Commentary
to a quarterly report of
Fortis Bank Polska SA
for the first quarter of 2001

1. Accounting principles adopted in the report:
   1.1. Fortis Bank Polska SA keeps its accounting records pursuant to the rules detailed in the Accounting Act dated September 29, 1994 (Official Journal No. 121 item 591, as amended) and Resolution no. 1/98 of the Banking Supervision Commission dated June 3, 1998, on the special rules of bank accounting and the notes to the financial statements (NBP Official Journal no. 14 item 27).
   1.2. Order B/92/2000 and order B/93/2000 of the Bank Board of Executives' President dated December 2000 introduced new instructions, the “Accounting principles” and “Valuation rules”, which became effective on January 1, 2001. Depreciation rates of fixed tangible and intangible assets purchased after January 1, 2001 were changed. Depreciation rates of fixed tangible and intangible assets purchased prior to January 1, 2001 remained unchanged. In addition, the initial value of low-value items purchased after January 1, 2001 that are single written off was decreased from PLN 3,500 to PLN 1,000. The rules of the classification of the Bank property assets to low-value items remained unchanged.
   1.3. The Bank applies the general accounting principles defined in the Accountancy Act, and specifically the following:

- **Consistency principle**

The Bank applies the adopted accounting principles in a continuous manner, i.e. in subsequent financial years it classifies given economic operations onto appropriate accounts, makes an evaluation of assets (including depreciation write-offs) and liabilities, likewise determines a financial result and prepares financial statements. The Bank shows the closings of assets and liabilities balances in the same amount in the opening balance of the next year.

- **Going concern principle**

In the valuation of assets and liabilities and in the determination of a financial result, the Bank assumes that it will continue its economic activity in the foreseeable future in a non-reduced scope, unless it is inconsistent with the actual or legal status.

- **Accruals principle**

In the books and in financial result, the Bank records all income earned and due to the Bank and related costs incurred in a given financial year, irrespective of the date of their payment, excluding commission and fee income which are counted on a cash basis towards the profit and loss statement according to the rules stipulated in item 1.10

- **Prudence principle**

The Bank values individual items of assets and liabilities at the actual cost of acquisition with the exception of those items which were subject to periodical revisions to reflect the market value or to the indicators published by the President of Central Statistical Office (since Dec. 31, 1995, there have been no revision of fixed assets valuation). In the financial result, irrespective of its amount, the Bank takes into account the following factors:

- reduction of useful value of property assets, including depreciation (amortization) write-offs,
- reduced value of assets other than fixed assets, investment projects in progress or intangible fixed assets, resulting from permanent changes in their prices,
- only unquestionable other operating incomes and extraordinary profits,
- all operating costs and extraordinary losses incurred,
- provisions for risk known to the Bank, impending losses and effects of foreseeable circumstances.

- **Nominalism principle**

The Bank maintains accounting books and prepares financial statements in Polish and calculates them in Polish currency.

- **Materiality principle**

When applying accounting standards, the Bank may adopt 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.

1.4. The Bank's accounting records are maintained in compliance with Polish law within the "Equation" computerized system developed by the British company Midas-Kapiti International Ltd., London (approved by the Bank's Board of Executives' President in an Order dated August 1, 1994 on the implementation of the Equation system, as amended). The system maintains a central database with one general ledger for the Head Office and branches.

1.5. For the purpose of financial reporting the Bank applies a Model Chart of Accounts implemented by way of Resolution No. 2/95 of the NBP President dated February 22, 1995 (NBP Official Journal No 6, item 11, as amendmended). Due to the fact that the Bank's shares are admitted to public trading under the Law on the Public Trading of Securities, the Bank's reporting is prepared according to the Council of Ministers Ordinance dated December 22, 1998 regarding the type, form and scope of current and periodic information and dates of its passing by issuers of securities admitted to public trading (Official Journal No 163, item 1160), and Ministry of Finance Ordinance dated November 19, 1999 on additional financial information to be provided by banks that are issuers of securities admitted to or applying for admission to public trading (Official Journal No 96, item 1128), and the Council of Ministers Ordinance dated December 22, 1998 on detailed conditions to be met by issue prospectus, abbreviated issue prospectus, information memorandum and shortened information memorandum (Official Journal No 163, item 1162).

1.6. The Chart of Accounts includes list of accounts of the the General Ledger and auxiliary books (Order of Bank's Board of Executives' President dated December 21, 1998 on the implementation of the New Chart of Accounts of PPABank, as amended), and the accounting policies as described in the Accounting Policies document (Bank's Board of Executives' President's Order no. B/92/2000 dated December 12, 2000 on the introduction of the Accounting Policies in the Bank, as amended).

1.7. Tangible and intangible fixed assets are evaluated as of the end of each reporting period at their acquisition price less appropriate depreciation write-offs. In addition, the revaluation of the assets made according to the binding regulations is taken into account.

1.8. The acquisition price of fixed tangible and intangible assets purchased in foreign currencies are translated into Polish zloty using the NBP mid-rate of the day of the transaction.

1.9. Depreciation write-offs of fixed tangible and intangible assets are made based on the current depreciation plan determined by the Bank. The depreciation plan includes depreciation rates described in a separate document the "Valuation rules of the Bank". Therefore, balance sheet depreciation rates can be different from the tax depreciation rates. Depreciation write-offs on fixed tangible and intangible assets are calculated monthly using a straight-line method. With regard to leased fixed assets, the Bank applies the straight-line or degressive method of redemption according to the rates binding for the basic fixed assets. Depreciation expenses include PLN 158 thousand of fully depreciated tangible and intangible fixed assets.

The principal depreciation rates used by Bank for the balance sheet purposes are as follows:

- computer hardware - 30 % per year (purchased till December 31, 2000)
- computer hardware – 33 % per year (purchased after January 1, 2001)
- motor vehicles - 25 % per year,
- leasehold improvements - 10 % per year,
- computer software – 20% per year (purchased till December 31 ,2000)
- computer software – 33% per year (purchased after January 1, 2001)
- share issue expenses – 20% per year.

1.10. Fixed assets whose value exceeds PLN 1,000 (from January 31, 2001) are depreciated according to the rules described in item 1.9 above. Property assets of the Bank not included into fixed tangible and intangible assets with a value below PLN 3,500 (until December 31, 2000) and PLN 1,000 (from January 1, 2001) are single depreciated in the month they are brought into use or in the following month.

The Bank's intangible fixed assets include costs relating to share issues. These intangible fixed assets are depreciated over five years.

1.11. Securities

- marketable debt securities are valued at their purchase price adjusted by accrued interest, discount, premium, however, not higher than the net sale price (e.g. the price at the stock exchange). If such a price is higher than the net sale price, the difference is recognized in the profit and loss account as financial operations costs;
- investment debt securities are valued at their purchase price adjusted by accrued interest, discount, premium and write-offs resulting from permanent diminution, if any;
- marketable equity securities are valued at their purchase price, however not higher than the net sale price. If the net sale price is lower than purchase price the difference is recognized in the profit and loss account as financial operations costs.
- investment equity securities are valued at their purchase price adjusted for write-offs resulting from diminution, if any.

The permanent diminution of the securities value is regarded as the following:

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

1.12.Participation units in open investment funds are shown according to their purchase price adjusted by the increase or decrease of the participation unit value, taking into account write-offs related to the permanent diminution of their value. In the case the value of the participation unit is below its purchase price over the period of at least three months it is regarded as the permanent diminution of the participation unit value.

1.13.Shares and stakes in other units, i.e. subsidiaries, affiliated entities, and minority stakes are shown according to their purchase price taking into account write-offs related to the permanent diminution of their value.

1.14.Assets taken over for debts are shown according to the debts value (an amount to be repaid) for which the assets were seized, taking into account the following rules:

- Value of the seized item of property is determined based on valuation, which may not exceed its net sale price. A specific reserve is created for the difference between the value of the seized asset and the debt amount,
- The amount of the seized receivables is determined based on the price possible to attain (net sale price) from the sale of the seized receivables taking into account the financial standing of a debtor. A specific reserve is created for the difference between the value of the seized receivables and the debt amount,

1.15.Receivables and liabilities on account of loans, credits, and other debts are shown, according to Resolution No. 1/98 of the Banking Supervision Commission, according to the due payment amount (non-paid capital, capitalized interest, and accrued and matured interest) taking into account specific reserves created based on Resolution No. 8/99 of the Banking Supervision Commission dated December 22, 1999 regarding rules of the creation of specific reserves for risk related to banking activity (Dz. Urz. NBP No. 26, item 43, as amended), however, the reserves required are created at the end of each reporting period. Reserves for receivables expressed in foreign currencies are translated into zlotys along with the receivable covered with the reserve. The collateral specified in Resolution No. 8/99 of the Banking Supervision Commission were taken into account while calculating specific reserves for the exposure encumbered with the loan risk.

1.16.The Bank makes deferred expenditures, in case the expenses refer to months that follow the month they were incurred. The Bank settles accrued expenses in the amount falling for a current month:

- Strictly determined benefits performed in favor of the Bank, however, not yet being liabilities,
- Potential expenses whose amount or data of arising are not yet known.

Write-offs of deferred expenditures or accrued expenses may be made according to the lapse of time or the amount of the benefits.

The forecasted, however, not incurred expenses are included in accrued expenses and decrease current expenses not later than till the end of the accounting year that follows the year of their determination.

Deferred income is indicated in the amount of:

- the payment of future benefits received from contracting parties,
- amounts that increase the benefits or claims that a reserve was created previously – until the time of their receiving or writing off,
- unsettled difference of the company's value,
- donations, subsidies and additional payments.

The Bank shows capitalized interest due and interest on at risk receivables as deferred income – until the time the interest is paid or written off.

1.17. The Bank creates reserves for future liabilities whose value is known or possible to assess, in particular, for the rights in a form of unused vacation leave granted to employees, severance payments, premium for absence-free work, variable part of remuneration, liabilities to auditing companies, legal counsel, telecommunication costs, rentals, losses from not made FX transactions. The reserves are appropriated into the costs of operations in the profit and loss account in the balance sheet and shown as expenses to be covered within interperiod settlements.

1.18. Pursuant to the Banking law Act dated August 29, 1997 (Official Journal No. 140, item 939, as amended), the Bank creates a reserve for the general risk to cover any risks related to conducting business operations. The general risk reserve is created as a write-off into costs. The reserve is shown in item "Other reserves" in the balance sheet liabilities.

1.19. The Bank includes to the financial result on account of interest, at the end of the reporting period, the following items:

- On the income side – not received in the reporting period:
- interest due to the Bank from performing receivables and watch-list receivables,
- interest on account of a discount and also interest received in the previous periods falling for the current reporting period.
- On the expense side – interest due and not matured yet, falling for the reporting period for the Bank's liabilities.

The Bank shall not include the following in the interest financial result:

- due interest accrued and matured on receivables at risk (the interest is shown in the balance sheet assets as interest income along with the principal receivable, and on the liabilities side as suspended income interest).
- Interest on account of a discount and the remaining interest received in advance falling for the subsequent reporting periods.
- Capitalized interest, which until payment or writing off constitutes deferred income or suspended income.

1.20. Bank commission and fee income and expense are included in the financial result at the time they are received, i.e. actual payment, except for the incomes related to the fees related to the credit line received from the EBRD, which are included into the financial result on the accruals basis.

1.21. 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 statement in the position “FX results”.

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

- the result from the current FX spot transactions and Market Swap transactions are calculated by a straight-line calculation of swap points from the day of the transaction conclusion till the balance sheet day, and by comparing the transaction rate with NBP mid-rate valid as of the end of the reporting period. For the purpose of calculation, it is assumed that the Market Swap transactions are to secure the absolute FC position of the Bank.
- The result from FX forward transactions is calculated by comparing the transaction rate with the market rate valid for the same transactions as of the end of a reporting period.

In the case that there is a loss from the not yet matured FX transactions resulting from the above-mentioned calculation, the Bank creates a reserve and includes its costs into the financial result of the current reporting period. In the case that there is a profit from the not matured FX transactions, the Bank presents this result in the deferred expenditures and includes income into the financial result of the current reporting period.

1.22 The Bank determines the amount of income tax on the basis of the gross financial result adjusted by permanent differences between tax income and financial income. Tax resulting from other timing differences due to the different dates of reporting income or costs for tax and accounting purposes is treated as deferred expenditures or a provision for deferred income tax. The amount of the provision or deferred expenditure is determined using the corporate income tax base applicable in the next tax period.

The deferred expenditure is taken into account only when it is expected that taxable revenues will be generated in the future, which will enable such settlement.

All the specific reserves created by the Bank, which were not included in the calculation of corporate income tax liability were treated as other timing differences for the purpose of calculating deferred income.

1.23 Financial data included in the quarterly report has been prepared using valuation rules applicable to assets and liabilities and the calculation of the financial result determined on the balance sheet day, taking into account adjustments resulting from provisions, including provisions for other timing differences arising from income tax, referred to in the Accountancy Act, and write-offs revaluing assets according to the existing provisions.

1.24 Selected financial data included in the report has been converted into the euro according to the following rules:

1.24.1. the particular assets and liabilities were converted into the euro at the average exchange rate on March 31, 2001 announced by the National Bank of Poland,

1.24.2. the particular items in the profit and loss statement were converted into the euro at the rate based on the arithmetic mean of average rates determined by the National Bank of Poland on the last days of the months from January to March, 2001.

1.24.3. the following rates were applied in the calculations done according to the above mentioned rules:

- rate at the end of January, 2001 – EUR/PLN 3,8015,
- rate at the end of February, 2001 – EUR/PLN 3,7535
- rate at the end of March, 2001 – EUR/PLN 3,617

2. Factors and events which has an impact on the financial result:

2.1 increase in interest income – as compared to the first quarter of 2000, an increase of 41% was noted

2.2 more dynamic growth of interest expense than the growth of interest income – increase of 62% as compared to the first quarter of 2000;

2.3 lower share of income interest result (56%) in the banking activity result (first quarter of 2000 – 63%);

2.4 higher share of commission and fee income in the banking activity result, from 22% in the first quarter of 2000 to 25% at the end of the first quarter of 2001;

2.5 good result from the FX position in the amount of PLN 8 824 thousand (higher by 22% than the result in the first quarter of 2000);

2.6 increase of 40% in general expenses as compared to the first quarter of 2000: due to development of the branch network and an increase in headcount.

2.7 creation of considerable provisions for loans and off-balance liabilities due to the deteriorating economic situation of some borrowers. In the first quarter of 2001, the surplus difference between the established and released provisions was PLN 10,769 thousand; the Bank released provisions for receivables and off-balance sheet liabilities in the amount of PLN 10 346 thousand, while the costs of provisions created for receivables and off-balance sheet liabilities totaled 21,115 thousand PLN.

2.8 at the end of the first quarter of 2001, we reported a negative other timing difference arising from income tax in the amount of PLN 15,119 thousand which is shown as a deferred expenditure.

2.9 The Bank creates a provision for general risk according to the rules defined under the Banking Law Act. At the end of the first quarter of 2001, the provision for general risk amounted to PLN 6,939 thousand.

3. One type of collateral used by the Bank is the transfer of a specific amount to the Bank's account, where the Bank undertakes to return this amount upon the repayment of debt with the relevant interest and fee. This form of collateral is regulated by Art 102 of the Banking Law Act dated August 29, 1998. The value of this type of collateral accepted by the Bank on March 31, 2001 was PLN 238,039 thousand. This amount is shown under the item "due to other customers and the budget sector" in the balance sheet, which is part of the quarterly report.

4. The net financial result for the first quarter of 2001 was lower than the projected one, thus the target profit of PLN 55 million at the end of 2001 may not be achieved. This was due to the following factors:

4.1. lower interest margin – 3.9% at the end of the first quarter of 2001, as compared to 4.6% in the first quarter of 2000. This was due to the fact that the Bank in the first quarter of 2001 acquired 12% less loans than expected.

4.2. high write-offs for provisions for loans at risk, caused mainly by a 24% increase in non-performing loans as compared to the end of 2000. As compared to the first quarter of 2000, we reported a 83% increase in receivables at risk. The Bank has taken extensive measures to improve the quality of the loan portfolio.

4.3. considerable appreciation of the zloty with relation to foreign currencies.

5. Based upon Clause 3 Section 3 Item 2 of the Resolution No 2/98 of the Banking Supervision Commission dated June 3, 1998 on detailed rules of preparing consolidated financial statements by banks (NBP Official Journal No 14, item 28), the Bank as a parent entity does not prepare consolidated financial statements. The balance sheet value of the affiliate entity, which is Fortis Securities Polska SA, is below 5% of the balance-sheet value of the parent entity and both interest revenues from non-banking activities and net revenues from the sale of goods and services and financial operations from non-banking activities of the affiliate entity are below 5% of the parent entity's revenues. The data of affiliate entity justifying the above-mentioned exclusion were taken from the 2000 Fortis Bank Polska SA Annual Report.

6. Since the relevant amendments in the Accounting Principles relate to fixed assets, intangible assets and low-value items purchased after Jan.1, 2001, the Bank has not changed comparable data.

   The valuation rules have not changed with respect to fixed assets, intangible assets and low-value items purchased after Jan 1, 2001.

7. Shareholders holding at least 5% of the total votes at the Bank's General Shareholders' Meeting and changes in the ownership structure:

   In the first quarter of 2001 there were no changes in the Bank's ownership structure. (The last change took place as a result of the registration of the share capital increase on July 3, 2000).

The shareholders structure from January 1, 2001 to March 31, 2001:

shareholder	**number of shares owned**		**number of votes at the General Shareholders Meeting***	
Fortis Bank	**9.915.907**	**98,65%**	**7.538.850**	**75%**
Others	**135.893**	**1,35%**	**135.893**	**1,35%**
Total:	**10.051.800**	**100%**		

**Pursuant to Art. 26 of the Banking Law Act of 29.08.1997 (Dz. U. No. 140, Item. 939 as amended) and according to Resolution No. 159/KNB/99 of the Banking Supervision Commission of 16.08.1999 regarding the issuance of the permit to acquire the Bank's shares by Fortis Bank – Fortis Bank has 75% of the total votes at the General Shareholders Meeting.*

Under Resolution No. 10 of the General Shareholders' Meeting dated June 15, 2000 regarding the increase of the share capital through a public issue of 5,025,900 series J common bearer shares of nominal value PLN 2 each, on October 31, 2000 the Bank submitted a notification of the issue of Series J shares to be offered to the existing shareholders through the exercise of preemption rights. November 6, 2000 was the record date for the shareholders to determine their rights. On December 22, 2000, the Bank Board of Executives adopted a resolution regarding a change of original subscription dates and postponed them for the period from March 1 till March 14, 2001. On February 23, 2001, the Board of Executives determined the issue price of Series J shares at PLN 39.80 per share. As a result of exercising the preemptive rights, the one subscription order was submitted for 1,392,368 shares. The remaining 3,633,532 shares that have not been subscribed to through the exercising of preemptive rights, were offered by the Bank's Board of Executives, pursuant to Art. 436 Section 4 of the Company Code, to Fortis Bank SA/NV.

After the date of this report, i.e. on April 5, 2001, the subscription was closed and on April 12, 2001, the Board of Executives took a resolution regarding the completion of the Series J shares and confirming the allotment of shares. All the Series J shares were acquired by

Fortis Bank SA/NV. The Board of Executives applied to the Banking Supervision Commission for its consent to amend the Bank's Statue with regard to the share capital increase as a result of Series J shares issue. From April 27, 2001 until the date of issue registration, the allotment certificates will be traded at Warsaw Stock Exchange.

8. Fortis Bank Polska SA shares owned by the members of the Bank's Board of Executives and the Board of Directors:

8.1. It has been established that at the end of the I Qtr. 2001, i.e. on March 31, 2001 none of the Members of the Board of Executives (Jean-Marie De Baerdemaeker, Marek Kulczycki, Thomas Cianfrani, Leszek Niemycki, Jean-Luc Deguel, Gilles Polet, Andre van Brussel) held any shares issued by Fortis Bank Polska SA.

8.2. In the first quarter of 2001 no changes took place with respect to the structure of the Bank shares owned by the Members of the Board of Directors:

	Position	**Number of shares owned As of**	
		Dec 31, 2000	March 31, 2001
Luc Delvaux	Deputy Chairman	25	25

8.3. The remaining Members of the Board of Directors, i.e. Sjoerd van Keulen, Antoni Potocki, Zbigniew Dresler, Paul Dor, Roland Saintrond, Werner Claes and Kathleen Steel do not hold any shares of the Bank.

9. The most important events that took place in the fourth quarter of 2000:

9.1. On January 29, 2001 the Bank has subscribed for the Funds' participation units at

- First Temporary Specialized Investment Open Fund,
- Second Temporary Specialized Investment Open Fund,
- Third Temporary Specialized Investment Open Fund,
- Fourth Temporary Specialized Investment Open Fund,

within the before-registration subscription up to the total amount of PLN 16,624,000– with the intention to purchase the participation units of the above-mentioned Funds once they have been registered by the relevant court. The above-mentioned Funds are managed by PDM Society of the Investment Funds SA.

9.2. On January 1, 2001 Mr. Andre Van Brussel took the position of Vice President and Chief Financial Officer of the Bank.

9.3. Two new branches officially started operating activity in the beginning of March-first, FBP Branch in Bielsko-Biała at Partyzantów 22 and fourth branch in Warsaw at Al. Krakowska 2 (Raszyn).

9.4. Following two cuts in official interest rates by the Monetary Policy Council, the Bank decreased the interest rates on its term deposit accounts with fixed and variable rates. The interest rates on most of the credits and loans granted by the Bank are based upon the WIBOR, LIBOR and EURIBOR indices and thus they change automatically after the decision of MPC has become effective.

9.5. The Bank ranked among 45 best companies in the 8th edition of the prestigious "Golden Grosz" contest organized by Przekrój Weekly, Business Center Club and the Polish Business Council. The Bank gained a silver-plated replica of the "Golden Grosz" prize.

9.6. The Bank has received a promotion emblem and the title "An Enterprise Friendly Bank" ("Bank Przyjazny dla Przedsiębiorców"). It was awarded based on the assessment of the Bank's offering, expertise and the quality of service.

10. Information on most significant pending proceedings:

10.1. In the first quarter of 2001, no proceedings were instituted before court or state administration bodies related to the obligations or claims of the Bank or its subsidiaries, which total value would account for 10% of the Bank’s own capital.