Commentary to the quarterly report of Fortis Bank Polska S.A. for the first quarter of 2005

(under Article 98 para. 3 and 4 of the Council of Ministers' Ordinance dated March 21, 2005 – Journal of Laws No. 49, item 463)

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 2004 Annual Report published on April 14, 2005.

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 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.

1.4. 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 March 21, 2005, regarding current and periodical information submitted by issuers of securities (*Journal of Laws* No. 49, item 463) and the Council of Ministers' 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, as amended).

1.5. As at March 31, 2005 deferred income tax assets amounted to PLN 31,703 thousand, and deferred income tax liability totaled PLN 12,480 thousand. As at March 31, 2004, the corresponding amount of deferred income tax assets was PLN 21,033 thousand, and deferred tax liability amounted to PLN 6,551 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 March 31, 2005, i.e. PLN 4.0837; 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 March 31, 2004, which amounted to PLN 4.7455;

1.6.2. Particular items in the profit and loss account and cash flows as at the end of the first quarter of 2005 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 March of 2005, which amounted to PLN 4.0153, whereas particular items of the profit and loss account and cash flows for comparable data for as at the end of the first quarter of 2004 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 March 2004, which amounted to PLN 4.7938;

1.6.3. The following rates were applied in the currency conversion, according to the above mentioned rules:

- rate as at the end of January 2005 - EUR/PLN 4.0503
- rate as at the end of February 2005 - EUR/PLN 3.9119
- rate as at the end of March 2005 - EUR/PLN 4.0837
- 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

1.7. 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 March 2005, the total assets of Fortis Securities Polska S.A. constituted 1.2% of the Bank's total assets, FSP total income made up 0.2% of the Bank's total income, while FSP net profit accounted for 1.1% of the Bank's net profit.

2. 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 March 31, 2005, the value of this type of collateral accepted by the Bank amounted to PLN 218,034 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.

3. The information about adjustments made on account of provisions, including deferred tax assets and liabilities, referred to in the Accounting Act:

3.1. as at the end of the first quarter of 2005, the deferred income tax assets and deferred tax liability are presented in item 1.5 above.

3.2. 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 655 thousand, and also in the balance-sheet as the revaluation reserve capital increase by PLN 606 thousand.

3.3. In the period from January through March 2005, the Bank created provisions for loans and off-balance sheet liabilities in the amount of PLN 14,071 thousand. The above amount includes also a reserve for general risk built in the first quarter in the amount of PLN 8,910 thousand to cover risks related to banking activity, including especially the credit activity. The creation of the general risk reserve is one of the stages of the Bank's preparation for the implementation of reporting compliant with the International Financial Reporting Standards. Excluding the general risk reserve, at the end of the first quarter the value of provisions created exceeded the value of provisions released by only PLN 791 thousand.

4. Effective January 1, 2005, the Bank adopted the following changes to its accounting principles:

Loans and credit facilities granted are measured at amortized cost using the effective interest rate method and taking into account regulations governing the creation of provisions for risk related to banking activity. The measurement at amortized cost using the effective interest rate method is applied to these loans and credit facilities where terms and amounts of future cash flows have been determined, that is, which have repayment schedule set out.

To determine the effective interest rate, commissions and fees received are taken into account, which are related to the production of a given asset, that is, loan origination fees and fees for the loan amount increase. For the purpose of the effective interest rate determination, the loan origination fee needs to be expressed in the loan currency. In the cases where the fee is charged in a currency different from the loan currency, the fee currency is converted using the currency sell rate as of the fee charging date.

Commissions and fees settled in time using the effective interest rate method are recognized in the interest income from January 1, 2005, whereas commissions and fees settled using the straight-line method are recognized in the commission and fee income from January 1, 2004. As a result, commissions and fees previously recognized when received as one-off income items, are at present amortized in time as interest income over the entire life of a given financial instrument.

The measurement rules changed as a result of the introduction of law provisions under the Finance Ministry Ordinance dated December 10, 2001 regarding detailed accounting rules for banks.

In order to obtain comparable data in connection with the implementation of changes to accounting principles effective January 1, 2005,regarding the introduction of the measurement of loan and credit facilities at amortized cost using the effective interest rate method, the following changes have been introduced to the balance sheet for the comparable data as of December 31, 2004.

Assets:

	As at Dec 31, 2004	**Change of accounting rules**	**As at Dec 31, 2004 after reclassification**
IV. Due from customers	**3,381,583**	**1,205**	**3,382,788**
1. Current	**796,516**		**796,516**
2. Term	**2,585,067**	**1,205**	**2,586,272**
XVI. Prepayments and accrued income	**33,729**	**1,752**	**35,481**
1. Deferred income tax	**29,351**	**1,752**	**31,103**
Total assets	**5,383,942**	**2,957**	**5,386,899**

Liabilities:

	As at Dec 31, 2004	**Change of accounting rules**	**As at Dec 31, 2004 after reclassification**
IX. Accruals and deferred income	**122,550**	**10,425**	**132,975**
3. Other accruals and deferred income	**110,029**	**10,425**	**120,454**
XVIII. Retained earnings (uncovered loss) from prior years	**11,811**	**(7,468)**	**4,343**
Total liabilities	**5,383,942**	**2,957**	**5,386,899**

<table>
<tr><th colspan="4">ADJUSTMENTS RELATED TO ACCOUNTING PRINCIPLES</th></tr>
<tr><td colspan="3">PLN (7,468,000)</td><td>The amount regarding commissions and fees received and effectively settled which were previously recognized in the net profit/loss</td></tr>
<tr><td rowspan="4">PLN (7,468,000)</td><td colspan="2">PLN 1,752,000</td><td>The amount of deferred income tax pertaining to commissions and fees received and effectively settled which were previously recognized in the net profit/loss</td></tr>
<tr><td colspan="2">PLN (9,220,000)</td><td>The amount of commissions and fees received and effectively settled</td></tr>
<tr><td rowspan="2">PLN (9,220,000)</td><td>PLN (1,205,000)</td><td>The amount of commissions and fees received and effectively settled, moved to “Due from customers; Term”</td></tr>
<tr><td>PLN (10,425,000)</td><td>The amount of commissions and fees received and effectively settled, moved to “Other accruals and deferred income”</td></tr>
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As a result of changing the item “Retained earnings (uncovered loss) from prior years” (i.e. decreasing it by PLN 7,468 thousand), the Bank’s solvency ratio, which at the end of 2004 amounted to 12.30%, would diminish to 12.10%.

As regards the remaining comparable periods: as of March 31, 2004 and as of December 31, 2003, the Bank does not have comparable data related to the change of accounting principles.

5. A brief description of the issuer’s material accomplishments or failures occurred in the reporting period, with the specification of the most significant related events.

In the first quarter of 2005, the basic profit and loss account items improved in comparison to the result generated in the first quarter of the previous year and despite the higher surplus of the provisions created over the released ones (cf. Item 5.6), in the respective period the Bank’s net profit increased by 43.7%.

5.1. net interest income in the amount of PLN 42,181 thousand, which is considerably higher (by 23%) than within the corresponding period of 2004. The net interest income generated in the first quarter of 2004 amounted to PLN 34,389 thousand;

5.2. net commission and fee income amounting to PLN 17,053 thousand, which is higher by 13.5% than within the first quarter of 2004. In the first quarter of 2004, commission and fee income totaled PLN 15,021 thousand;

5.3. FX result of PLN 15,155 thousand, which is higher by 26% than in the corresponding period of 2004 (as at the end of the first quarter of 2004 it amounted to PLN 12,004 thousand);

5.4. Bank’s operating expenses of PLN 36,488 thousand, which are higher by 4.5% than in the first quarter of 2004 (as at the end of the first quarter of 2004, the operating expenses amounted to PLN 34,909 thousand);

5.5. the Bank’s gross profit of PLN 26,044 thousand is higher by 50.2% than in the corresponding period of 2004 (at the end of the first quarter of 2004, it amounted to PLN 17,341 thousand);

5.6. the excess of all created provisions over the released ones amounted to PLN 9,701 thousand in the first quarter of 2005, including a write-down into the Bank’s general risk reserve of PLN 8,910 thousand (as presented above cf. 3.3). In comparison to the end of the first quarter of 2004, the item was higher by 87,5% or lower by 84,7% - including the created general risk reserve. In the first quarter of 2004, this surplus totaled PLN 5,175 thousand.

6. Description of factors and events, especially atypical ones, having a material effect on the financial results generated.

In the first quarter of 2005, no atypical factors or events occurred in the Bank’s activity that affected its financial results.

7. Explanations regarding seasonal or periodical nature of the issuer’s business in the reporting period.

In the Bank’s activity, there are no material seasonal or periodical events.

8. Information regarding the issue, redemption and reimbursement of debt and capital securities.

In the first quarter of 2005, there were no such transactions.

9. Information regarding the dividend paid (or declared), in total and per one share, broken by ordinary and preference shares.

In the first quarter of 2005, no dividend was paid. No decision was made on the dividend payment declaration, either.

10. Events that occurred following the date as of which the abbreviated quarterly financial statements were made, which were not included in such statements and which could have a material effect on the issuer’s future results.

In the first quarter of 2005, no such events occurred.

11. Results of changes in the structure of a business unit, including changes following a merger of business units, takeover or sale of capital group units, long-term investments, division, restructuring or discontinuation of business.

In the first quarter of 2005, no such changes occurred.

12. Information on changes to contingent liabilities or assets occurred in the period form the close of the last fiscal year.

Changes to contingent liabilities and assets are presented in the table below:

	as at March 31, 2005	**as at December 31, 2004**
I. Contingent liabilities and assets	**3,19,898**	**3,001,098**
1. Contingent liabilities granted:	**1,954,293**	**1,620,058**
a) lending commitments	1,603,159	1,298,294
b) guarantees	351,134	321,764
2. Contingent assets received:	**1,365,605**	**1,381,040**
a) lending commitments	784,276	798,092
b) guarantees	581,329	582,948