIVES AND EMPLOYEES

1. Changes in the composition of the Board of Executives and the Supervisory Board

As of June 30, 2003 the Board of Executives was composed of the following members:

Jean-Marie De Baerdemaeker	President
Ronald Richardson	First Vice-President
Andre Van Brussel	Vice-President, CFO
Jean-Luc Deguel	Vice-President
Leszek Niemycki	Vice-President
Gilles Polet	Vice-President

In the course of the first half of 2003, there were changes to the composition of the Board of Executives related specifically to ending work in Poland by Mr. Jean-Marie DE Baerdemaeker, Mr. Andre Van Brussel and Mr. Gilles Polet.

- As of January 9, 2003, i.e. following the consent issued by the Banking Supervision Commission for his appointment as the President of the Board of Executives of Fortis Bank Polska S.A, Mr. Ronald Richardson replaced Mr. Jean-Marie De Baerdemaeker in this position;
- Mr. De Baerdemaeker continued to be work for the Board of Executives until April 30, 2003 as the First Vice-President;
- As of March 1, 2003, the Supervisory Board appointed Mr. Koen Verhoeven Vice-President of the Board of Executives and Head of the Credits Department;
- Mr. Koen Verhoeven replaced Mr. Gilles Polet, who after March 1, 2003 was a member of the Board of Executives until July 1, 2003;
- Mr. Andre Van Brussel submitted his resignation from the Board of Executives effective June 30, 2003. By the decision of the Supervisory Board from April 1, 2003 until the date of his resignation he held the position of a Member of the Board of Executives.
- At the April meeting of the Supervisory Board, effective May 1, 2003 the following new members of the Board of Executives were appointed: Mr. Jaromir Pelczarski as a Vice-President, Operations and Support Services Director; and Mr. Jan Bujak as a Vice-President and Chief Financial Officer, responsible for the legal and finance area.

Effective May 1, 2003, the Board of Executives was composed of the following members:

Ronald Richardson	President
Jan Bujak	Vice-President, CFO
Jean-Luc Deguel	Vice-President
Leszek Niemycki	Vice-President
Jaromir Pelczarski	Vice-President
Koen Verhoeven	Vice-President
Andre Van Brussel	Member of the BoE
Gilles Polet	Member of the BoE

After Mr. Van Brussel left the Board on June 30, 2003, and Mr. Polet - on July 31, 2003, the Board of Executives effective August 1, 2003 comprises the following persons: Mr. Ronald Richardson - President, Mr. Jan Bujak - Vice-President, Mr. Jean-Luc Deguel - Vice-President, Mr. Leszek Niemycki - Vice-President, Mr. Jaromir Pelczarski - Vice-President and Mr. Koen Verhoeven - Vice-President.

As of January 1, 2003, the Supervisory Board was composed of:

Luc Delvaux	Chairman
Paul Dor	Deputy Chairman
Antoni Potocki	Deputy Chairman
Werner Claes	Member
Zbigniew Dresler	Member
Didier Giblet	Member
Roland Saintrond	Member
Kathleen Steel	Member

Effective April 1, 2003, Ms. Kathleen Steel resigned from the Supervisory Board that she was a member of since December 16, 1999.

In connection with the above, as of June 30, 2003, the Supervisory Board was composed of the following: Mr. Luc Delvaux - Chairman, Mr. Paul Dor - Deputy Chairman, Mr. Antoni Potocki - Deputy Chairman, Mr. Werner Claes, Mr. Zbigniew Dresler, Mr. Didier Giblet and Mr. Roland Saintrond.

2. Remuneration paid to members of Board of Executives, of the Supervisory Board and holders of procuracy

The total amount of salaries and bonuses paid to members of the Board of Executives in the first half of 2003 reached PLN 1,913 thousand, as compared to PLN 2,596 thousand in the first half of 2002. The total remuneration paid to members of the Supervisory Board in the first half of 2003 reached PLN 170 thousand as compared to PLN 180 thousand in the first half of 2002. The total amount of salaries and bonuses paid to holders of procuracy in the first six months of 2003 was PLN 1,782 thousand, whereas in the first half of 2002, the amount was PLN 1,784

thousand.

3. Information on outstanding loans, guarantees granted to members of the Board of Executives and the Supervisory Board and their relatives

As of June 30, 2003, the outstanding balance of an overdraft facility granted to members of the Supervisory Board amounted to PLN 25,000; two guarantees were issued for an indefinite period and amount of USD 10,000 and two VISA card limits were granted for the total amount of PLN 32,000. To members of the Board of Executives, two foreign currency loans for the total amount of EUR 97,000 and two overdraft facilities for the total amount of PLN 100,000 were granted, one guarantee for one year amounting to PLN 54,000 was issued and seven VISA card limits in the total amount of PLN 114,000 were granted. The interest rates and fees on these facilities do not differ from market rates.

Information on loans, cash loans and guarantees granted to the Board of Executives and Supervisory Board members is presented in the Additional Notes - Section 26.

4. Information on shares of the Bank held by members of the Board of Executives and the Supervisory Board

As of June 30, 2003 none of the members of the Board of Executives owned any shares issued by Fortis Bank Polska SA. Mr. Luc Delvaux, the Chairman of the Supervisory Board held 25 shares. Other members of the Supervisory Board did not hold any shares.

5. Employees

The number of people employed was 873 FTE (full time equivalents) at the end of June 2002, while at the end of June 2003 it increased to 884 FTE. Out of all employees, 468 have a university degree.

Signatures of the Board of Executives members:

Ronald Richardson, President; Jan Bujak, Vice-President; Jean-Luc Deguel, Vice-President, Leszek Niemycki, Vice-President; Jaromir Pelczarski, Vice-President; Koen Verhoeven, Vice-President.