

**FORTIS BANK POLSKA S.A.**  
**FINANCIAL STATEMENTS, OPINION**  
**AND REPORT ON THE AUDIT OF**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

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## **1 General**

### **1.1 General information on the Bank**

#### **1.1.1 Bank name**

Fortis Bank Polska S.A. (hereafter 'Bank')

#### **1.1.2 Registered office**

ul. Postępu 15  
02-676 Warszawa  
Poland

#### **1.1.3 Commercial registration**

Seat of the court: Warszawa  
Date: 17 April 2001  
Registration number: KRS 0000006421

Previous registration:  
Seat of the court: Kraków  
Date: December 19, 1990  
Registration number: RHB 2785

#### **1.1.4 Tax Office and Provincial Statistical Office registration**

NIP: 676-007-83-01  
REGON: 003915970

### **1.2 Auditor information**

KPMG Polska Audyt Sp. z o. o.  
ul. Chłodna 51, XVI floor  
00-867 Warsaw

KPMG Polska Audyt Sp. z o.o. is registered as a company authorised to audit financial statements (number 458).

### **1.3 Legal status**

#### **1.3.1 Share capital**

The Bank was established on the basis of the National Bank of Poland Decision no. 46 dated October 6, 1990.

The share capital of the Bank as at 31 December 2002 amounts to PLN 30,155,400 and is divided into 15,077,700 ordinary shares with a nominal value of PLN 2 each.

### 1.3.2 Activities of the Bank

The Bank's Statute lists its business activities as follows:

- accepting deposits,
- maintaining bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in securities, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting check and bill-of-exchange operations,
- purchasing and selling of cash debts,
- purchasing and selling foreign exchange,
- safekeeping valuable objects and securities, likewise rendering safe-deposit boxes available,
- rendering the following financial services:
  - consulting services,
  - custody services,
  - leasing services,
  - brokerage services,
- commission sale of open pension funds and safekeeping pension funds' assets
- providing agency services related to the distribution of participation units or investment certificates, likewise their sale and redemption, or safekeeping of investment funds' assets.
- providing agency services related to property insurance.
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- intermediating with residents making money transfers abroad and settlements with non-residents in Poland.

### **1.3.3 Management Board**

At 31 December 2002, the Management Board of the Bank was comprised of the following members:

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

Mr. Richardson was appointed First Vice-President as of February 1, 2002. As of January 9, 2003 Mr. Ronald Richardson replaced Mr. Jean-Marie De Baerdemaeker in the position of President of the Board. In accordance with a decision of the Supervisory Board, Mr. De Baerdemaeker will hold the position of First Vice-President of the Board of Executives until April 30, 2003.

The Supervisory Board at its meeting of January 16, 2003 appointed Mr. Koen Verhoeven as Vice-President of the Board of Executives and Head of Credits as of March 1, 2003. Mr. Koen Verhoeven replaced Mr. Gilles Polet, who after March 1, 2003 until July 31, 2003 continues to be a member of the Board of Executives.

### **1.3.4 Supervisory Board**

At 31 December 2002, the Supervisory Board of the Bank was comprised of the following persons:

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

On June 27, 2002 the Annual General Meeting of Shareholders resolved to appoint Mr. Didier Giblet as a member of the Supervisory Board. As of October 1, 2002, Mr. Sjoerd van Keulen resigned from as Chairman of the Supervisory Board.

At the Supervisory Board meeting held on September 19, 2002, Mr. Luc Delvaux, formerly Deputy Chairman of the Board was elected as the new Chairman, and Mr. Paul Dor as one of the two Deputy Chairmen of the Supervisory Board.

#### **1.4 Prior period financial statements**

The financial statements for the period from 1 January 2001 to 31 December 2001 were audited by KPMG Polska Audyt Sp. z o.o., who issued an unqualified opinion.

The financial statements were approved at the shareholders meeting on 27 June 2002 where it was resolved to allocate the profit for the previous financial year of PLN 10,521 thousand to equity as undistributed profit from previous years:

The closing balances as at 31 December 2001 have been properly recorded as the opening balances of the audited period taking into consideration the adjustments resulting from the changes in accounting rules, which were presented in detail in introduction to the 'Additional notes'.

The financial statements for the year end 31 December 2001 were submitted to the Registry Court on 4 July 2002 and were published in "Monitor Polski B" No. 465 of November 4, 2002.

#### **1.5 Audit scope and responsibilities**

This report of the independent auditor was prepared for the Shareholders of Fortis Bank Polska S.A. seated in Warsaw, Postępu 15, and relates to the financial statements comprising

1. the introduction to the financial statements;
2. the balance sheet as at 31 December 2002, with total assets and total liabilities and equity of PLN 3,745,163 thousand;
3. the capital adequacy ratio;
4. the statement of contingencies and commitments granted as at 31 December 2002 amounting to PLN 891,105 thousand;
5. the profit and loss account for the period from 1 January 2002 to 31 December 2002 with a net profit of PLN 31,375 thousand;
6. the statement of changes in equity for the period from 1 January 2002 to 31 December 2002 with an increase in equity of PLN 29,385 thousand;
7. the cash flow statement for the year then ended with a decrease in cash amounting to PLN 265,454 thousand;
8. the supplementary information and explanations.

We have audited the financial statements in accordance with the contract dated 18 November 2002.

We conducted the audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal No. 76, item 694 unified version) and the professional norms established by the Polish National Council of Certified Auditors.

We have conducted an independent audit of these financial statements in order to express an opinion thereon and present this, together with a written auditors' report, to the Shareholders and the Bank's Supervisory Board.

On April 9, 2003 the Bank's directors submitted a representation letter as to the completeness, fairness and accuracy of the financial statements presented for audit and, amongst other things, confirmed that there were no undisclosed matters significantly influencing the information presented in the financial statements for the audited period.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Polska Audyt Sp. z o.o. is independent of the Bank and the scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Polska Audyt Sp. z o.o.

## 2 Financial analysis of the Bank

### 2.1 Summary of the financial statements

Detailed information relating to balance sheet and profit and loss are included in the Bank's financial statements.

#### 2.1.1 Balance sheet

<b>ASSETS</b>	<b>31.12.2002</b>	<b>31.12.2001</b>
	<b>PLN'000</b>	<b>PLN'000</b>
	<hr/>	<hr/>
Cash and due from NBP	248,987	407.644
Due from financial sector	496,338	992.170
Due from non-financial sector	2,172,196	2.113.725
Due from budget sector	1,308	16
Debt securities	679,744	265.471
Investments in subsidiary undertakings	6,572	10.196
Investments in other undertakings	45	39
Other securities and financial assets	3,416	74,774
Intangible fixed assets	14,459	18.691
Tangible fixed assets	64,411	72.712
Other assets	15,022	93.976
Interperiod settlements	42,665	44,811
<b>TOTAL ASSETS</b>	<hr/> <b>3,745,163</b> <hr/>	<hr/> <b>4,094,225</b> <hr/>



<b>LIABILITIES AND EQUITY</b>	<b>31.12.2002</b>	<b>31.12.2001</b>
	<b>PLN '000</b>	<b>PLN '000</b>
<b>Liabilities</b>		
Due to other financial sector	759,946	912.238
Due to customers	2,280,289	2.479.932
Due to State budget	26,913	25.173
Special funds and other liabilities	-	4,800
Interperiod settlements and deferred income	62,072	101.823
Provisions	84,943	62,341
Subordinated debts	11,348	17.651
	<b>3,225,511</b>	<b>3.603.958</b>
<b>Equity</b>		
Share capital	30,155	30.155
Capital reserve	352,244	352.220
Revaluation reserve	2,011	4.025
Other reserve capital	96,062	96.062
Undistributed profit from prior years	7,805	(2.716)
Net profit for the year	31,375	10.521
	<b>519,652</b>	<b>490.267</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,745,163</b>	<b>4,094,225</b>
<b>Capital adequacy ratio</b>	<b>20.70%</b>	<b>19.29%</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>31.12.2002</b>	<b>31.12.2001</b>
	<b>PLN'000</b>	<b>PLN'000</b>
Commitments granted	891,105	1,359,992
Commitments received	459,468	265,523
Commitments due to sale/purchase operations	2,101,956	3,069,940
<b>TOTAL OFF-BALANCE</b>	<b>3,452,529</b>	<b>4,769,975</b>

**2.1.2 Profit and loss account**

	<b>1.01.2002 - 31.12.2002 PLN '000</b>	<b>1.01.2001 - 31.12.2001 PLN '000</b>
Interest income	304,506	436,035
Interest expense	(174,041)	(311,331)
<b>Net interest income</b>	<b>130,465</b>	<b>124,704</b>
Fee and commission income	71,895	61,225
Fee and commission expense	(10,984)	(3,892)
<b>Net fee and commission income</b>	<b>60,911</b>	<b>57,333</b>
Income from shares and other securities	1,405	6,725
Net profit on financial operations	19,976	13,307
Net profit on foreign exchange	52,620	49,992
<b>Profit on banking activity</b>	<b>265,377</b>	<b>252,061</b>
Other operating income	5,678	7,788
Other operating expenses	(5,516)	(4,598)
General expenses	(140,766)	(144,341)
Depreciation	(27,772)	(26,072)
Charges to provisions	(111,218)	(117,784)
Release of provisions	59,351	48,709
<b>Net charges to provisions</b>	<b>(51,867)</b>	<b>(69,075)</b>
<b>Result on operating activity</b>	<b>45,134</b>	<b>15,763</b>
<b>Profit before taxation</b>	<b>45,134</b>	<b>15,763</b>
Corporate income tax	(10,135)	(5,242)
Result on equity accounting	(3,624)	-
<b>Net profit after taxation</b>	<b>31,375</b>	<b>10,521</b>

## 2.2 Selected financial ratios

	<b>31.12.2002</b>	<b>31.12.2001</b>
	<b>PLN '000</b>	<b>PLN '000</b>
Total assets	3,745,163	4,094,225
Gross profit before taxation	41,510	15,763
Net profit after taxation	31,375	10,521
Equity	488,277	479,746
Return on equity *	6.4%	2.2%
Capital adequacy ratio	20.70%	19.29%
Receivables to total assets	71.3%	75.9%
Income earning assets to total assets	89.4%	82.3%
Interest bearing liabilities to total liabilities	95.1%	94.8%

\* without current year profit

## 2.3 Interpretation of selected financial ratios

The inflation rate for the 12 months ended 31 December 2002 amounted to 0.8% (3.6% in 2001).

The most significant changes in balance sheet and profit and loss account are listed below:

- In comparison with 31 December 2001, total assets decreased by 8.5%. Due from financial sector had the most significant drop in 2002 (PLN 496,338 thousand in 2002 compared to PLN 992,170 thousand in 2001). Debt securities increased from PLN 265,471 thousand to 679,744 thousand).
- Higher result on banking activity and lower negative result on loan loss provisions as compared to the previous year had the most significant influence on the Bank's profit before taxation.

### **3 Detailed report**

#### **3.1 Accounting records**

The Chart of Accounts and accounting principles adopted by the Bank have been approved by the Board of Management.

The financial statements of the Bank were prepared based on accounting records and supporting documentation maintained at the Bank's premises.

#### **3.2 Internal control**

Internal control includes functional controls performed in individual divisions responsible for respective activity area of the Bank and institutional controls subordinated directly to the President of the Management Board.

During our audit of the financial statements, we made an evaluation of the accounting system and underlying system of internal control in order to enable us to express an opinion on the financial statements. Our review should not be relied upon to disclose all irregularities or material weaknesses in the system.

#### **3.3 Principles of prudence applied by the Bank and the capital adequacy ratio**

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. The capital adequacy ratio was calculated properly.

#### **3.4 Materiality levels applied by the auditor**

In order to issue the audit opinion on the financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the financial statements.

#### **3.5 Introduction to the financial statements**

All information included in the Introduction to the financial statements is presented fairly by the Bank when read in conjunction with the financial statements taken as a whole. Introduction to the financial statements constitutes an integral part of the financial statements.

#### **3.6 Supplementary information and explanations**

All information included in the notes to the financial statements is presented accurately and completely by the Bank when read in conjunction with the financial statements taken as a whole.

### **3.7 Management's report on the Bank's activity**

The information presented in the Management's report on the Bank's activities take account of the information presented in article 49 item 2 of the Accounting Act and is consistent with the financial statements.

### **3.8 Information on the independent auditors' opinion**

Based on our audit of the financial statements as of and for the year ended 31 December 2002 we have issued an unqualified opinion.

*signed on the Polish original*

.....  
Certified Auditor No. 4979/2575  
Hanna Fludra

*signed on the Polish original*

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

*signed on the Polish original*

.....  
For KPMG Polska Audyt Sp. z o.o.  
David Pozzecco, Proxy

Warsaw, April 9, 2003