

Commentary to the quarterly report of Fortis Bank Polska S.A. for the third 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* No. 76, item 694, of 2002 as amended),
 - 1.1.2. Banking Law Act dated August 29, 1997 (*Journal of Laws* No. 72, item 665 of 2002 as amended),
 - 1.1.3. Public Trading in Securities Act dated August 21, 1997 (*Journal of Laws* No. 49, item 447 of 2002 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 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 as amended),
 - 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 Semi-Annual report for the 1half-year of 2004, published on September 29th, 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. This applies to overdraft credit facilities and revolving credits;
 - for the issuance of guarantees and the change of guarantee terms and conditions (e.g. the extension of 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’ receivables.

The net interest income as at the end of each reporting period includes income uncollected in the reporting period, on the account of interest due to the Bank, including discount and capitalized interest on receivables classified as ‘watch-list’ receivables.
 - 1.4. In the third 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 the 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 August 11, 2004 on detailed requirements applicable to issue prospectuses and abbreviated versions of such prospectuses (*Journal of Laws* No. 186, item 1921).

- 1.7. As at 30 September 2004 deferred tax assets amounted to PLN 30,425 thousand, and deferred tax liability totaled 9,155 thousand PLN. As at 30 September 2003, the corresponding amount of deferred tax assets was PLN 30 943 thousand, and deferred tax liability amounted to PLN 7,413 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 September 30, 2004, i.e. PLN 4.3832; 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 September 30, 2003, which amounted to 4.6435 PLN;
 - 1.8.2. Particular items in the profit and loss account and cash flows for the third 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 at the last days of the months from January through September of 2004, which amounted to PLN 4.6214, whereas particular items of the profit and loss account and cash flows for comparable data for the third 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 September 2003, which amounted to PLN 4.3618;
 - 1.8.3. The following rates were applied in the currency conversion, according to the above mentioned rules:
 - rate as at the end of January 2004 r.- 4.7614 EUR/PLN
 - rate as at the end of February 2004 r.- 4.8746 EUR/PLN
 - rate as at the end of March 2004 r.- 4.7455 EUR/PLN
 - rate as at the end of April 2004 r.- 4.8122 EUR/PLN
 - rate as at the end of May 2004 r.- 4.6509 EUR/PLN
 - rate as at the end of June 2004 r.- 4.5422 EUR/PLN
 - rate as at the end of July 2004 r.- 4.3759 EUR/PLN
 - rate as at the end of August 2004 r.- 4.4465 EUR/PLN
 - rate as at the end of September 2004 r.- 4.3832 EUR/PLN
 - rate as at the end of January 2003 r.- 4.1286 EUR/PLN
 - rate as at the end of February 2003 r.- 4.2083 EUR/PLN
 - rate as at the end of March 2003 r.- 4.4052 EUR/PLN
 - rate as at the end of April 2003 r.- 4.2755 EUR/PLN
 - rate as at the end of May 2003 r.- 4.3915 EUR/PLN
 - rate as at the end of June 2003 r.- 4.4570 EUR/PLN
 - rate as at the end of July 2003 r.- 4.3879 EUR/PLN
 - rate as at the end of August 2003 r.- 4.3588 EUR/PLN
 - rate as at the end of September 2003 r.- 4.6435 EUR/PLN
- 1.9. The only controlled entity of the Bank is Fortis Securities Polska S.A. (FSP). Pursuant to

Art. 58 of the Accounting Act, the Bank is not obligated to prepare consolidated financial statements, 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 at the end of September 2004, the total assets of Fortis Securities Polska S.A. constituted 1.2% of the Bank's total assets, and FSP total income made up 1% of the Bank's total income.

2. The information about adjustments made on account of provisions, including deferred tax assets and liabilities, referred to in the Accounting Act:
 - 2.1. as at the end of the third quarter of 2004, the deferred tax assets and deferred tax liability are presented in item 1.7 above.
 - 2.2. in the three 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 2,941 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 September 2004, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 35,201 thousand; for the three quarters of 2004, the value of created provisions exceeded the value of released provisions by PLN 19,937 thousand.
 - 2.4. in the third quarter 2004, the Bank made provisions for general banking risk in the amount of PLN 2,500 thousand, whilst as at the end of the third quarter of 2003, the Bank had no general banking risk provisions.
3. Factors and events that had a material impact on the financial profit made in the third quarter of 2004:
 - 3.1. net interest income in the amount of PLN 39,328 thousand, which is considerably higher (by 37 %) than within the corresponding period of 2003. The net interest income generated in the third quarter of 2003 amounted to PLN 28,650 thousand;
 - 3.2. net commission and fee income amounting to PLN 19,022 thousand, which is higher by 9% than within the third quarter of 2003. In the third quarter of 2003, commission and fee income totaled PLN 17,502 thousand;
 - 3.3. FX result of PLN 15,048 thousand, which is lower by 6% than in the corresponding period of 2003 (as at the end of the third quarter of 2003 it amounted to PLN 16,072 thousand);
 - 3.4. Bank's operating expenses of PLN 34,895 thousand, which are higher by 4% than in the third quarter of 2003 (as at the end of the third quarter of 2003, the operating expenses amounted to PLN 33,655 thousand);
 - 3.5. in the third quarter 2004 the excessive value of all created provisions over released provisions was higher by 59% in comparison to the corresponding period of 2003, and amounted to PLN 11,117 thousand (in the third quarter of 2003, this excess totaled PLN 6,989 thousand).
4. In order to make the data presented in the balance sheet comparable and in connection with the implementation of the new valuation rules effective January 1, 2004, the following changes have been introduced to the balance sheet for the comparable data as of September 30, 2003:
 - 4.1. Adjustments on account of reclassification:

Liabilities

	as at Sept 30, 2003	change on account of reclassification	as at Sept 30, 2003 after reclassification
III. Due to non-financial sector:	2,261,805		2,261,805
1. Savings accounts, including:	303,399	(303,399)	

a) Current	303,399	(303,399)	
2. Others, including:	1,958,406	303,399	2,261,805
a) Current	700,526	303,399	1,003,925
Total liabilities	4,150,556		4,150,556

CHANGE ON ACCOUNT OF RECLASSIFICATION	
PLN +/- 303,399 thousand	The change refers to moving current accounts from “Current Savings” to “Others - current”

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

- as at 30 June 2003 r. – 2.2 %

- as at 30 June 2003 r. – 0.9 %

5. A type of collateral used by the Bank is the transfer of a specific amount to the Bank's account, whereas the Bank undertakes to return this amount upon repayment of the debt along with interests and fees due. This form of collateral is provided for in Art. 102 of the Banking Law Act dated August 29, 1997. As at September 30, 2004, the value of this type of collateral accepted by the Bank amounted to PLN 223 326 thousand and was recognized as “Dues for financial sector” and “Dues to non-financial sector” items of the balance sheet, which is a part of this quarterly report.
6. Shareholders' data specifying the shareholders with at least 5% of the total number of votes at the Annual Shareholders Meeting until the date of publishing this report, i.e., October 28, 2004.

	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 S.A./N.V.	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 August 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 August 1999 regarding the issuance of the permit to acquire the Bank's shares by Fortis Bank S.A./N.V.– Fortis Bank S.A./N.V. has 75% of the total votes at the General Shareholders Meeting.*

In the third quarter of 2004, and until submission of this report, no changes occurred in the Bank's capital following the date of publishing the previous report for the second quarter of 2004, i.e. August 3, 2004.

The latest 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 issuance 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 third quarter of 2004, i.e. October 28, 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 second quarter of 2004, i.e. August 3, 2004.
 - 7.2. As at the date of submitting this report for the third quarter of 2004, i.e. October 28, 2004, no changes occurred with respect to the structure of the Bank's shares

owned by the Members of the Supervisory Board:

	Position	Number of shares owned as at	
		August 3, 2004	October 28, 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 nor have any rights derived thereof.
8. In the third 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.
9. In the third quarter of 2004, the Bank did not enter into any material transactions with its affiliated entities on conditions different than the market ones.
10. In the third 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 45.06 million).
11. Other information regarded by the Bank as important for the assessment of the Bank's resources, property, financial standing, financial result and their relevant changes, and the data essential for the assessment of the Bank's capacity to meet its liabilities:
- 12.1. In July 2004, the Bank obtained permission from the Securities and Exchange Commission to intermediate in the sale or acquisition of fund participation units (the Resolution No 517 of 13 July 2004 passed by the Securities and Exchange Commission).
- 12.2. The Bank was reimbursed an overpaid corporate income tax due from the tax office for the period falling 2001 through 2002, in the amount of PLN 3.3 million PLN, under of the verdict given by the Supreme Administrative Court waiving the decision of 2001 by the Tax Chamber in Warsaw and thereby confirming the Bank's position stated on the method applied to income taxation for the income obtained from the TFI PDM S.A. fund liquidation.