

Commentary to the quarterly report of Fortis Bank Polska S.A. for the fourth 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. Ordinance of the Ministry of Finance dated December 12, 2001 (*Journal of Laws, No 149, item 1674 of 2001*) regarding a model chart of accounts for the banks.
 - 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 1st half-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 instalments. 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 fourth 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 31 December 2004 deferred income tax assets amounted to PLN 29,158 thousand, and deferred income tax liability totalled 9,778 thousand PLN. As at 31 December 2003, the corresponding amount of deferred income tax assets was PLN 18 621 thousand, and deferred tax liability amounted to PLN 4,442 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 December 31, 2004, i.e. PLN 4.079; 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 December 31, 2003, which amounted to 4.717 PLN;
 - 1.8.2. Particular items in the profit and loss account and cash flows as at the end of the fourth quarter of 2004 were converted into EURO 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 December of 2004, which amounted to PLN 4.5182, whereas particular items of the profit and loss account and cash flows for comparable data for as at the end of 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 2003, which amounted to PLN 4.4474;
 - 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 - EUR/PLN 4.7614
 - rate as at the end of February 2004 - EUR/PLN 4.8746
 - rate as at the end of March 2004 - EUR/PLN 4.7455
 - rate as at the end of April 2004 - EUR/PLN 4.8122
 - rate as at the end of May 2004 - EUR/PLN 4.6509
 - rate as at the end of June 2004 - EUR/PLN 4.5422
 - rate as at the end of July 2004 - EUR/PLN 4.3759
 - rate as at the end of August 2004 - EUR/PLN 4.4465
 - rate as at the end of September 2004 - EUR/PLN 4.3832
 - rate as at the end of October 2004 - EUR/PLN 4.3316
 - rate as at the end of November 2004 - EUR/PLN 4.2150
 - rate as at the end of December 2004 - EUR/PLN 4.0790
 - rate as at the end of January 2003 - EUR/PLN 4.1286
 - rate as at the end of February 2003 - 4,2083 EUR/PLN
 - rate as at the end of March 2003 - EUR/PLN 4.4052
 - rate as at the end of April 2003 - EUR/PLN 4.2755
 - rate as at the end of May 2003 - EUR/PLN 4.3915
 - rate as at the end of June 2003 - EUR/PLN 4.4570
 - rate as at the end of July 2003 - EUR/PLN 4.3879
 - rate as at the end of August 2003 - EUR/PLN 4.3588
 - rate as at the end of September 2003 - EUR/PLN 4.6435
 - rate as at the end of October 2003 - EUR/PLN 4.6826

- rate as at the end of November 2003 - EUR/PLN 4,7127
- rate as at the end of December 2003 - EUR/PLN 4.717

- 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 December 2004, the total assets of Fortis Securities Polska S.A. constituted 1.1% 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 fourth quarter of 2004, the deferred income tax assets and deferred tax liability are presented in item 1.7 above.
 - 2.2. in the four quarters of 2004, an improvement of the financial condition of Fortis Securities Polska S.A. was noted. The value of FSP SA shares is measured by the equity method. As a result of valuation, the Bank reported an increase of FSP share value, which has been recognized in the profit and loss account as a 'share in a net profit/loss of subsidiaries measured by equity method' amounting to PLN 3,841 thousand, and also in the balance-sheet as the revaluation reserve capital increase by PLN 250 thousand.
 - 2.3. from January through December 2004, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 44,127 thousand; for the four quarters of 2004, the value of created provisions exceeded the value of released provisions by PLN 22,912 thousand.
 - 2.4. in the fourth quarter 2004, the Bank made provisions for general banking risk amounting to PLN 9,500 thousand, the total balance of which ad at Dec. 31, 2004 amounted to PLN 12,000 thousand, whilst as at the end of the fourth 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 fourth quarter of 2004:
- 3.1. net interest income in the amount of PLN 39,993 thousand, which is considerably higher (by 31%) than within the corresponding period of 2003. The net interest income generated in the fourth quarter of 2003 amounted to PLN 30,592 thousand;
 - 3.2. net commission and fee income amounting to PLN 19,945 thousand, which is higher by 6% than within the fourth quarter of 2003. In the fourth quarter of 2003, commission and fee income totalled PLN 18,849 thousand;
 - 3.3. FX result of PLN 15,606 thousand, which is lower by 15% than in the corresponding period of 2003 (as at the end of the fourth quarter of 2003 it amounted to PLN 18,421 thousand);
 - 3.4. Bank's operating expenses of PLN 38,899 thousand, which are higher by 4% than in the fourth quarter of 2003 (as at the end of the fourth quarter of 2003, the operating expenses amounted to PLN 37,504 thousand);
 - 3.5. in the fourth quarter 2004, the excessive value of all created provisions over released provisions was higher by 52% in comparison to the corresponding period of 2003, and amounted to PLN 12,475 thousand (in the fourth quarter of 2003, this excess totalled PLN 8,192 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 December 31, 2003.

Liabilities

| | As at Dec 31, 2003 | Change of accounting rules | As at Dec 31, 2003 after reclassification |
|---|-----------------------|----------------------------------|---|
| XI. Accruals and deferred income | 102,831 | 3,372 | 106,203 |
| 3. Other accruals and deferred income | 92,307 | 3,372 | 95,679 |
| X. Provisions | 6,875 | (641) | 6,234 |
| 1. Provision for corporate income tax | 5,083 | (641) | 4,442 |
| XVIII. Retained earnings (uncovered loss) from prior years | 10,521 | (2,731) | 7,790 |

| ADJUSTMENTS ON ACCOUNT OF CHANGES IN ACCOUNTING RULES | | |
|---|-----------------------------|---|
| PLN + 3,372 thousand | | The amount related to a straight-line depreciation of commissions received, previously recognised as financial result; |
| PLN – 3,372 thousand | PLN - 641 thousand | Deferred tax amount related to a straight line depreciation of commissions received, previously recognised as financial result; |
| | PLN – 2,731 thousand | The amount related to a straight-line depreciation of commissions received moved to „Other accruals and deferred income”; |

In the fourth quarter of 2004, the Bank did not make any changes in the report on the account of reclassification. As of January 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 December 31, 2003. As a result of the above-mentioned change, the Bank's gross profit as at 31 Dec 2003 would increase by 0.1%.

- 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 December 31, 2004, the value of this type of collateral accepted by the Bank amounted to PLN 221,045 thousand and was recognized as "Dues for financial sector" and "Dues for non-financial sector" items of the balance sheet, which is a part of this quarterly report.
- 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., February 11, 2005.

| | 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 fourth quarter of 2004, and until submission of this quarterly report, no changes occurred in the Bank's capital, following the date of publishing the previous report for the

third quarter of 2004, i.e. October 28, 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 fourth quarter of 2004, i.e. February 11, 2005, 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 2004, i.e. October 28, 2004.

7.2. As at the date of submitting this report for the fourth quarter of 2004, i.e. February 11, 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 | |
|-------------|----------|------------------------------|-------------------|
| | | October 28, 2004 | February 11, 2005 |
| 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 fourth 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 fourth 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 fourth 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. PLN 44.76 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 November 2004, Mr. Richardson resigned from the position of the President of the Board of Executives at Fortis Bank Polska SA and his employment in Fortis group effective from 31 January 2005. At the meeting held on the 6th of January 2005, the Bank's Supervisory Board approved his resignation and recalled him from the positions held by him in the Bank's Board of Executives as of the 10th of January 2005. At the same time, the Supervisory Board appointed Mr. Jan Bujak the President of the Board of Executives from January 11th, 2005, provided that the Commission for Banking Supervision agrees to this appointment. On February 9th, 2005, the Commission for Banking Supervision approved the appointment of Mr. Bujak. As of the 1st of February 2005, Mr. Alexander Paklons has been appointed to the Bank's Board of Executives as the Senior Vice President and Country Manager.

12.2. As of the 24th January 2005, Mr. Richardson resigned from the function of the member of the Supervisory Board of Fortis Securities Polska SA.