

Commentary to the quarterly report of Fortis Bank Polska SA for the fourth quarter of 2002

1. Accounting principles adopted in the report.
 - 1.1. Fortis Bank Polska SA keeps its accounting records pursuant to the rules set out in the Accounting Act dated September 29, 1994 (*Journal of Acts* no. 121 item 591, as amended), Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Acts* no. 149 item 1673, as amended) and Ordinance of the Ministry of Finance dated December 12, 2001, regarding special rules of recognition, measurement methods, the scope of recognition and manner of presentation of financial instruments (*Journal of Acts* no. 149 item 1674).
 - 1.2. The Bank accounting rules are specified in the "Accounting rules" (*Order* no. B/45/2002 issued by the President of the Board of Executives of Fortis Bank Polska SA on May 6, 2002).
 - 1.3. A detailed description of the accounting principles applied by the Bank was presented in the Introduction to the Semi-Annual Report for the first half of 2002, published on September 30, 2002.
 - 1.4. In the third quarter of 2002, under the Ministry of Finance Ordinance of September 20, 2002, regarding the amendments to the Ordinance on special rules of bank accounting (*Journal of Acts* no. 157 item 1314), the Bank changed the manner of presentation of its result on the measurement of financial assets available for sale. According to the new principles, the Bank recognizes the effects of available-for-sale financial assets' measurement in the revaluation fund.
As a consequence of this change, at the end of the fourth quarter of 2002, the revaluation fund amounted to PLN 2,562 thousand.
 - 1.5. Financial data included in the quarterly report have 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 deferred tax assets and deferred tax liability referred to in the Accounting Act, and impairment loss.
 - 1.6. For the purpose of financial reporting the Bank applies the Model Chart of Accounts implemented under the Ministry of Finance Ordinance dated December 12, 2001, regarding the bank model chart of accounts (*NBP Official Journal* no 152 item 1727). 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 October 16, 2001, regarding the type, form and scope of current and periodical information and dates of its provision by issuers of securities admitted to public trading (*Journal of Acts* no 139 item 1569), as amended by the Ministry of Finance Ordinance dated March 19, 2002 (*NBP Official Journal* no. 31 item 280), and the Ministry of Finance Ordinance dated October 16, 2001, on detailed requirements applicable to issue prospectuses and abbreviated versions of such prospectuses (*Journal of Acts* no 139 item 1568), as amended by the Ordinance of the Ministry of Finance of March 19, 2002 (*Journal of Acts* no. 36 item 328).
 - 1.7. As of December 31, 2002, deferred tax assets amounted to PLN 37,354 thousand and deferred tax liability totaled PLN 8,038 thousand. As of December 31, 2001, the corresponding amount of deferred tax assets was PLN 31,666 thousand and deferred tax liability - PLN 16,635 thousand.
 - 1.8. Selected financial data included in this report have been converted into EUR according to the following rules:
 - 1.8.1. Particular assets and liabilities were converted into EUR at the NBP mid rate published on December 31, 2002, i.e., PLN 4.0202;
 - 1.8.2. Particular items in the profit and loss account and cash flow YTD were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National

Bank of Poland on the last days of the months from January through December of 2002, i.e., PLN 3.8697.

1.8.3. Particular items in the profit and loss account and cash flow for the fourth quarter were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland on the last days of the months of October, November and December 2002, i.e., PLN 3.9935.

1.8.4. The following rates were applied in the currency conversion according to the above mentioned rules:

- rate at the end of January 2002 - EUR/PLN 3.5929
- rate at the end of February 2002 - EUR/PLN 3.6410
- rate at the end of March 2002 - EUR/PLN 3.6036
- rate at the end of April 2002 - EUR/PLN 3.5910
- rate at the end of May 2002 - EUR/PLN 3.7782
- rate at the end of June 2002 - EUR/PLN 4.0091
- rate at the end of July 2002 - EUR/PLN 4.0810
- rate at the end of August 2002 - EUR/PLN 4.0809
- rate at the end of September 2002 - EUR/PLN 4.0782
- rate at the end of October 2002 - EUR/PLN 3.9793
- rate at the end of November 2002 - EUR/PLN 3.9809
- rate at the end of December 2002 - EUR/PLN 4.0202

1.9. The Bank's only controlled entity is 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 are immaterial for a reliable and transparent presentation of the property, financial situation and financial result of the Bank. As of the end of December 2002, the total assets of Fortis Securities Polska SA constituted 0.2% of the Bank's total assets, FSP's total income made up 0.6% of the Bank's total income and deductions were made in order to adjust the value of the capital investment in the FSP, in compliance with the applicable regulations.

2. Information about adjustments made on account of provisions, including differed tax liability and differed tax assets, referred to in the Accounting Act:

2.1. at the end of the fourth quarter of 2002, deferred tax assets amounted to PLN 37,354 thousand, while deferred tax liability recognized in the liabilities of the balance sheet totaled PLN 8,038 thousand;

2.2. in the fourth quarter of 2002, Bank created provisions for the depreciation of FSP S.A. shares in the amount of PLN 1,374 thousand. As a result of improvement of the financial condition of the company in December 2002, provisions for depreciation of PLN 378 thousand were released. As at the end of December 2002, provisions for depreciation totaled PLN 11,624 thousand;

2.3. Bank created provisions in the amount of PLN 45,671 thousand for loans and off-balance sheet commitments; in the fourth quarter of 2002, the value of created provisions exceeded the value of released provisions by PLN 6,522 thousand;

3. Factors and events that had a substantial impact on the financial result achieved in the fourth quarter of 2002:

3.1. interest income in the amount of PLN 32,067 thousand, lower by 9% than in the corresponding period of 2001 (in the fourth quarter 2001, interest income totaled PLN 35,227 thousand);

- 3.2. commission and fee income of PLN 15,057 thousand, which represents a decrease of 12 % as compared to the fourth quarter of 2001 (in 2001, commission and fee income totaled PLN 17,095 thousand);
- 3.3. result on financial operations totaling PLN 4,483 thousand, being higher by 22% over the fourth quarter of 2001 (fourth quarter of 2001 – PLN 3,676 thousand);
- 3.4. FX result of PLN 11,266 thousand, which is lower by 37% than in the corresponding period of 2001 (fourth quarter of 2001 – PLN 17,944 thousand);
- 3.5. Bank operating costs of PLN 39 850 thousand, which is 5% higher than in the fourth quarter of 2001 (in the fourth quarter of 2001, operating costs amounted to PLN 37,937 thousand);
- 3.6. in the fourth quarter of 2002, the value of all created provisions exceeded the amount of released provisions by PLN 7,518 thousand, which represents a significant decrease as compared to the corresponding period of 2001 (for the fourth quarter of 2001, this excess totaled PLN 32,369 thousand).

4. In order to make data presented in the balance sheet comparable, the following changes have been introduced to the balance sheet and cash flow statement as at December 31, 2002.

BALANCE AS OF:	SPECIFICATION OF BALANCE SHEET ITEMS:	WAS: (in PLN '000)	IS: (in PLN '000).	CHANGE REFERS TO:
31.12.2001	Balance sheet statement - liabilities: XVI. Revaluation reserve	545	4,025	Recognition of available-for-sale securities' measurement in revaluation reserve, formerly recognized in the net profit (loss)
	XVIII. Undistributed profit (uncovered loss) from prior years	764	(2,716)	Recognition of available-for-sale securities' measurement in revaluation reserve, formerly recognized in the net profit (loss)
31.12.2001	Cash flow statement: A.II.5. (Profit) loss on investment activity	(1,041)	(1,046)	differences between the sale and liquidation values of intangible assets
	A.II.6. Change in provisions	(5,770)	(5,270)	recognition in "Change in provisions" of the employee benefits provision moved from the "Deferred income" item
	A.II.7. Change in debt securities held	2,777	(703)	change in the valuation method of available-for-sale securities
	A.II.8. Change in amounts due from financial sector	(152,506)	190,600	overnight deposits moved to "Cash"
	A.II.16. Change in other liabilities	24,061	28,082	liquidation of the "Income tax charged on profit before taxation" item in the CF and recognition of this amount in "Change in other liabilities"
	A.II.17. Change in interperiod settlements	(13,405)	(17,554)	recognition of "deferred tax assets" in "Change in interperiod settlement" due to the liquidation of the "Income tax paid" item in the CF
	A.II.18. Change in deferred income	34,020	34,412	derecognition of the employee benefits provision, which was moved to "Change in provisions"
	A.II.19. Other items	(62,691)	(59,991)	adjustments as a result of reconciliation
	A.III. Net cash flow from operating activities – indirect method	(306,621)	36,465	overnight deposits moved to "Cash"
	B.II.5. Purchase of intangible and tangible fixed assets	(44,186)	(44,166)	differences regarding the purchase value of intangible assets
	D. Net cash flow, total	200,412	543,518	overnight deposits moved to "Cash"

	E. Balance sheet change in cash	200,412	543,518	overnight deposits moved to "Cash"
	G. Cash at the end of the reporting period	413,654	756,760	overnight deposits moved to "Cash"

5. A 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 along with the interest and fees due. This form of collateral is provided for in Art 102 of the Banking Law Act dated August 29, 1998. As of December 31, 2002, the value of this collateral type accepted by the Bank amounted to PLN 227,884 thousand and was recognized in "due to customers" and "due to the budget sector" items of the balance sheet which is part of this quarterly report.
6. The Board of Executives of Fortis Bank Polska S.A. would like to inform you that as at December 31, 2002, the Bank earned the projected net profit announced in the quarterly report for the second quarter of 2002 on July 31, 2002. The net profit figure for the period ending December 31, 2002, planned in the revised budget at the level of PLN 30 million was slightly exceeded. This was due to the following positive and negative factors:
- 6.1. interest income – lower than planned by 2 .5%;
- 6.2. commission and fee income - lower than the projected figure by 18.5 %;
- 6.3. bank operating costs – 4 % lower than planned;
- 6.4. excess of created specific provisions for receivables and off-balance sheet commitments over released provisions for this purpose was lower by 30% as compared to the figure projected in the revised budget.
7. In the quarterly report as at December 31, 2002, on the liabilities side under the item "Undistributed profit (uncovered loss) from prior years," an amount of PLN (2,716) thousand was recognized, together with the retained earnings from 2001 (i.e., PLN 10,521 thousand), referring to adjustments in the opening balance as at January 1, 2002, which were made as a result of amendments in accounting regulations and changes in the method of presenting the valuation of available-for-sale securities, according to the Ordinance of Minister of Finance of September 20, 2002, which amended the Ordinance on special rules of bank accounting (*Journal of Acts* no. 157 item 1314).
8. On September 30, 2002, the Bank granted to Fortis Securities Polska S.A. an overdraft facility of PLN 1 million until March 31, 2004, on market conditions. By December 31, 2002, Fortis Securities Polska S.A. utilized PLN 352 thousand out of the facility; the remaining portion of the credit facility of PLN 648 thousand is recognized as an off-balance sheet commitment.
9. Significant transactions with affiliated entities:
- 9.1. loan agreement of September 24, 1998 with Fortis Bank S.A. and Fortis Bank (Nederland) N.V. On November 12, 1999, an annex to the agreement was drawn up. Under this agreement the Bank was granted a credit line facility in the maximum amount of DEM 200 million (at present ca. EUR 102 million) for 7 years;
- 9.2. loan agreement of September 24, 2001 with Fortis Bank (Nederland) N.V. Under this agreement the Bank was granted a credit line facility in the maximum amount of EUR 50 million for 4 years.
10. Shareholders with at least 5% of the total number of votes at the General Shareholders' Meeting until the date of publishing this report, e.g., February 12, 2003.

shareholder	number of shares owned	Share (%) in the equity	number of votes at the GSM	share (%) in the total number of shares
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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%		

**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.*

In the fourth quarter of 2002, and until the date of submitting this report, there have been no changes in the Bank's ownership structure as compared with the date of publishing the report for the third quarter, e.g. October 31, 2002.

The last significant change took place as a result of the registration of the Bank's share capital increase up to PLN 30,155,400 following the Series J shares issue on June 28, 2001.

11. Changes in the number of the issuer's shares or share options owned by the members of the management or supervisory bodies according to the Bank's knowledge.

As at the date of submitting this report, i.e. February 12, 2003, none of the Members of the Board of Executives (Ronald Richardson, Jean-Marie De Baerdemaeker, Andre Van Brussel, Leszek Niemycki, Jean-Luc Deguel, Gilles Polet,) held any shares issued by Fortis Bank Polska SA, which has not changed since the day of submitting the previous quarterly report for the third quarter of 2002, i.e., October 31, 2002.

Until the date of submitting this report, no changes have occurred with respect to the structure of the Bank shares owned by the Members of the Supervisory Board:

	Position	Number of shares owned as at	
		31.10.2002	12.02.2003
Luc Delvaux	Chairman	25	25

The other Members of the Supervisory Board, i.e. Antoni Potocki, Paul Dor, Zbigniew Dresler, Roland Saintrond, Werner Claes, Kathleen Steel and Didier Giblet do not hold any shares of the Bank.

12. On October 31, 2002, an Extraordinary Shareholders' Meeting was convened. The meeting was convened for the purpose of authorizing amendments to the Bank's Statute, which extended the core business of the Bank by introducing personal insurance services, including life insurance, and adjusted the Statute to the amended Foreign Exchange Law. A provision was also added enabling the Bank to provide certification services, as defined in the relevant electronic signature regulation. The changes in the Statute were approved by the Banking Supervision Commission (KNB) on December 13, 2002 and on January 31, 2003, they were entered into the National Court Register.
13. In December 2002, the Bank implemented an upgraded, and thus more effective, version of the Pl@net Internet Banking system. Its new features enable the user, among others, to carry out payment orders and check account balances on-line during the day.
14. In the fourth quarter of 2002, there were no pending proceedings related to the obligations or claims of the Bank or its subsidiary before court, relevant authority for arbitration or state administration bodies, whose total value would account for at least 10% of the Bank's own funds.
15. In the fourth quarter of 2002, the Bank did not grant any guarantees to one entity (or its subsidiary) that the total amount of which would constitute at least 10 % of its equity (i.e. over PLN 47.6 million).

16. Other information that the Banks regards as important for the assessment of the Bank's personnel, property, financial standing and financial result as well as changes made to them.

Effective January 09, 2003, having received the permit from the Banking Supervision Commission (KNB) for the appointment to the position of the President of the Board of Executives of Fortis Bank Polska SA (Resolution No. 5/KNB/2003), Mr. Ronald Richardson, who since February 1, 2002 held the position of First Vice President, took over the duties of the President from Mr. Jean-Marie De Baerdemaeker. As has been decided by the Bank's Supervisory Board, Mr. De Baerdemaeker will remain on the Board until April 30, 2002 as First Vice President.

On January 16, 2003, the Bank's Supervisory Board decided to appoint Mr. Koen Verhoeven Vice-President of the Board of Executives, and the Head of Credits effective March 1, 2003. Mr. Verhoeven will thus replace Mr. Gilles Polet, who after March 1, 2003, will remain a Member of the Board of Executives until July 31, 2003.

As of March 1, 2003, the Board of Executives of Fortis Bank Polska SA will have the following composition:

name	function
Ronald Richardson	President of the Board of Executives
Jean-Marie De Baerdemaeker	First Vice-President (until April, 2003)
Andre Van Brussel	Vice-President, CFO
Leszek Niemycki	Vice-President, Head of IPS Business Line
Jean-Luc Deguel	Vice-President, Head of MEC Business Line
Koen Verhoeven	Vice-President, Head of Credits
Gilles Polet	Member of the Board of Executives (until July 31, 2003)