

**Commentary to the quarterly report of Fortis Bank Polska SA
for the second quarter of 2003**

1. Accounting principles adopted in the report.
 - 1.1. Fortis Bank Polska SA keeps its accounting records pursuant to the rules set out in:
 - 1.1.1. Accounting Act dated September 29, 1994 (*Journal of Laws* no. 76, item 694, of 2002, unified text),
 - 1.1.2. Banking Law Act dated August 29, 1997 (*Journal of Laws* no. 72, item 665 of 2002, unified text),
 - 1.1.3. Corporate Income Tax Act dated February 15, 1992 (*Journal of Laws* no. 54, item 654 of 2000, unified text, as amended),
 - 1.1.4. Public Trading in Securities Act dated August 25, 1997 (*Journal of Laws* no. 49, item 447 of 2002, unified text),
 - 1.1.5. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Laws* no. 149 item 1673, as amended),
 - 1.1.6. 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 Laws* no. 149 item 1674),
 - 1.1.7. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of creation of reserves for risk connected with operations of banks (*Journal of Laws* no. 149, item 1672, as amended),
 - 1.2. The Bank accounting rules are specified in the “Accounting Policies” and “Valuation 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 policies applied by the Bank was presented in the Introduction to the 2002 Annual Report, published on April 10, 2003.
 - 1.4. In the second quarter of 2003, the Bank did not change the accounting policies.
 - 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 net financial result determined on the balance sheet day, taking into account adjustments resulting from provisions and deferred tax assets and liabilities, referred to in the Accounting Act, and write-downs on account of impairment.
 - 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 financial 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 Laws* no 139, item 1569, as amended) 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 Laws* no 139, item 1568, as amended)
 - 1.7. As of June 30, 2003, deferred tax assets amounted to PLN 35,356 thousand and deferred tax liability totaled PLN 7,453 thousand. As of June 30, 2002, the corresponding amount of deferred tax assets was PLN 36,071 thousand and deferred tax liability amounted to PLN 16,165 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 of the balance sheet were converted into EUR at the NBP mid-rate announced on June 30, 2003, i.e. PLN 4.457; whereas particular items of the balance sheet assets and liabilities were converted into EUR at the NBP mid-rate announced on June 30, 2002, which amounted to PLN 4.0091.
- 1.8.2. Particular items in the profit and loss account and cash flows for the second quarter of 2003 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through June of 2003, which amounted to PLN 4.311, whereas particular items of the profit and loss account and cash flows for the second quarter of 2002 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through June 2002, which amounted to PLN 3.7026.
- 1.8.3. The following rates were applied in the currency conversion according to the above mentioned rules:
- rate as of the end of January 2003 - EUR/PLN 4.1286
 - rate as of the end of February 2003 - EUR/PLN 4.2083
 - rate as of the end of March 2003 - EUR/PLN 4.4052
 - rate as of the end of April 2003 - EUR/PLN 4.2755
 - rate as of the end of May 2003 - EUR/PLN 4.3915
 - rate as of the end of June 2003 - EUR/PLN 4.457
 - rate as of the end of January 2002 - EUR/PLN 3.5929
 - rate as of the end of February 2002 - EUR/PLN 3.6410
 - rate as of the end of March 2002 - EUR/PLN 3.6036
 - rate as of the end of April 2002 - EUR/PLN 3.5910
 - rate as of the end of May 2002 - EUR/PLN 3.7782
 - rate as of the end of June 2002 - EUR/PLN 4.0091
- 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 June 2003, the total assets of Fortis Securities Polska SA constituted 1.4% of the Bank's total assets, and FSP's total income made up 1% of the Bank's total income.
2. Information about adjustments made on account of provisions, including deferred tax assets and liability, referred to in the Accounting Act:
- 2.1. as of the end of the second quarter of 2003, the deferred tax assets and deferred tax liability are presented in item 1.7 above.
- 2.2. in the second quarter of 2003, there was an improvement of the financial condition of the controlled company Fortis Securities Polska S.A. The value of the shares of FSP is measured by the equity method. The Bank reported an increase of FSP shares' value by PLN 489,000 (recognized as a share in a net profit/loss of subsidiaries) as the increase in the profit and loss account. The impact of above-mentioned valuation on the Bank's result was decreased by the deferred income tax in the amount of PLN 132,000.
- 2.3. in the second quarter of 2003, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 23,374 thousand; the value of created provisions exceeded the value of released provisions by PLN 3,256 thousand.
2. Factors and events that had a substantial impact on the financial result achieved in the second quarter of 2003:

- 3.1. interest income in the amount of PLN 28,183 thousand, lower by 14% than in the corresponding period of 2002 (as of the end of the second quarter 2002, interest income totaled PLN 32,887 thousand);
 - 3.2. commission and fee income of PLN 16,075 thousand, which represents an increase of 10% as compared to the second quarter of 2002 (as of the end of the second quarter of 2002, commission and fee income totaled PLN 14,574 thousand);
 - 3.3. FX result of PLN 10,994 thousand, which is lower by 22% than in the corresponding period of 2002 (as of the end of the second quarter of 2002 – PLN 14,021 thousand);
 - 3.4. Bank operating costs of PLN 35,831 thousand, which are slightly higher (by about 2%) than in the second quarter of 2002 (as of the end of the second quarter of 2002, the operating costs amounted to PLN 35,778 thousand);
 - 3.5. in the second quarter of 2003, the value of all created provisions exceeded the amount of released provisions by PLN 3,256 thousand, which represents a significant decrease by 76% as compared to the corresponding period of 2002 (as of June 30, 2002, this excess totaled PLN 13,832 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 June 30, 2002:

Balance sheet (in PLN thousand)	As of June 30, 2002	changes on account of reclassification	As of June 30, 2002 including changes on account of reclassification
ASSETS			
XII. Other securities and other financial assets	-	1,317	1,317
XVI. Prepayments and accruals	47,365	(1,317)	46,048
2. Other prepayments and accruals	11,294	(1,317)	9,977

ASSETS

RECLASSIFICATION CHANGE	
+/- PLN 1,317 thousand	Transfer of the derivatives instruments measurement, likewise valuation of participation units in open investment funds from "Other prepayments and accruals" into "Other securities and other financial assets"

LIABILITIES	As of June 30, 2002	Reclassification Changes on account of	As of June 30, 2002 including reclassification changes	Change of measurement rules	As of June 30, 2002 including changes
III. Due to customers	2,419,024		2,419,024		2,419,024
1. Savings accounts:	-		293,318		293,318
a) demand		293,318	293,318		293,318
2. Other dues:	2,419,024		2,125,706		2,125,706
a) current	701,854	(293,318)	408,536		408,536
XVI. Revaluation reserve	545		545	3,480	4,025
XVIII. Undistributed profit (uncovered loss) from prior years	11,285		11,285	(3,480)	7,805

LIABILITIES

RECLASSIFICATION CHANGE	
+/- PLN 293,318 thousand	Separation of demand (a'vista) savings from "Other dues"
VALUATION RULES CHANGE	
+/- PLN 3,480 thousand	The change refers to the recognition in the "Revaluation reserve" the measurement to fair value of securities available for sale, which was previously recognized in the net profit/loss

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

PROFIT AND LOSS ACCOUNT

RECLASSIFICATION CHANGES	
+/- PLN 558 thousand	Transfer of the amount of depreciation of the capital accumulation costs from "Depreciation" to "General expenses"
+/- PLN 1,635 thousand	Transfer of the revaluation costs of financial assets regarding the valuation of the subsidiary to "Share in net profit (loss) of subsidiaries measured by the equity method"

CASH FLOW STATEMENT	As of June 30, 2002	Reclassification change	As of June 30 2002 after changes
A. Cash flows from operating activity – indirect method	(153,443)		(153,443)
II. Adjustments for:	(172,451)		(172,451)
1. Share in net profit (loss) of subsidiaries measured by the equity method		1,635	1,635
2. Depreciation	14,324	(558)	13,766
6. Change in other reserves	292	(470)	(178)
11. Change in shares, securities and other financial assets		11,356	11,356
17. Change in prepayments and accrued income	7,155	(10,328)	(3,173)
19. Other items	58,844	(1,635)	57,209
III. Net cash flow from operating activity (I +/- II) - indirect method	(153,443)		(153,443)

CASH FLOW STATEMENT

RECLASSIFICATION CHANGES	
+/- PLN 1 635 thousand	Transfer of the revaluation costs of financial assets regarding the valuation of the subsidiary from "Other items" to "Share in net profit (loss) of subsidiaries measured by the equity method "
- PLN 558 thousand.	Transfer of the amount of depreciation of the capital accumulation costs from "Depreciation" to "Change in prepayments and accrued income"
- PLN 470 thousand	Transfer of the change in reserves for deferred tax to "Change in reserves" from "Change in prepayments and accrued income"
+ PLN 11,356 thousand	Transfer of the change in other financial assets from the "Change in

		prepayments and accrued income” to “Change in shares, securities and other financial assets”
- PLN 10,328 thousand	+ PLN 558 thousand	Transfer of the change in reserves for deferred tax to "Change in reserves" from "Change in prepayments and accrued income"
	+ PLN 470 thousand	Transfer of the change in reserves for deferred tax to "Change in reserves" from "Change in prepayments and accrued income"
	- PLN 11,356 thousand	Transfer of the change in other financial assets from the “Change in prepayments and accrued income” to “Change in shares, securities and other financial assets”

Change of the capital adequacy ratio

In the comparable data as of the end of June, 2002, the capital adequacy ratio of 18.93% was presented (the previously reported capital adequacy ratio as of the end of June 2002 amounted to 19.07%). The need to make the data comparable results from the change in equity amount for the purpose to compute the capital adequacy ratio, due to the change of the accounting policy adopted (amendments to the Accounting Act).

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 repayment of the debt along with 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 June 30, 2003, the value of this type of collateral accepted by the Bank amounted to PLN 204,478 thousand and was recognized in “Due to other financial institutions,” “Due to customers” and “Due to budget sector” items of the balance sheet, which is part of this quarterly report
6. Given the uncertainty as to the development of the macro-economic situation in Poland, the Board of Executives of Fortis Bank Polska SA will refrain from publishing any forecasts of the 2003 financial results.
7. 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., July 31, 2003.

shareholder	number of shares owned	Share (%) in the equity	number of votes at the GSM	share (%) in the total number of shares
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 second quarter of 2003, and until submission of this report, no changes occurred in the Bank’s capital from the date of publishing the previous report for the fourth quarter of 2002, i.e. May 5, 2003.

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

8. 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
 - 8.1. As at the date of submitting this report, i.e. July 31, 2003, none of the Members of the Board of Executives held any shares issued by Fortis Bank Polska SA, which means that no change occurred from the date of submitting the previous quarterly report for the first quarter of 2003, i.e., May 5, 2003.
 - 8.2. As at the date of submitting this report, i.e. July 31, 2003, no changes 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	
		May 5, 2003	July 31, 2003
Luc Delvaux	Chairman	25	25

- 8.3. The other Members of the Supervisory Board, i.e. Antoni Potocki, Paul Dor, Zbigniew Dresler, Roland Saintrond, Werner Claes and Didier Giblet do not hold any shares of the Bank.
9. In the second quarter of 2003, 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 equity
10. In the second quarter of 2003, the Bank did not enter into any material transactions with its affiliated entities on conditions different than the market ones.
11. In the second quarter of 2003, the Bank did not grant any sureties or 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 42.2 million).
12. 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, and data that are essential for the assessment of the Bank's capacity of meeting its liabilities:
- 12.1. Pursuant to the decision of the Supervisory Board, effective May 1, 2003 Mr. Jaromir Pelczarski was appointed as a Vice-President of the Board of Executives and Director of Operations and Support Services, and Mr. Jan Bujak was appointed as a Vice-President of the Board of Executives and Director of Finance & Legal. Furthermore, as it has been announced earlier, Mr. Jean-Marie De Baerdemaeker completed his appointment with Fortis Bank Polska SA on April 30 and Mr. Andre Van Brussel on June 30, 2003.
- As of July 1, 2003, the Board of Executives has been composed of: Ronnie Richardson, President of the Board of Executives; Jan Bujak, Vice-President and Chief Financial Officer; Leszek Niemycki, Vice-President; Jean-Luc Deguel, Vice-President; Koen Verhoeven, Vice-President; Jaromir Pelczarski, Vice-President; Gilles Polet, Member of the Board of Executives.
- 12.2. On June 12, 2003 the Bank signed a cooperation agreement with Credit Suisse Life&Pensions Towarzystwo Ubezpieczeń na Życie SA (Life Insurance Company). Under the agreement, the Bank's customers holding personal accounts can buy a child provision insurance with an insurance capital fund - "Better Tomorrow for your Child" - in the Bank's branches. The insurance agreement provides that after the end of the insurance term, the child receives a benefit in the determined amount. In the event of the death of the policy owner, Credit Suisse Life&Pensions takes over the duty to pay premiums and until the end of the insurance term, pay a quarterly pension to the child.
- 12.3. On June 26, 2003, the General Meeting of Shareholders of Fortis Bank Polska SA approved the Bank's financial statements, the report of the Board of Executives on the Bank's activity in 2002 and the report of the Supervisory Board for 2002; and approved the discharge of duties of the Board of Executives and Supervisory Board members. Out of the last year's net profit of PLN 31,374,465.79, the amount of PLN 30,155,400 was earmarked by the shareholders for the payment of dividend, whereas the remaining PLN 1.2 million was earmarked for the general risk fund. The date of determination of the right to dividend was determined as July 15, 2003, whereas the dividend payment date was scheduled for September 2, 2003. The shareholders present at the General Meeting of Shareholders accepted a declaration regarding the application of Corporate Governance rules in Fortis Bank. Furthermore, amendments to the Bank's Statute were adopted, mostly due to the need to adjust the Statute to the changes in the law.

- 12.4. Moreover, the General Meeting of Shareholders adopted a resolution regarding covering of financial effects of introduction in the Bank of necessary changes resulting from the amendment of Accounting Act made in 2001, in the amount of PLN 2,716,155.98, from the Bank's additional capital. On the liabilities side of the balance sheet as of June 30, 2002, the amount of PLN 7,805 thousand was reported in the item "Undistributed Profit (Uncovered Loss) from previous years" which comprised the amount of PLN 10,521 thousand - Undistributed Profit for 2001, and PLN (2,716) thousand - loss resulting from the Accounting Act changes. After covering the loss, in the item "Undistributed Profit (Uncovered Loss) from previous years" of the balance sheet statement as of June 30, 2003, the amount of PLN 10,521 thousand is reported, i.e. the undistributed profit for 2001.
- 12.5. On June 26, 2003 it was also decided to increase the capital exposure of Fortis Bank Polska SA in Fortis Securities Polska S.A. (FSP), the entity controlled by the Bank, by the total amount of PLN 50,000,011.60. The Bank's capital exposure was increased through the subscription for 1,832,845 shares of FSP's increased initial capital in the nominal value of PLN 24 each, for PLN 27.28 issue price per share. The shares subscribed for were acquired through an in-kind contribution, comprising 5,079 Treasury bills ISIN code PL 0000002317 maturing on October 15, 2003 (in the value of PLN 49,997,310.88), and a cash contribution (amounting to PLN 2,700.72).
- 12.6. On June 26, 2003 the General Meeting of Shareholders of Fortis Securities Polska S.A. elected members of the Supervisory Board for the new tenure. Mr. Leszek Niemycki will continue as the Chairman and Mr. Jan Bujak as a Member of the Company's Supervisory Board. For the first time, Mr. Ronald Richardson has been appointed as a Member of the FSP Supervisory Board, to replace Mr. Jean-Marie De Baerdemaeker. The remaining members of the FSP's Supervisory Board reelected for the next tenure are Daniel De Meeus d'Argenteuil and Freddy Van den Spiegel.
- 12.7. Under the patronage of the Delegation of the European Commission in Poland and in cooperation with the European Bank for Reconstruction and Development, the Bank has been carrying out a Project named "With Fortis Bank to the European Union". The Project is to provide information about support accessible under the government aid and EU pre-accession funds to Small and Medium Enterprises. The Bank offers assistance in the acquisition of aid funds, investment loans entitling to receive the EU subsidies, advisory and information services as regards functioning of companies on the common European market.
- 12.8. Effective July 1, 2003 Fortis Bank Polska SA changed the existing bank account numbers into the new NRB standard (BBAN - Basic Bank Account Number).