

FORTIS BANK POLSKA S.A.

**OPINION AND REPORT
OF THE INDEPENDENT AUDITOR
AND THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM
FROM 1ST JANUARY 2003 TO 31ST DECEMBER 2003**

FORTIS BANK POLSKA S.A.
REPORT
OF THE INDEPENDENT AUDITOR

Contents

1	General	3
1.1	General information on the Bank	3
1.2	Auditor information	3
1.3	Legal status	3
1.4	Prior period financial statements	6
1.5	Audit scope and responsibilities	6
2	Financial analysis of the Bank	8
2.1	Summary of the financial statements	8
2.2	Selected financial ratios	11
2.3	Interpretation of selected financial ratios	11
3	Detailed report	12
3.1	Accounting records	12
3.2	Internal control	12
3.3	Principles of prudence applied by the Bank and the capital adequacy ratio	12
3.4	Materiality levels applied by the auditor	12
3.5	Introduction to the financial statements	12
3.6	Supplementary information and explanations	12
3.7	Management's report on the Bank's activity	13
3.8	Information on the independent auditors' opinion	13

1 General

1.1 General information on the Bank

1.1.1 Bank name

Fortis Bank Polska S.A. (hereafter 'Bank')

1.1.2 Registered office

ul. Postępu 15
02-676 Warszawa
Poland

1.1.3 Commercial registration

Seat of the court: Warszawa
Date: 17 April 2001
Registration number: KRS 0000006421

1.1.4 Tax Office and Provincial Statistical Office registration

NIP: 676-007-83-01
REGON: 003915970

1.2 Auditor information

KPMG Polska Audyt Sp. z o. o.
ul. Chłodna 51, XVI floor
00-867 Warsaw

KPMG Polska Audyt Sp. z o.o. is registered as a company authorised to audit financial statements (number 458).

1.3 Legal status

1.3.1 Share capital

The Bank was established on the basis of the National Bank of Poland Decision no. 46 dated October 6, 1990.

The share capital of the Bank as at 31 December 2003 amounts to PLN 30,155,400 and is divided into 15,077,700 ordinary shares with a nominal value of PLN 2 each.

1.3.2 Activities of the Bank

The Bank's Statute lists its business activities as follows:

- accepting deposits,
- maintaining bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out pecuniary settlements, including payment card settlements and issuing payment cards,
- issuing and confirming bank guarantees, granting sureties and opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, carrying out commissioned tasks and assuming obligations related to the issuance of securities,
- participating in trading in securities including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting cheque and bill-of-exchange operations,
- purchasing and selling of cash debts,
- purchasing and selling foreign exchange,
- safekeeping valuable objects and securities including providing safe-deposit boxes,
- rendering the following financial services:
 - consulting services,
 - custody services,
 - leasing services,
 - brokerage services,
- sale of open pension funds and safekeeping of pension funds' assets
- providing agency services related to the distribution of participation units or investment certificates, including their sale and redemption, or safekeeping of investment funds' assets.
- providing agency services related to property insurance.
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- intermediating with residents making money transfers abroad and settlements with non-residents in Poland,
- electronic money instruments

1.3.3 Management Board

At 1 January 2003, the Management Board of the Bank was comprised of the following members:

President	- Mr Jean-Marie De Baerdemaeker
First Vice President	- Mr Ronald Richardson
Vice President	- Mr Andre Van Brussel
Vice President	- Mr Jean – Luc Deguel
Vice President	- Mr Leszek Niemycki
Vice President	- Mr Gilles Polet

As of 9 January 2003, Mr Ronald Richardson was appointed President of the Board. In accordance with a decision of the Supervisory Board, Mr De Baerdemaeker held the position of First Vice-President of the Management Board until 30 April 2003.

The Supervisory Board at its meeting dated 16 January 2003 appointed Mr Koen Verhoeven as Vice-President of the Management Board and Head of Credits effective from 1 March 2003. In accordance with a decision of the Supervisory Board, Mr. Gilles Polet, for a period from 1 March 2003 to 31 July 2003 was a member of the Management Board.

Mr Andre Van Brussel resigned from the position of Vice President of the Board effective from 30 June 2003. In accordance with the Supervisory Board decision Mr Van Brussel held the position of a Board Member from 1 April to the end of June 2003.

From 1 May 2003, new members of the Management Board were appointed – Mr. Jaromir Pelczarski as Vice President of the Management Board and Head of Banking Operations and Internal Services and Mr Jan Bujak as Member of the Management Board and Finance Director.

As at 23 October 2003, the Supervisory Board accepted Mr Leszek Niemycki's resignation from the position of the Management Board.

As at 31 December 2003, the Management Board of the Bank was comprised of the following members:

President	- Mr Ronald Richardson
Vice President	- Mr Jan Bujak
Vice President	- Mr Jean – Luc Deguel
Vice President	- Mr Jaromir Pelczarski
Vice President	- Mr Koen Verhoeven

1.3.4 Supervisory Board

At 31 December 2003, the Supervisory Board of the Bank was comprised of the following persons:

Chairman	- Mr Luc Delvaux
Deputy Chairman	- Mr Paul Dor
Deputy Chairman	- Mr Antoni Potocki
Member	- Mr Werner Claes
Member	- Mr Zbigniew Dresler
Member	- Mr Didier Gible
Member	- Mr Roland Saintrond

Effective from 1 April 2003, Mrs Kathleen Steel resigned from the position of Supervisory Board Member.

1.4 Prior period financial statements

The financial statements for the period from 1 January 2002 to 31 December 2002 were audited by KPMG Polska Audyt Sp. z o.o., and received an unqualified opinion.

The financial statements were approved at the shareholders meeting on 26 June 2003, where it was resolved to allocate the profit for the previous financial year of PLN 31,374.46 thousand as follows:

- the amount of PLN 30,155.40 thousand to be paid out as a dividend
- the balance of PLN 1,219.06 thousand to be transferred to the general risk fund.

According to the shareholders resolution dated 26 June 2003, the accumulated losses resulting from the changes in the Accounting Act in 2001 in the amount PLN 2,716.15 thousand was covered from the reserve capital.

The closing balances as at 31 December 2002 have been properly recorded as the opening balances of the audited period.

The financial statements for the year ended 31 December 2002, were submitted to the Registry Court on 11 July 2003 and were published in "Monitor Polski" B No. 949 of December 30, 2003.

1.5 Audit scope and responsibilities

This report of the independent auditor was prepared for the Shareholders of Fortis Bank Polska S.A. seated in Warsaw, Postępu 15, and relates to the financial statements comprising:

1. the introduction to the financial statements;
2. the balance sheet as at 31 December 2003, with total assets and total liabilities and equity of PLN 4,585,974 thousand;
3. the capital adequacy ratio;
4. the statement of contingencies and commitments granted as at 31 December 2003 amounting to PLN 1,190,715 thousand;
5. the profit and loss account for the period from 1 January 2003 to 31 December 2003 with a net profit of PLN 36,021 thousand;
6. the statement of changes in equity for the period from 1 January 2003 to 31 December 2003 with a decrease in equity of PLN 3,476 thousand;
7. the cash flow statement for the year then ended with a decrease in cash amounting to PLN 158,148 thousand;
8. the supplementary information and explanations.

We have audited the financial statements in accordance with the contract dated 12 November 2003.

We conducted the audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal No. 76, item 694 with subsequent amendments) and the professional norms established by the Polish National Council of Certified Auditors.

We have conducted an independent audit of these financial statements in order to express an opinion thereon and present this, together with a written auditors' report, to the Shareholders and the Bank's Supervisory Board.

On 8 April 2004 the Bank's executives submitted a representation letter as to the completeness, fairness and accuracy of the financial statements presented for audit and, amongst other things, confirmed that there were no undisclosed matters significantly influencing the information presented in the financial statements for the audited period.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Polska Audyt Sp. z o.o. is independent of the Bank and the scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Polska Audyt Sp. z o.o.

2 Financial analysis of the Bank

2.1 Summary of the financial statements

Detailed information relating to the Bank's accounting policies, balance sheet and profit and loss are included in the Bank's financial statements.

2.1.1 Balance sheet

ASSETS	31.12.2003	31.12.2002
	PLN'000	PLN'000
	<u> </u>	<u> </u>
Cash and due from NBP	185,908	248,987
Due from financial sector	372,932	496,359
Due from non-financial sector	3,243,325	2,172,175
Due from budget sector	89	1,308
Debt securities	572,342	679,744
Investments in subsidiary undertakings	58,084	6,572
Investments in other undertakings	52	45
Other securities and financial assets	1,579	3,416
Intangible fixed assets	12,587	14,459
Tangible fixed assets	51,086	64,411
Other assets	63,256	15,022
Interperiod settlements	24,734	42,665
TOTAL ASSETS	<u>4,585,974</u>	<u>3,745,163</u>

LIABILITIES AND EQUITY	31.12.2003	31.12.2002
	PLN '000	PLN '000
Liabilities		
Due to financial sector	1,398,993	759,946
Due to non -financial sector	2,473,541	2,280,289
Due to State budget	21,242	26,913
Other liabilities due to financial instruments	1,093	-
Special funds and other liabilities	65,223	62,072
Interperiod settlements and deferred income	102,831	84,943
Provisions	6,875	11,348
	<u>4,069,798</u>	<u>3,225,511</u>
Equity		
Share capital	30,155	30,155
Reserve capital	349,534	352,244
Revaluation reserve	(7,336)	2,011
Other reserve capital	97,281	96,062
Undistributed profit from prior years	10,521	7,805
Net profit for the year	36,021	31,375
	<u>516,176</u>	<u>519,652</u>
TOTAL LIABILITIES AND EQUITY	<u><u>4,585,974</u></u>	<u><u>3,745,163</u></u>
Capital adequacy ratio	12.78%	20.70%
OFF-BALANCE SHEET ITEMS	31.12.2003	31.12.2002
	PLN'000	PLN'000
Commitments granted	<u>1,190,715</u>	<u>891,105</u>
Commitments received	733,561	459,468
Commitments due to sale/purchase operations	4,628,496	2,101,956
Other	462,954	-
TOTAL OFF-BALANCE ITEMS	<u><u>7,015,726</u></u>	<u><u>3,452,529</u></u>

2.1.2 Profit and loss account

	1.01.2003 - 31.12.2003 PLN '000	1.01.2002 - 31.12.2002 PLN '000
Interest income	215,374	304,506
Interest expense	(99,335)	(174,041)
Net interest income	116,039	130,465
Fee and commission income	80,449	71,895
Fee and commission expense	(13,012)	(10,984)
Net fee and commission income	67,437	60,911
Income from shares and other securities	-	1,405
Net profit on financial operations	(35)	19,976
Net profit on foreign exchange	55,906	52,620
Profit on banking activity	239,347	265,377
Other operating income	5,991	5,678
Other operating expenses	(4,458)	(5,516)
General expenses	(140,542)	(140,766)
Depreciation	(26,402)	(27,772)
Charges to provisions and revaluation	(58,534)	(111,218)
Release of provisions and revaluation	37,423	59,351
Net charges to provisions	(21,111)	(51,867)
Result on operating activity	52,825	45,134
Profit before taxation	52,825	45,134
Corporate income tax	(18,823)	(10,135)
Result on equity accounting	2,019	(3,624)
Net profit after taxation	36,021	31,375

2.2 Selected financial ratios

	31.12.2003	31.12.2002
	PLN '000	PLN '000
Total assets	4,585,974	3,745,163
Gross profit before taxation	52,825	45,134
Net profit after taxation	36,021	31,375
Equity	516,176	519,652
Return on equity	7.0%	6.0%
Capital adequacy ratio	12.78%	20.70%

2.3 Interpretation of selected financial ratios

The most significant changes in balance sheet and profit and loss account are listed below:

- In comparison with the prior year total assets increased by PLN 840,811 thousand, which is primarily due to an increase in due from the non -financial sector by PLN 1,075,706 thousand. Due to financial institutions during the year increased by PLN 639,047 thousand.
- Increase of net profit in comparison with prior year was mainly result of increase of net result on commissions, net profit on foreign exchange result and decrease of charges to provisions.

3 Detailed report

3.1 Accounting records

The Chart of Accounts and accounting principles adopted by the Bank have been approved by the Board of Management.

The financial statements of the Bank were prepared based on accounting records and supporting documentation maintained at the Bank's premises.

3.2 Internal control

Internal control includes functional controls performed in individual divisions responsible for respective activity area of the Bank and institutional controls subordinated directly to the President of the Management Board.

During our audit of the financial statements, we made an evaluation of the accounting system and underlying system of internal control in order to enable us to express an opinion on the financial statements.

Our review should not be relied upon to disclose all irregularities or material weaknesses in the system. Our procedures did not identify any significant irregularities in the internal control system.

3.3 Principles of prudence applied by the Bank and the capital adequacy ratio

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. The capital adequacy ratio was calculated properly.

3.4 Materiality levels applied by the auditor

In order to issue the audit opinion on the financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the financial statements.

3.5 Introduction to the financial statements

All information included in the Introduction to the financial statements is presented fairly by the Bank when read in conjunction with the financial statements taken as a whole. Introduction to the financial statements constitutes an integral part of the financial statements.

3.6 Supplementary information and explanations

All information included in the notes to the financial statements is presented accurately and completely by the Bank when read in conjunction with the financial statements taken as a whole.

3.7 Management's report on the Bank's activity

The information presented in the Management's report on the Bank's activities take account of the information presented in article 49 item 2 of the Accounting Act and is consistent with the financial statements.

3.8 Information on the independent auditors' opinion

Based on our audit of the financial statements as of and for the year ended 31 December 2003 we have issued an unqualified opinion.

signed on the Polish original

.....
Certified Auditor No. 4979/2575
Hanna Fludra

signed on the Polish original

.....
For KPMG Polska Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk
Member of the Board of Directors

signed on the Polish original

.....
For KPMG Polska Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
David Pozzecco, Proxy

Warsaw, 8 April 2004