

**Commentary to the quarterly report of Fortis Bank Polska S.A.
for the fourth quarter of 2003**

1. Accounting principles adopted in the report.
 - 1.1. Fortis Bank Polska S.A. 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 as amended),
 - 1.1.2. Banking Law Act dated August 29, 1997 (*Journal of Laws* no. 72, item 665 of 2002, unified text as amended),
 - 1.1.3. Public Trading in Securities Act dated August 25, 1997 (*Journal of Laws* no. 49, item 447 of 2002, unified text as amended),
 - 1.1.4. Ordinance of the Ministry of Finance dated December 10, 2001, regarding special rules of bank accounting (*Journal of Laws* no. 149 item 1673, unified text as amended),
 - 1.1.5. 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),
 - 1.1.6. 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. A detailed description of the accounting policies applied by the Bank was presented in the Introduction to the 2003 Semi-Annual Report, published on September 26, 2003.

Furthermore, in the fourth quarter of 2003 the Bank implemented also hedging accounting to a limited extent. The Bank applies hedging to fair value only. The purpose of hedging the fair value is to lower the risk related to the impact of a fair value change on the Bank's financial profit, when the change results from a specific risk related to financial assets and liabilities (or their portion) entered into the books. The Bank applies hedging accounting with respect risks related to fair value change due to interest rate fluctuations.

Fair value hedging is settled in the following manner:
 - results of a hedging instrument remeasurement to the fair value are recognized in financial result, and
 - results of the fair value change of a hedged position, if they could be assigned to the risk hedged, adjust the position's balance-sheet value and are included into the financial result.
 - 1.3. 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 profit/loss 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 for impairment.
 - 1.4. 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 (*Journal of Laws* 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)
 - 1.5. As of December 31, 2003, deferred tax assets amounted to PLN 18,208 thousand and deferred tax liability totaled PLN 5,083 thousand. As of December 31, 2002, the corresponding amount of deferred tax assets was PLN 37,050 thousand and deferred tax liability amounted to 8,505 thousand.

- 1.6. Selected financial data included in this report have been converted into EUR according to the following rules:
- 1.6.1. Particular assets and liabilities of the balance sheet were converted into EUR at the NBP mid-rate announced on December 31, 2003, i.e. PLN 4.717; whereas particular items of the balance sheet assets and liabilities were converted into EUR at the NBP mid-rate announced on December 31, 2002, which amounted to PLN 4.0202.
- 1.6.2. Particular items in the profit and loss account and cash flows for the fourth 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 December of 2003, which amounted to PLN 4.4474, whereas particular items of the profit and loss account and cash flows for the fourth quarter of 2002 YTD 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 December 2002, which amounted to PLN 3.8697.
- 1.6.3. 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 4.4570
 - rate as of the end of July 2003 - EUR/PLN 4.3879
 - rate as of the end of August 2003 - EUR/PLN 4.3588
 - rate as of the end of September 2003 - EUR/PLN 4.6435
 - rate as of the end of October 2003 – EUR/PLN 4.6826
 - rate as of the end of November 2003 – EUR/PLN 4.7127
 - rate as of the end of December 2003 – EUR/PLN 4.717
 - 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
 - rate as of the end of July 2002 - EUR/PLN 4.0810
 - rate as of the end of August 2002 - EUR/PLN 4.0809
 - rate as of the end of September 2002 - EUR/PLN 4.0782
 - rate as of the end of October 2002 – EUR/PLN 3.9793
 - rate as of the end of November 2002 – EUR/PLN 3.9809
 - rate as of the end of December 2002 – EUR/PLN 4.0202
- 1.7. 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 2003, the total assets of Fortis Securities Polska S.A. constituted 1.3% 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 fourth quarter of 2003, the deferred tax assets and deferred tax liability are presented in item 1.5 above.
- 2.2. for the four quarters of 2003, an improvement of the financial condition of Fortis Securities Polska S.A. was noted. The value of the shares of FSP is measured by the equity method. The Bank reported an increase of FSP shares' value by PLN 2,493 thousand (recognized as a

share in a net profit/loss of subsidiaries measured by equity method) 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 474 thousand.

- 2.3. from January through December of 2003, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 58,528 thousand; the value of created provisions exceeded the value of released provisions by PLN 21,106 thousand for the four quarters of 2003.
3. Factors and events that had a material impact on the financial profit made in the fourth quarter of 2003:
- 3.1. interest income in the amount of PLN 30,595 thousand, i.e. on the level of the corresponding period of 2002 (lower by 3% only than in the corresponding fourth quarter of 2002, which totaled PLN 31,695 thousand);
- 3.2. commission and fee income amounting to PLN 19,447 thousand was higher by 30% as compared to the fourth quarter of 2002; fees for the loan granting have a significant share in the above results (in the fourth quarter of 2002, commission and fee income totaled PLN 14,995 thousand);
- 3.3. FX result of PLN 18,423 thousand, which is higher by 64% than in the corresponding period of 2002 (as of the end of the fourth quarter of 2002 PLN 11,265 thousand);
- 3.4. Bank operating costs of PLN 37,774 thousand, which are lower by 7% than in the fourth quarter of 2002 (as of the end of the fourth quarter of 2002, the operating costs amounted to PLN 40,559 thousand);
- 3.5. loss of (PLN 789 thousand) incurred on financial operations, of which the loss of (PLN 280 thousand) generated on held-for-trading securities transactions constitutes the biggest item. In the corresponding period of 2002, as far as financial operations are concerned, the Bank made profit of PLN 4,483 thousand.
- 3.6. in the fourth quarter of 2003, the value of all created provisions exceeded the amount of released provisions by 27%, as compared to the corresponding period of 2002, and equaled PLN 8,187 thousand (in the fourth quarter of 2002, this excess totaled PLN 6,471 thousand).
4. In order to make data presented in the balance sheet comparable, the following changes have been introduced to the balance sheet as at September 30, 2003, December 31, 2002 and September 30, 2002:

LIABILITIES	As of Sept. 30, 2003	Reclassification change	As of Sept. 30, 2003 incl. reclassification changes
III. Due to customers	2,261,805	-	2,261,805
1. Savings accounts:	303,399	(303,399)	-
a) demand	303,399	(303,399)	-
2. Other dues:	1,958,406	303,399	2,261,805
a) current	700,526	303,399	1,003,925

LIABILITIES	As of Dec. 31, 2002	Reclassification change	As of Dec. 31, 2002 incl. reclassification changes
III. Due to customers	2,280,289	-	2,280,289
1. Savings accounts:	256,670	(256,670)	-
a) demand	256,670	(256,670)	-
2. Other dues:	2,023,619	256,670	2,280,289
a) current	667,276	256,670	923,946

LIABILITIES	As of Sept. 30, 2002	Reclassification change	As of Sept. 30, 2002 incl. reclassification changes
III. Due to customers	2,315,519	-	2,315,519
1. Savings accounts:	299,871	(299, 871)	-
a) demand	299,871	(299, 871)	-
2. Other dues:	2,015,648	299,871	2,315,519
a) current	512,045	299,871	811,916

LIABILITIES

RECLASSIFICATION CHANGE	
+/- PLN 303,399 thousand	Transfer of demand accounts from 'Savings Accounts' to "Other dues"
+/- PLN 256,670 thousand	
+/- PLN 299,871 thousand	

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 December 31, 2003, the value of this type of collateral accepted by the Bank amounted to PLN 218,126 thousand and was recognized in "Due to other financial institutions" and "Due to customers and budget sector" items of the balance sheet, which is part of this quarterly report.
6. Shareholders' data specifying the shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders until the date of publishing this report, e.g., February 12, 2004.

shareholder	number of shares owned	Share (%) in the equity	number of votes at the GMS	share (%) in the total number of shares
Fortis Bank SA/NV	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 Meeting of Shareholders.*

In the fourth 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 third quarter of 2003, i.e. October 30, 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.

7. 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
 - 7.1. As at the date of submitting this report, i.e. February 12, 2004, none of the Members of the Board of Executives held any shares issued by Fortis Bank Polska S.A., which means that no change occurred from the date of submitting the previous quarterly report for the third quarter of 2003, i.e. October 30, 2003.
 - 7.2. As at the date of submitting this report, i.e. February 12, 2004, 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	
		October 30, 2003	February 12, 2004
Luc Delvaux	Chairman	25	25

- 7.3. 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.
8. In the fourth 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
9. In the fourth quarter of 2003, the Bank did not enter into any material transactions with its affiliated entities on conditions different than the market ones.
10. In the fourth 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 million).
11. Other information that the Bank 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:
- 11.1. As it has been announced earlier, Mr. Leszek Niemycki resigned from his duties of Vice-President of the Bank Board of Executives on October 23, 2003.
- As of October 24, 2003, the Board of Executives is composed of: Ronald Richardson, President of the Board of Executives; Jan Bujak, Vice-President and Chief Financial Officer; Jean-Luc Deguel, Vice-President; Koen Verhoeven, Vice-President; Jaromir Pelczarski, Vice-President.
- On January 7, 2004 the Commission for Banking Supervision issued an approval for Mr. Jan Bujak and Jaromir Pelczarski to take the positions of Vice-Presidents of the Bank Board of Executives.
- 11.2. The Supervisory Board of Fortis Securities Polska SA appointed Mr. Jan Bujak as the new Supervisory Board Chairman, and additionally at the Extraordinary Meeting of the Shareholders of FSP on December 19, 2003, Mr. Bartosz Chyła was appointed to the Board.
- 11.3. Fortis Bank Polska SA was the prizewinner of the Lider Informatyki (IT Leader) 2003 contest in the 'finance and banking' category.
- 11.4. In October 2003, Fortis Bank Polska SA signed a contract with ComputerLand for the development and implementation of an Internal and External Reporting System of the Bank. Under the contract signed with the Bank, ComputerLand shall provide full implementation, parameterization and training services, furnish licenses and hardware, likewise take care of the system maintenance for one year. The External Reporting System will allow the Bank, starting from 2004, to automate reporting in terms of: service of the balance of payments and other reporting to the NBP, reporting to the BFG and other. The project includes also the data warehouse implementation. The project should be concluded by the end of August 2004. The contract is worth PLN 2.15 million.
- 11.5. On December 8, 2003, in cooperation with Credit Suisse Life&Pensions Towarzystwo Ubezpieczeń na Życie S.A. (Life Insurance Company) the Bank launched the Czysty zysk (clear profit) product - a one-year life insurance policy which combines features of an insurance policy and an investment product.