

**Commentary to the quarterly report of Fortis Bank Polska S.A.
for the second quarter of 2004**

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 (Dziennik Ustaw)* 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, 2003, regarding rules of creation of reserves for risk connected with operations of banks (*Journal of Laws* no. 218, item 2147).
 - 1.2. A detailed description of the accounting policies applied by the Bank was presented in the Introduction to the 2003 Annual Report, published on April 15, 2004.
 - 1.3. Effective January 1, 2004, the Bank adopted the following changes to its accounting principles:

In Prepayments and Accrued Income, the Bank includes the commission and fee income:

 - for granting loans and changing terms and conditions (e.g. interest rate, repayment schedule, collateral) of loans with undetermined payment dates for specific installments. It applies to overdraft credit facilities and revolving credits,
 - for the issuance of guarantees and change of guarantee terms and conditions (e.g. extension of the guarantee validity period).

The above commissions and fees are settled using the straight-line method over the term of the loan agreement or the guarantee validity period, accordingly.

The deferred income does not include interest on receivables classified as ‘watch-list’ ones.

The net interest income as of the end of each reporting period includes income not received in the reporting period, on the account of interest due to the Bank, including discount and capitalized interest on receivables classified as ‘watch-list’ ones.
 - 1.4. In the second quarter of 2004 the Bank did not change the accounting principles.
 - 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 profit/loss binding 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.
 - 1.6. 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 (*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).

- 1.7. As of June 30, 2004, deferred tax assets amounted to PLN 26,815 thousand and deferred tax liability totaled PLN 7,441 thousand. As of June 30, 2003, the corresponding amount of deferred tax assets was PLN 35,360 thousand and deferred tax liability amounted to PLN 7,462 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, 2004, i.e. PLN 4.5422 ; whereas particular items of the balance sheet assets and liabilities for the comparable data were converted into EUR at the NBP mid-rate announced on June 30, 2003, which amounted to PLN 4.457;
 - 1.8.2. Particular items in the profit and loss account and cash flows for the second quarter of 2004 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 June of 2004, which amounted to PLN 4.7311, whereas particular items of the profit and loss account and cash flows for comparable data for the second quarter of 2003 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 June 2003, which amounted to PLN 4.311;
 - 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 2004 - EUR/PLN 4.7614,
 - rate as of the end of February 2004 - EUR/PLN 4.8746,
 - rate as of the end of March 2004 - EUR/PLN 4.7455,
 - rate as of the end of April 2004 - EUR/PLN 4.8122,
 - rate as of the end of May 2004 - EUR/PLN 4.6509,
 - rate as of the end of June 2004 - EUR/PLN 4.5422,
 - 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.
 - 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 30, 2004, the total assets of Fortis Securities Polska S.A. constituted 1.2% of the Bank's total assets, and FSP's total income made up 1.1% 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 2004, the deferred tax assets and deferred tax liability are presented in item 1.7 above.
 - 2.2. in the two quarters of 2004, 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 2,052 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.

- 2.3. from January through June 2004, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 20,040 thousand; for two quarters of 2004, the value of created provisions exceeded the value of released provisions by PLN 11,320 thousand.
3. Factors and events that had a material impact on the financial profit made in the second quarter of 2004:
- 3.1. net interest income in the amount of PLN 41,854 thousand, i.e. higher by 48% than in the corresponding period of 2003. The net interest income generated in the second quarter of 2003 amounted to PLN 28,218 thousand;
- 3.2. net commission and fee income amounting to PLN 18,142 thousand, i.e. higher by 13% than in the second quarter of 2003. In the second quarter of 2003, commission and fee income totaled PLN 16,075 thousand;
- 3.3. FX result of PLN 17,629 thousand, which is higher by 60% than in the corresponding period of 2003 (as of the end of the second quarter of 2003: PLN 10,994 thousand);
- 3.4. Bank operating costs of PLN 38,203 thousand, which are higher by 7% than in the second quarter of 2003 (as of the end of the second quarter of 2003, the operating costs amounted to PLN 35,831 thousand);
- 3.5. the value of all created provisions exceeding the amount of released provisions higher by 88% in comparison to the corresponding period of 2003 year, and amounting to PLN 6,145 thousand (in the second quarter of 2003, this excess totaled PLN 3,272 thousand).
4. In order to make data presented in the balance sheet comparable and in connection with the implementation of new valuation rules effective January 1, 2004, the following changes have been introduced to the balance sheet for the comparable data as at June 30, 2003:
- 4.1. Adjustments on account of reclassification:

Assets:

	as of 31.06.2003 r.	change on account of reclassification	as of 31.06.2003 r. after reclassification
III. Receivables due by financial sector	743,244	27	743,271
2. Term	391,363	27	391,390
IV. Receivables due by customers	2,614,339	(27)	2,614,312
1. Current	490,384	47,437	537,821
2. Term	2,123,955	(47,464)	2,076,491
Total assets	4,161,014		4,161,014

CHANGE ON ACCOUNT OF RECLASSIFICATION		
+ PLN 27 thousand		The change refers to moving customer's receivables from non-financial to financial sector
+ PLN 47,427 thousand	+/- PLN 47,464 thousand	The change in presentation of current non-performing receivables previously reported in the item "Term", now in the item "Current".
	- PLN 27 thousand	The change refers to moving customer's receivables from non-financial to financial sector

Liabilities:

	as of 31.06.2003 r.	change on account of reclassification	as of 31.06.2003 r. after reclassification

III. Due to non-financial sector	2,105,766		2,105,766
1. Savings:	313,030	(313,030)	
a) current	313,030	(313,030)	
2. Others:	1,792,736	313,030	2,105,766
a) current	603,884	313,030	916,914
Total liabilities	4,161,014		4,161,014

CHANGE ON ACCOUNT OF RECLASSIFICATION	
+/- PLN 313,030 thousand	The change refers to moving current accounts from “Current Savings” to “Others - current”

Effective January 1, 2004, the Bank includes interest on watch-list receivables into the net profit/loss. As the amount of the adjustment to the net profit/loss on that account in the comparable data is very small, the Bank did not change the comparable data as of March 31, 2003 and June 30, 2003. As a result of the above-mentioned change, the Bank's gross profit would increase by:

- as of March 31, 2003 – 5.4%
- as of June 30, 2003 – 2.2%, respectively.

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, 1997. As of June 30, 2004, the value of this type of collateral accepted by the Bank amounted to PLN 220,636 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 Annual Meeting of Shareholders until the date of publishing this report, e.g., August 3, 2004.

shareholder	number of shares owned	Share (%) in the equity	number of votes at the AGM	share (%) in the total number votes at the AGM
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 (Journal of Laws 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 second quarter of 2004, and until submission of this report, no changes occurred in the Bank's capital from the date of publishing the previous report for the first quarter of 2004, i.e. May 5, 2004.

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 for the second quarter of 2004, i.e. August 3, 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 first quarter of 2004, i.e. May 5, 2004.
8. As at the date of submitting this report for the second quarter of 2004, i.e. August 3, 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	
		May 5, 2004	August 3, 2004
Luc Delvaux	Chairman	25	25

- 8.1. 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 nor any rights derived therefrom.
9. In the second quarter of 2004, 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 2004, 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 2004, the Bank did not grant any sureties or guarantees to an entity (or its subsidiary) the total amount of which would constitute at least 10% of its equity (i.e. over PLN 45 million).
12. 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:
- 12.1. The Bank's project "In the European Union with Fortis Bank" is the continuation of its information campaign on subsidies for SME sector which are available via EU aid funds. The Bank grants loans to finance business activities for which subsidies are available.
- 12.2. On June 2, 2004 the Bank signed a distribution agency agreement with GTFI (Górnośląskie Towarzystwo Funduszy Inwestycyjnych S.A.) for sale and purchase of participation units. The Bank obtained the consent issued by the Securities and Exchange Commission (KPWiG) to grant the Bank a license to distribute participation units of investment funds (KPWiG Resolution no. 517 dated July 13, 2004).
- 12.3. As it was announced earlier, at their Ordinary General Meeting held on June 24, 2004 the shareholders approved the Bank's financial report, the report of the Bank's activity prepared by the Board of Executives and the Supervisory Board's report for the year 2003 as well as the discharge of duties of the Board of Executives and of the Supervisory Board. The total of last year's net profit amounting to PLN 36 million was dedicated for the increase of the Bank's equity.
- 12.4. On April 21, 2004, the Supreme Administrative Court issued a ruling that derogated the decision the Tax Chamber in Warsaw made in 2001, and thus approved the Bank's standpoint as regards taxation of the income generated from the liquidation of TFI PDM SA funds. Under the above ruling, the Bank applied to the tax office for reimbursement of the excess corporate income tax in the amount of PLN 3.5 million paid for the years 2001-2002.