INTRODUCTION

1. Fortis Bank Polska SA with its registered office situated in Warsaw 02-676, ul. Postępu 15 presents its annual report including financial data as at December 31, 2002 and comparative data as at December 31, 2001.

2. The register court competent for the Bank is the District Court for the capital city of Warsaw, XX Commercial and Registration Department of the National Court Register, ul. Barska 28/30, 02-315 Warsaw, register no. KRS 6421**.**

3. In 2002, Fortis Bank Polska SA did not merge with any other economic entity**.**

4. The time of operations of Fortis Bank Polska SA is indefinite**.**

5. The scope of the activities of Fortis Bank Polska SA covers banking transactions both in Polish zlotys and foreign currencies for domestic and foreign legal entities and individual persons and other organizations without legal personality. The main business activity of the Bank according to Polish Business Classification is 'other banking activity' (PKD 6512A), whereas according to the classification adopted by the regulated market, the sector is defined as "Financial institutions and banks."

The scope of the Bank's business includes:

- accepting deposits,
- maintaining bank accounts,
- granting credits and cash loans, including consumer credits and loans,
- carrying out bank monetary settlements, including payment card transactions, likewise issuing payment cards,
- issuing and confirming bank guarantees and sureties,
- issuing securities, including convertible bonds and banking securities, likewise rendering commissioned services and assuming obligations related to the issuance of securities,
- trading in securities and maintaining securities accounts,
- undertaking money market and foreign currency operations, including forward and derivative transactions,
- conducting check and bill-of-exchange transactions, likewise operations including warrants,
- purchasing and selling receivables,
- carrying out foreign-exchange transactions,
- safe-keeping of valuable objects and securities, and providing safe-boxes,
- providing the following financial services:
  - consulting and financial services,
  - custody services,
  - leasing services,
  - brokerage services.
- acquisition services for open Pension Funds and safe-keeping of their assets,
- agency services in handling subscriptions for trust units or investment certificates, agency services in their sale and redemption, likewise safe-keeping of assets of investment funds,
- agency services in property insurance.
- agency services in personal insurance, including life insurance,
- provision of certification services in the understanding of electronic signature, save for the issuance of qualified certificates used by banks in actions which they are parties to,
- agency services in making money transfers abroad by residents and settlements with non-residents in Poland.

6. The Bank's only controlled entity is Fortis Securities Polska SA (FSP). Pursuant to Art 58 of the Accounting Act, the Bank is not obligated to prepare a consolidated statement because 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 December 2002, total assets of Fortis Securities Polska SA constituted 0.2% of the Bank's total assets, FSP's total income made up 0.6% of the Bank's total income.

7. The financial statement of Fortis Bank Polska SA has been prepared with the assumption that its business will be continued in the foreseeable future; the Board of Executives has no knowledge whatsoever of any circumstances that may disrupt the Bank's operations.

8. As of December 31, 2002, the Board of Executives of Fortis Bank Polska SA consisted of:

name	***function***
Jean-Marie De Baerdemaeker	President of BoE
Ronald F.E. Richardson	First Vice-President
Andre Van Brussel	Vice-President
Leszek Niemycki	Vice-President
Jean-Luc Deguel	Vice-President
Gilles Polet	Vice-President

9. As of December 31, 2002, the Supervisory Board of Fortis Bank Polska SA consisted of:

name	***function***
Luc Delvaux	Chairman
Paul Dor	Vice-Chairman
Antoni Potocki	Vice-Chairman
Zbigniew Dresler	Board Member
Kathleen Steel	Board Member
Werner Claes	Board Member
Roland Saintrond	Board Member
Didier Giblet	Board Member

10. Accounting principles

Fortis Bank Polska SA maintains its accounting records in accordance with:

Accounting Act dated 29 September, 1994 (Journal of Laws no. 76, Item 694, uniform text of 2002);

Banking Law Act dated 29 August 1997 (Journal of Laws no. 72, Item 665, uniform text of 2002);

Corporate Income Tax Law dated 15 February, 1992 (Journal of Laws no. 54, Item 654, uniform text of 2000 as amended);

Public Trading in Securities Act dated 25 August 1997 (Journal of Laws. no. 49, Item 447, uniform text of 2002);

Ordinance of the Finance Minister of December 10, 2001, regarding special accounting principles for banks (Journal of Laws no. 149, item 1673 as amended);

Ordinance of the Finance Minister of December 12, 2001, regarding the detailed principles of recognition, valuation methods and the scope of including financial instruments and manner of their presentation (Journal of Laws no. 149, Item 1674);

Ordinance of the Finance Minister of December 10, 2001, regarding the rules of creation of provisions for risk related to banking activity (Journal of Laws no. 149, Item 1672 as amended);

The accounting principles are defined in the Accounting Principles (Order no. B/45/2002 of the President of the Board of Executives of Fortis Bank Polska SA, dated May 6, 2002).

The Bank applies the following main principles defined in the Accounting Act:

consistency concept

The Bank applies the adopted accounting standards consistently. Thus in subsequent fiscal years it follows the same rules for grouping of transactions on accounts, valuation of assets, including depreciation (amortization) charges, and liabilities, determination of the financial result and preparation of financial statements so that data for the subsequent years shown in such statements could be compared. Total assets and liabilities shown in the books of accounts on the day of their closure should be recognized in the same amount in the balance sheet in the books of accounts opened for the next fiscal year. An entity may, with effect from the first day of a fiscal year, regardless of the day of taking such a decision, supersede the applied to-date solutions with others provided in relevant regulations.

continuity concept

In the valuation of assets and liabilities and in determination of the financial result, the Bank assumes that it will continue in business in the foreseeable future within a scope that has not been materially changed and that no bankruptcy or winding-off proceedings will be instituted against the Bank, unless actual or legal circumstances suggest otherwise.

accrual basis and matching concept

In its books and in the financial result, the Bank records all income earned and due to the Bank and related costs incurred in a given fiscal year, irrespective of the date of their payment. In order to ensure that income and related costs are matched, the Bank recognizes, in assets or liabilities related to a given fiscal year, costs or income referring to future reporting periods and costs referring to the current reporting period which have not yet been incurred.

prudence-conservatism concept

The Bank measures individual assets and liabilities at the actual cost of their acquisition. In particular, in the financial result, regardless of its amount, the Bank recognizes:

- reductions in the useful or commercial value of assets, including depreciation (amortization) write-offs,
- only unquestionable other operating income and extraordinary profits,
- all operating costs and extraordinary losses incurred,
- provisions for risk identified by the Bank, impending losses and effects of other events.

no-offset principle

The value of particular assets and liabilities, income and related costs, as well as profits and extraordinary losses are determined separately. Values of different-in-kind assets and liabilities, income and related costs as well as profits and extraordinary losses may not offset each other.

materiality concept

When applying accounting standards, the Bank may accept certain simplifications, unless they have a significant adverse impact on the principle of true and fair view of the Bank’s property and financial situation and the financial result.

substance over form principle

An assumption that events, including economic transactions, should be included in the Bank’s books of accounts and shown in the financial statement in accordance with their substance and economic reality.

10.1 The Bank’s books of accounts are maintained in compliance with Polish laws using the computerized system “Equation” developed by the British company Misys International Banking Systems Ltd., London (approved by the Bank’s Board of Executives' President in Order dated August 1, 1994, on the implementation of the Equation system). The system maintains a central database with one general ledger for the Head Office and branches.

10.2 For financial reporting, the Bank applies the Model Chart of Accounts implemented under the Ordinance no. 2/95 of the NBP President dated December 12, 2001 (Journal of Laws, Item 1727, dated December 28, 2001). Due to the fact that the Bank’s shares are admitted to public trading under the Public Trading in Securities Act, the Bank’s reports and accounts are prepared also according to the Ordinance of the Council of Ministers dated October 16, 2001 regarding the type, form and scope of current and periodic 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 Ordinance of the Minister of the Council of Ministers of October 16, 2001, regarding the detailed requirements applicable to issue prospectuses and abridged versions of such prospectuses (Journal of Laws no. 139, Item 1568 as amended).

10.3 The Chart of Accounts, introduced under Resolution no. 174/98 of the Board of Executives dated December 18, 1998 by way of Order of the President of the Bank's Board of Executives of December 21, 1998, as amended, includes a list of accounts, whereas the Commentary to the Chart of Accounts comprises a description of accounts and indexes of typical accounting entries.

10.4 Tangible and intangible fixed assets are measured as of the end of each reporting period at the acquisition price less their depreciation. In addition, the Bank recognizes revaluation conducted according to valid regulations as well as impairment losses.

10.5 The acquisition price of fixed tangible and intangible assets purchased in foreign currency is converted into Polish zloty at the NBP mid-rate applied on the day of payment.

10.6 Fixed tangible and intangible assets are depreciated based on the valid depreciation schedule determined by the Bank. The depreciation schedule includes depreciation rates specified in a separate document, i.e., the "Valuation Rules of the Bank". Therefore, balance sheet depreciation rates can be different from tax depreciation rates. Depreciation on fixed tangible and intangible assets is calculated monthly on a straight line basis. With respect to leased fixed assets, the Bank applies the straight-line method on a monthly basis.

The principal depreciation rates used by the Bank for balance sheet purposes are as follows:

- computer equipment – 33% on an annual basis,
- passenger cars – 25% on an annual basis,
- improvements on premises not owned by Bank – 10% on an annual basis,
- computer software:
    - standard – software widely available on the market, e.g., Word, Excel, Lotus, Powerpoint, etc., are charged to costs as a one-time payment,
    - non-standard – non-standard software, i.e., tailored to the Bank's specific requirements, e.g. accounting software, tax software etc, are charged to costs as one-time payments if the period of their economic utility is shorter than one year. If the period of economic utility exceeds one year, then such non-standard software is depreciated during a period not longer than five years.

10.7 Items of low initial unit value not exceeding PLN 3,500 (during the period from 01.01.2001-31.12.2001, this value was PLN 1,000) are not recognized in fixed assets. Such items are charged to costs as one-time payments in the month they are made available for use.

Depreciation costs for the first half of 2002 include depreciation costs in 100% of fixed assets and intangible assets in the amount of PLN 209 thousand.

10.8 Securities:

As a result of amendments to the accounting principles, since January 1, 2002, debt securities have been classified to the following categories:

- held for trading

  These are debt securities which have been purchased in order to obtain gains as a result of short-term price fluctuations. On the balance-sheet date debt securities held for trading are measured at fair value, and the valuation effect is included in the financial operations result;

- held to maturity

  These are debt securities which have been purchased with an intention to hold them to maturity. Such securities are measured at amortized cost (with discount and premium accrued by a straight-line method) taking into account write-downs for impairment losses.

  NBP bonds related to mandatory reserves are also included here.

- available for sale

  These are debt securities not classified to the "securities held for trading" category or the "debt securities held to maturity" category. They are measured at fair value and the valuation effect is included into the financial operations result.

Impairment loss with respect to securities is regarded as, in particular:

- loss incurred by the issuer over a period of one year, which is not covered by his own capital,

- poor performance (i.e. below acquisition price) of securities over a period of at least three-subsequent months.

10.9 Participation units in open investment funds are recognized at acquisition price adjusted for an increase calculated until the balance-sheet day recognized in other income from financial operations or a decrease in the value of a participation unit, taking into account impairment losses. Impairment loss occurs when the redemption price is maintained below the acquisition price for at least three months.

10.10 Shares and holdings in other units, i.e., in subsidiaries, sister companies, affiliated entities and minority shares are measured by equity method. The effect of valuation of these assets is shown in the profit and loss account as Share in net profit (loss) of subsidiaries measured by equity method. Other shares and interests recognized as fixed assets are valued at the acquisition price, taking into account impairment losses.

10.11 Amounts receivable and payable on account of loans, cash loans and other debts are recognized at the amount of the payment due, which comprises the interest due, taking into account specific provisions created according to the Ordinance of the Finance Minister of December 10, 2001, regarding the rules of creation of provisions for risk related to banking activity (Journal of Laws no. 149, Item 1672, as amended). The required provisions are built at the end of each reporting period. Provisions for receivables denominated in foreign currencies are converted into zlotys together with the receivable covered by the provision.

10.12 The Bank settles deferred expenses if such expenses relate to months that follow the month in which they were incurred.

The Bank settles accrued expenses in an amount referring to the current reporting period, arising in particular from:

- specific services rendered to the Bank, where the amount of liability may be reliably determined,
- obligation to provide future services related to current business whose amount may be determined, even though the date when the liability arises is not yet known.

Deferred and accrued expenses are written off in relation to the lapse of time or the amount of payments for the services rendered. The time and manner of settlement depends on the nature of settled costs, according to the prudence-conservatism concept.

The projected, however, not yet incurred expenses recognized in accrued expenses decrease current expenses in the reporting period in which it was determined that such liabilities did not occur.

Deferred income includes, in particular payments received or due from business partners for services to be performed in future reporting periods.

10.13 The Bank creates provisions for future liabilities whose amount or the time when they arise may not be established. It is certain or quite likely that such liabilities will arise, which means that they result from past events that involve a payment obligation. As a consequence, the present or future assets of the unit will be used; reliable assessment of the liability amount is possible

In particular, the Bank creates provisions for liabilities due to its employees on account of bonuses and unused vacation leave.

Furthermore, the Bank creates provisions for agreements that entail liability, which include in particular:

- agreements regarding office space sublease at prices lower than agreed in lease agreements,
- lease agreements regarding office space not used to conduct business.

The provisions are created in the amount of the actual or estimate costs that Bank is not able to avoid.

The Bank also creates provisions for other future liabilities, and in particular, for the outcomes of ongoing judicial proceedings. Provisions for future liabilities are created against other operating costs.

If liabilities for which provisions have been created arise, they will decrease the amount of the created provisions. If the risk for which a provision has been created is reduced or eliminated, such a provision will increase the balance of other operating income or financial income.

10.14 Due to temporary differences between the value of assets and liabilities shown in the books of accounts and their tax value and the tax loss deductible in the future, at the end of each reporting period the Bank establishes the amount of deferred tax liability and deferred tax assets.

Deffered tax assets are determined in an amount anticipated to be tax deductible in the future, due to negative temporary differences, which in the future will result in reducing the tax base and deductible tax loss determined according to the prudence-conservatism concept.

Deferred tax liability is established in the amount of the income tax that will have to be paid in the future, due to positive temporary differences, i.e. differences which will result in increasing the tax base in the future.

10.15 The net financial result includes: net operating result, net extraordinary gains/losses, mandatory charges to the financial result on account of income tax. The banking activity result includes: interest and fee income, income from shares, holdings and other securities, financial operations result, FX result. The net operating result includes the banking activity result adjusted for the difference between other operating revenues and other operating costs, cost of the Bank's activities, depreciation of fixed assets and intangible assets, provisions revaluation result.

10.16 The Bank includes the following items into its interest income at the end of a reporting period:

- income not received in the reporting period arising from:
  - interest due to the Bank, including discount and capitalized interest on receivables classified as performing,
  - interest income, including discount, received in the previous reporting period referring to the current reporting period,
- current interest income referring to the reporting period,
- costs on account of matured and not matured interest on the Bank's liabilities referring to the reporting period.

The Bank does not include the following in its interest income:

- matured and not matured interest, including capitalized interest – on receivables "at risk" and "watched" receivables which are treated as suspended income until they are collected or written off,
- discount and interest collected in advance referring to future reporting periods.

10.17 Commission and fee income and expenses are included in the financial result when they are collected, i.e. upon their actual payment, except for commissions and fees related to the credit line facility made available by the European Bank for Reconstruction and Development, which are included into the financial result on an accrual basis.

10.18 The Bank evaluates daily FC positions (with reference to the NBP mid-rate). The result from the above-mentioned operations is recorded on a separate account "Revaluation result". The FX result is calculated on a daily basis and recorded on a separate account "FX result". Both accounts are presented in the profit and loss account in the position "FX result".

The result from forward transactions, not yet matured, is included in the FX financial result of a given reporting period. The result is calculated according to the following rules:

- current FX spot transaction result, forward transaction result and market swap result are calculated by comparing the transaction rate with the market rate applied to similar transactions at the end of a reporting period, if the difference between the value date and the current date is more than two days. In other cases, the reference rate is the NPB mid-rate.

10.19 The Bank determines the amount of income tax on the basis of the gross financial result adjusted for permanent differences between tax income and financial income. The amount of tax resulting from temporary differences, due to the fact that particular items were recognized in income or costs for tax and accounting purposes at different dates, is shown as deferred tax liability or deferred tax assets. The amount of deferred tax liability and deferred tax assets is determined according to income tax rates applied during the fiscal year when the tax liability arises.

All specific provisions created by the Bank excluded from the assessment of corporate income tax liability have been recognized in temporary differences for the purpose of assessing the amount of deferred income tax.

As of December 31, 2002, deferred tax assets amounted to PLN 37,050 thousand, deferred tax liability totaled PLN 8,505 thousand. The corresponding amount of deferred tax assets as of December 31, 2001 reached PLN 31,666 thousand, whereas deferred tax liability on December 31, 2001, amounted to PLN 16,635 thousand.

10.20 Financial data included in the semiannual report have been prepared according to the rules of asset and liability valuation and measurement of the net financial result determined on the balance-sheet day, taking into account adjustments related to provisions, deferred tax assets and liability, referred to in the Accounting Act, and asset revaluation.

10.21 Below are mid EUR/PLN rates set by the National Bank of Poland in the first half of 2002 and the first half and end of 2001, applied to convert selected items from the balance sheet, the profit and loss account and cash flow account:

- As of December 31, 2002, the mid EUR rate published by the NBP on December 31, 2002, was PLN 4.0202;
- As of December 31, 2001, the mid EUR rate published by the NBP was PLN 3.5219;
- mid rate, calculated as an arithmetic mean of mid rates set by the National Bank of Poland on the last days of the months from January to December 2002, was PLN 3.8697; mid rate calculated as an arithmetic means of average rates determined by the National Bank of Poland on the last days of the months from January to December 2001, was PLN 3.6509;
- in 2002, the highest mid EUR rate of PLN 4.2116 was published by the NBP on July 16, 2002; and the lowest mid EUR rate of PLN 3.5015 was published by the NBP on January 8, 2002.
- in 2001, the highest mid EUR rate of PLN 3.9569 was published by the National Bank of Poland on September 17, 2001; whereas the lowest mid EUR rate of PLN 3.3564 was published by the National Bank of Poland on June 12, 2001.

11. Comparative data in the financial statement have been modified so as to ensure comparability of data while the statement and explanation of differences resulting from adjustments due to changes in the accounting policy and principles have been enclosed in the additional explanatory notes under Item 32.

12. The key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2002 and corresponding financial figures for 2001 displayed on the cover page of the semiannual report have been converted into EUR according to the following rules:

- particular items on the assets and liabilities sides of the balance-sheet at the end of 2002 have been translated into EUR at the mid-rate applied on December 31, 2002, published by the National Bank of Poland, i.e. PLN 4.0202; comparative financial data have been converted into EUR at the mid-rate published on December 31, 2001, i.e., PLN 3.5219, published by the National Bank of Poland;
- particular items in the profits and loss account and cash flow statement for 2002 have been converted into EUR at a rate which is an arithmetic mean of mid rates set by the National Bank of Poland for the last days of the months from January to December 2002, i.e. PLN 3.8697; comparative data have been translated into EUR at a rate which is an arithmetic mean of mid rates set by the National Bank of Poland for the last days of the months from January to December 2001, i.e., PLN 3.6509;

13. No adjustments have been made in the presented annual financial result and comparative financial data resulting from reservations of the respective external auditors authorized to examine financial statements for previous years.

14. This semiannual financial statement of the Bank does not include internal data of organizational units which prepare their financial statements independently.

15. A difference would occur between the financial statement of Fortis Bank Polska SA prepared as of December 31, 2002, in accordance with the Polish Accounting Principles (PZR), and a statement which would have been prepared according to the International Accounting Standards (IAS) with respect to the valuation of granted loans, cash loans and other own receivables. According to the IAS 39, granted loans, cash loans and other own receivables should be measured at amortized cost, taking into account the effective interest rate and based on the valuation of impairment loss. In the Bank's financial statement, granted loans, cash loans and other own receivables have been shown in the amount of payment due (unpaid principal, capitalized interest, interest accrued matured and not matured), recognizing the specific provisions created under the Ordinance of the Finance Minister of December 10, 2001, regarding the principles of creating provisions for risks related to banking activity (Journal of Laws. no. 149 of 2001, Item 1672).

Apart from that, there are no significant differences between the Bank's financial statement prepared as of December 31, 2002, in compliance with the Polish Accounting Principles and a statement which would have been prepared according to the International Accounting Standards.