

# Current Report 12/2003



## Statement of the Board of Executives of Fortis Bank Polska S.A. on the observance of corporate governance rules by the Bank

Pursuant to §22a item 1 of the Warsaw Stock Exchange (WSE) Regulations, Resolution No. 58/952/2002 dated October 16, 2002 of the Supervisory Board of the Warsaw Stock Exchange as amended and Resolution No. 273/2002 dated September 4, 2002 of the Management Board of the Warsaw Stock Exchange as amended, the Board of Executives of Fortis Bank Polska SA informs that in compliance with the decision taken by the Annual Shareholders' Meeting and the decisions of the Bank's Supervisory and Executive Boards, it adopted "Best Practices in Public Companies in 2002" in the following wording and extent.

No.	Rule	Comply or not	Comments
<b>General Rules</b>			
I.	Objective of the Company	YES	
	The basic objective of operations of a company's authorities is to further the interest of the company, i.e. to increase the value of the assets entrusted by its shareholders, with consideration to the rights and interests of entities other than shareholders, involved in the functioning of the company, including, in particular, the company's creditors and employees.		
II.	Majority Rule and Protection of Minority	YES	
	A joint-stock company is a capital venture, and, therefore, it must respect the principle of capital majority rule, and the primacy of majority over minority. A shareholder who contributed bigger capital also bears a higher economic risk. It is, therefore, justified that his interest be taken into consideration in proportion to the contributed capital. The minority must have a guarantee of proper protection of their rights, within limits set by the law and commercial integrity. While exercising its rights, the majority shareholder should take into account the interests of the minority.		
III.	Honest Intentions and No-Abuse of Rights	YES	
	The exercise of rights and the reliance on legal institutions should be based on honest intentions (good faith) and cannot reach beyond the purpose and economic reasons for which these institutions have been established. No activities should be taken which		

	exceed the limits so set and, thus, constitute an abuse of the law. The minority should be protected against abuse of ownership rights by the majority and the interests of the majority should be protected against abuse by the minority of its rights, thus, ensuring the best protection of equitable interests of the shareholders and other market participants.		
IV.	Court Control	YES	
	The company's authorities and persons chairing a general meeting cannot decide on issues which should be resolved by court judgments. This does not apply to activities which are within the powers of the company's authorities and persons chairing general meetings or which they are obliged to undertake by force of law.		
V.	Independent Opinions Ordered by the Company	YES	
	When choosing an entity which is to provide expert services, including, in particular, the services of an expert auditor, financial and tax advisory services, as well as legal services, the company should consider whether there exist circumstances limiting the independence of this entity when performing the entrusted tasks.		
No.	Rule	Comply or not	Comments
<b>Best Practices of General Meetings</b>			
1.	A general meeting should take place in a location and at a time to allow the participation of as many shareholders as possible.	YES	General meetings of shareholders are usually held at the Bank's registered office situated in Warsaw.
2.	A request for convening a general meeting and placing certain issues on its agenda, made by parties entitled to do that, should be justified. Draft resolutions proposed to be adopted by the general meeting and other key documents should be presented to the shareholders along with a justification and an opinion of the supervisory board prior to the general meeting, in advance so as to allow them to review and evaluate the same.	YES	The Agenda for a general meeting of shareholders (ordinary or extraordinary) is announced subject to prior opinion of the Supervisory Board. Draft Resolutions are announced to the public by current report 8 days before the date of the meeting at the latest. The materials are available for the shareholders.
3.	The general meeting convened at the request of shareholders should be held on a date given in the request, and if this date cannot be kept, on the closest date which will allow the general meeting to settle the issues placed on its agenda.	YES	
4.	A general meeting whose agenda includes certain issues at the request of authorized entities or which has been convened at such request may be cancelled only upon consent of the requesting parties. In all other instances, a general meeting may be	YES	Historically, the Bank neither canceled nor postponed the announced data of the shareholders' meeting, but if some extraordinary circumstances beyond the Company's control

	cancelled if its holding is hindered (force majeure) or is obviously groundless. The meeting is called off in the same manner as it has been convened, ensuring as little negative consequences for the company and its shareholders as possible, and in any case no later than three weeks prior to the original date of the meeting. A change in the date of the general meeting is made in the same manner as the cancellation, even if the proposed agenda does not change.		(force majeure) occur, the management board will take all the due care to observe this rule.
5.	In order for a representative of a shareholder to participate in a general meeting, his right to act on behalf of the shareholder should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting is in conformity with the law and does not require any additional confirmations and acknowledgement unless its authenticity or validity prima facie raises doubts of the company's management board (upon drawing-up the attendance list) or the chairman of the general meeting.	YES	In order to participate in the general meeting of shareholders and exercise voting rights, a shareholder's representative must present a power of attorney in writing, otherwise it should be rendered null and void. If the shareholder's representative is a legal person, the power of attorney should be granted by persons disclosed in a respective register (against the presentation of a copy of the respective register), and in the case of a natural person - pursuant to the provision of the Civil Code.
6.	The general meeting should have regular by-laws setting forth the detailed principles of conducting the meetings and adopting resolutions. The by-laws should contain, in particular, provisions concerning elections, including elections to the supervisory board by voting in separate groups. The by-laws should not be subject to frequent changes; it is advisable that the changes enter into force as of the subsequent general meeting.	YES	Since inception, at Shareholders' meetings the Bank applied Rules of Procedure adopted by the AGM. The General Meeting of Shareholders held on June 26, 2003 adopted new Rules of Procedure for the General Meetings of Shareholders in order to update them according to this corporate governance practices. The Rules of Procedure will become effective as of the next meeting. Considering the present shareholders' structure there is no need of introducing provisions to the Rules of Procedure concerning elections to the supervisory board by voting in separate groups.
7.	A person opening the general meeting should procure an immediate election of the chairman of the meeting, and should refrain from any substantial or formal decisions.	YES	Section 5 of the Rules of Procedure of the General meeting of Shareholders provides that "the General Shareholders' Meeting is opened by the Chairman or

			Deputy Chairman of the Supervisory Board, who orders an election of a Chairman of the Meeting."
8.	The chairman of the general meeting ensures an efficient conduct of the meeting and observance of the rights and interests of all shareholders. The chairman should counteract, in particular, the abuse of rights by the participants of the meeting and should guarantee that the rights of minority shareholders are respected. The chairman should not, without sound reason, resign from his function, or put off the signing of the minutes of the meeting.	YES	This rule is reflected in the adopted Rules of Procedure of the General Meeting of Shareholders.
9.	A general meeting should be attended by members of the supervisory board and the management board. An expert auditor should be present at an annual general meeting and at an extraordinary general meeting if financial matters of the company are to be discussed thereat.	YES	In the amended Rules of Procedure of the General Meeting of Shareholders, a new Section 3 was introduced of the following wording: "Members of the supervisory board and the management board and the expert auditor of the Bank are invited to the General Shareholders' Meeting. Being present they should within their powers and to the extent necessary for the settlement of issues discussed by the general meeting, provide the participants of the meeting with explanations and information concerning the company."
10.	Members of the supervisory board and the management board and the expert auditor of the company should, within their powers and to the extent necessary for the settlement of issues discussed by the general meeting, provide the participants of the meeting with explanations and information concerning the company.	YES	as above
11.	All answers provided by the management board to the questions posed by the general meeting should take into account the fact that the reporting obligations are performed by a public company in a manner that follows from the Law on Public Trading in Securities, and certain information cannot be provided otherwise.	YES	The management board members are aware that the Bank, as a listed company must comply with the reporting obligations under the law on public trading in securities.

12.	Short breaks in the session which do not defer the session, ordered by the chairman in justified cases, cannot be aimed at hindering the exercise of the rights by the shareholders.	YES	This rule is reflected in the adopted Rules of Procedure of the General Meeting of Shareholders
13.	Voting on issues placed on the agenda may be carried out only on issues related to the conduct of the meeting. This voting procedure cannot apply to resolutions which may have impact on the exercise by the shareholders of their rights.	YES	This rule is reflected in the adopted Rules of Procedure of the General Meeting of Shareholders
14.	A resolution not to consider an issue placed on the agenda may be adopted only if it is supported by sound reasons. A motion in this respect should be accompanied by a detailed justification. The general meeting cannot adopt resolutions to remove an item from the agenda or not to consider an issue placed on the agenda at the request of the shareholders.	YES	This rule is reflected in the adopted Rules of Procedure of the General Meeting of Shareholders
15.	A party objecting to a resolution must have an opportunity to concisely present the reasons for its objection.	YES	This rule is reflected in the adopted Rules of Procedure of the General Meeting of Shareholders
16.	Due to the fact that the Code of Commercial Companies does not provide for court control in the event where a resolution is not adopted by the general meeting, the management board or the chairman of the meeting should form the resolutions in such a way that each person who does not agree with a decision being the subject of the resolution, have the possibility of challenging the same; provided that he is entitled to do so.	YES	The Chairman of the Shareholders' Meeting makes sure that resolutions are formulated in a clear and straightforward way. The management provides the possibility to seek lawyer's advice during the meeting.
17.	At the request of a participant in the general meeting, his written statement is recorded in the minutes.	YES.	This rule is reflected in the adopted Rules of Procedure of the General Meeting of Shareholders.
<b>Best Practices of Supervisory Boards</b>			
18.	The supervisory board submits to the general meeting an annual concise evaluation of the company's standing. The evaluation should be part of the annual report of the company, made available to all shareholders early enough to allow them to become acquainted with the same before the annual general meeting.	YES	Pursuant to the provisions of the Statute and the Regulations of the Supervisory Board, every year the Bank's Supervisory Board presents the Report of its activity in the previous year to the General Meeting of Shareholders, including the assessment of the company's financial standing, the prospects for its development and an opinion on the Report of the

			Board of Executives and the presented proposal of the profit allocation.
19.	A member of the supervisory board should have relevant education, professional and practical experience, be of high morale and be able to devote all time required to properly perform the function on the supervisory board. Candidates for members of the supervisory board should be presented and supported by reasons in sufficient detail to allow an educated choice.	YES	Candidates for members of the Supervisory Board are presented to the Shareholders' Meeting supported by a sound reasoning; CVs of the candidates are available in the materials for the meeting.
20.	a) At least one-half of members of the supervisory board should be independent members. Independent members of the supervisory board should not have any relations with the company and its shareholders or employees, which relations could have significant impact on the ability of the independent member to make impartial decisions.	NO	At present the Bank does not implement this rule due to the shareholders' structure, whereby one shareholder holds 99.10% shares of the Bank and designates members of the Supervisory Board, which renders it possible to realize the Company's strategy, and protects its interests. Currently, out of 7 members of the Supervisory Board, the Bank has two (2) independent Supervisory Board members, i.e. such that do not have any formal connections with the major shareholder.
	b) Detailed criteria of independence should be laid down in the statutes of the company.	NO	
	c) Without consent of at least one independent member of the supervisory board, no resolutions should be adopted on the following issues: - performances of any kind by the company and any entities associated with the company in favor of members of the management board; - consent to the execution by the company or its subsidiary of a key agreement with an entity associated with the company, member of the supervisory board or the management board, and with their associated entities; - and appointment of an expert auditor to audit the financial statements of the company.	NO	
	<i>The above rule may be implemented by the company on a date different than that for the remaining rules of the set, but no later than by the end of 2004.</i>		

21.	A supervisory board member should, most of all, bear in mind the interests of the company.	YES	Pursuant to §15 Section 2 of the Bank's Statute, "The Supervisory Board shall proceed with constant, general supervision over all activities of the Bank and the Board of Executives, and in particular, shall mind whether the activities of the Board of Executives comply with the business of the shareholders, welfare of the Bank, and whether they are in line with rules of law and the Statute."
22.	Members of the supervisory board should take relevant actions in order to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on the risk related to the carried out business and ways of managing such risk.	YES	The Supervisory Board holds its meetings at least once every three months. At each such meeting, the Board of Executives presents reports of all material issues regarding the Company's business. Between the meetings, members of the Supervisory Board are regularly and duly provided with the most significant information.
23.	A supervisory board member should inform the remaining members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen.	YES	The rule approved and applied in practice by the Supervisory Board members.
24.	Information on personal, actual, and organizational connections of a supervisory board member with a given shareholder, and, in particular, with the majority shareholder, should be available to public. The company should have a procedure in place for obtaining information from members of the supervisory board and for making it available to the public.	YES	Pursuant to reporting obligations of the Company that is publicly traded, current reports regarding the appointment of new members to the Supervisory Board contain their curricula vitae, and in particular the information regarding connections, if any, of the Supervisory Board's member with a specific shareholder. The CV's of boardmembers is also available on the Bank's www pages.
25.	Supervisory board meetings, save for issues which directly concern the management board or its members, and, in particular, removal, liability, and setting remuneration, should be accessible and open to members of the management board.	YES	Pursuant to §14 Section 4 of the Bank's Statute, "The President of the Board of Executives shall participate in meetings of the Supervisory Board by virtue of his office. Participation of other invited persons, shall also be



			allowed." Members of the Board of Executives are invited to participate in the meetings, especially when issues that concern their scope of competence are discussed.
26.	A supervisory board member should enable the management board to present publicly and in an appropriate manner information on the transfer or acquisition of the shares of the company or of its dominant company or a subsidiary, and of transactions with such companies, provided that such information is relevant for his financial standing.	YES	Every quarter, members of the Supervisory Board make written declarations about the number of the Bank's shares owned and then about any changes to number of the Bank's shares owned. Procedures on this issue, called "Rules of governing access to confidential information and purchase and sale of Bank securities by the Bank management and employees" are in place at the Bank. Furthermore, there are Regulations on extending credits and cash loans, issuing bank guarantees and sureties to subsidiaries, units controlled by or associated with the Bank, the Bank's shareholders and entities affiliated with the Bank's shareholder binding in the Bank, which are compliant with Art. 79 of the Banking Law.
27.	Remuneration of members of the supervisory board should be fair, but should not constitute a significant cost item in the company's business or have material impact on its financial results. The remuneration should be in reasonable relation to the remuneration of members of the management board. The aggregate remuneration of all members of the supervisory board should be disclosed in the annual report.	YES	The remuneration of the Supervisory Board members does not constitute a significant cost item. The General Meeting of Shareholders verifies the remuneration amount annually. The total amount of the remuneration of the Supervisory Board members is disclosed in the semi-annual and annual reports.
28.	The supervisory board should operate in accordance with its by-laws which should be available to the public.	YES	The Supervisory Board works in accordance with the Regulations adopted by the General Meeting of Shareholders. The currently binding Regulations were adopted by Resolution No. 8/2001 of the General Meeting of Shareholders of Fortis Bank Polska SA dated June 21, 2001, and they are



			available on the Bank's website.
29.	The agenda of a supervisory board meeting should not be amended or supplemented during the meeting which it concerns. This requirement does not apply if all members of the supervisory board are present and agree to the amendment or supplementation of the agenda, and in instances where the adoption of certain activities by the supervisory board is necessary in order to protect the company against damage and in the case of a resolution which concerns the determination whether there exists a conflict of interest between a supervisory board member and the company.	YES	The rule accepted and applied in practice by the Supervisory Board members.
30.	A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit to the supervisory board detailed reports on the performance of his task.	YES	The rule accepted by the Supervisory Board members and will be applied if such case occurs.
31.	A supervisory board member should not resign from his function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.	YES	The rule accepted by the Supervisory Board members and will be applied if such case occurs.
<b>Best Practices of Management Boards</b>			
32.	Bearing in mind the interest of the company, the management board sets forth the strategy and the main objects of the company's operations, and submits them to the supervisory board. The management board is liable for the implementation and performance of the same. The management board cares for transparency and effectiveness of the company management system and the conduct of its business in accordance with the legal regulations and best practice	YES	The Board of Executives develops the Bank's strategy and the annual budgets. The scope of competence of the Supervisory Board includes the approval of the Bank's economic and financial system and multi-year development plans, approval of the Bank's annual budget plan, resolving on annual economic and financial plans of the Bank, etc.
33.	While making decisions on corporate issues, members of the management board should act within the limits of justified economic risk, i.e. after consideration of all information, analyses and opinions, which, in the reasonable opinion of the management board, should be taken into account in a given case in view of the company's interest. While determining the	YES	The rule is in use also pursuant to the Fortis Principles of Business Conduct adopted in the entire Fortis group

	interest of the company, one should keep in mind the justified in long-term perspective interests of the shareholders, creditors, employees of the company and other entities and persons cooperating with the company, as well as the interests of local community.		
34.	In transactions with shareholders and other persons whose interests have impact on the interest of the company, the management board should act with utmost care to ensure that the transactions are at arms' length.	YES.	The rule is in use also pursuant to the Fortis Principles of Business Conduct adopted in the entire Fortis group
35.	A management board member should display full loyalty towards the company and avoid actions which could lead to implementing exclusively own material interest. If a management board member receives information on the possibility of making an investment or another advantageous transaction concerning the objects of the company, he should present such information immediately to the management board for the purpose of considering the possibility of the company taking advantage of it. Such information may be used by a management board member or be passed over to a third party only upon consent of the management board and only when this does not infringe the company's interest.	YES.	The Board of Executives' members shall submit written declarations regarding the Bank's shares that they own likewise they shall inform about any changes in the possession of the Bank's shares. Procedures on this issue, called "Rules of governing access to confidential information and purchase and sale of Bank securities by the Bank management and employees" are in place at the Bank since 1998.
36.	A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.	YES.	
37.	Management board members should inform the supervisory board of each conflict of interest in connection with the performed function or of the risk of such conflict.	YES.	The rule has been taken into account in the Regulations of the Board of Executives.
38.	The remuneration of management board members should be set based on transparent procedures and principles, taking into account its incentive nature and ensuring effective and smooth management of the company. The remuneration should correspond to the size of the company's business enterprise, should be in reasonable relation to the economic results, and be related to the scope of liability resulting from a given function, taking into account the level of remuneration of members of	YES.	This rule has been accepted by the Supervisory Board, which is the body entitled to determine remuneration of the Executive Board members.

	management boards in similar companies in a similar market.		
39.	The aggregate remuneration of all members of the management board should be disclosed and itemized in the annual report. If the amount of remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation be published.	YES.	Total remuneration of all the members of the Board of Executives is provided in semi-annual and annual reports.
40.	The management board should lay down the principles and procedure of operations and allocation of powers in the by-laws which should be open and generally available.	YES.	The Regulations of the Board of Executives adopted by the Supervisory Board, that determine the rules and manner of working for the members of the Board of Executives - it is available on the Bank's website. The currently binding Regulations were adopted on April 24, 2003.
<b>Best Practices in Relations with Third Parties and Third Party Institutions</b>			
41.	The selection of an expert auditor for a company should guarantee impartiality of performance of the entrusted tasks.	YES.	
42.	In order to ensure proper impartiality of opinion, the company should change the expert auditor at least once every five years.	NO	As fully consolidated into Fortis, the Bank will apply the rules binding in Fortis.
43.	The expert auditor should be selected by the supervisory board or general meeting of the company, upon receiving recommendations from the supervisory board.	YES.	As provided in the Bank's by-laws, the Supervisory Board is authorized to select an expert auditor upon the Board of Executives' recommendation.
44.	An auditor auditing annual accounts of a company or its subsidiaries cannot act as a special purpose auditor for the same company.	YES.	
45.	A company should acquire its own shares in such a way that no group of shareholders be privileged.	YES.	The company has not purchased its own shares as for the time being but in the case of such transaction the Board of Executives shall apply all due care to observe this rule.
46.	The statutes of the company, its basic internal regulations, information and documents related to general meetings, and the financial statements should be made available in the registered office of the company and on its website.	YES.	The Bank's by-laws and other basic corporate documents likewise information and documents related to the general meeting of shareholders, and current and periodic reports

			(financial statements) are available in the registered office of the company and published on the intranet websites.
47.	The Company should have proper media relations procedures and regulations and an information policy, ensuring coherent and reliable information about the company. The company should, in compliance with the legal regulations and taking into account its interests, make available to mass media representatives information on its current operation and business, standing, and enable their presence at general meetings.	YES	The Bank applies "Rules regarding contacts with the media"; press releases are published on a regular basis likewise all information on performance and current economic situation. Information duties are accomplished in compliance with the law provisions regarding public trading in securities. The representatives of the media may be present at the shareholders meetings, unless the issues discussed are confidential.
48.	In its annual report, a company should make public its statement on the application of corporate governance standards. If the standards are not applied to any extent, the company should also publicly explain this fact.	YES.	Such statement will be issued in the annual report for the year 2003.

Additionally, the following documents are in force at Fortis Bank Polska SA:

- The "Code of Good Banking Practice" as provided in Resolution no. 11 adopted by the 12th General meeting of Shareholders of the Polish Banks' Association, introduced in July 2001 on the basis of the Board of Executives resolution.
- Principles of Business Conduct applied in the whole Fortis group, implemented in the Bank in May 2002 by the Board of Executives' resolution.