

Semi-Annual report SAB-P 2002 (for banks)

For reporting period from January 1, 2002 to June 30, 2002 and the corresponding period of the previous year from January 1, 2001 to June 30, 2001

(according §57, item 1, point 2 of the Council of Ministers Regulation dated October 16, 2001 - Official Journal No. 139, item 1569, and No. 31/2002, item 280)

Submitted on September 30, 2002

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SELECTED FINANCIAL DATA	PLN thousand		EUR thousand	
	the first half of 2002	the first half of 2001	the first half of 2002	the first half of 2001
I. Interest income	165 207	227 940	44 619	63 660
II. Fee and commission income	36 097	26 822	9 749	7 491
III. Profit on banking activities	139 028	111 456	37 548	31 128
IV. Net operating result	27 072	3 560	7 312	994
V. Gross profit (loss)	27 072	3 560	7 312	994
VI. Net profit (loss)	19 008	1 356	5 134	379
VII. Net cash flow from operating activity	(172 622)	(185 625)	(46 621)	(51 842)
VIII. Net cash flow from investing activity	(233 200)	(53 231)	(62 982)	(14 867)
IX. Net cash flow from financial activity	18 512	252 771	5 000	70 595
X. Net cash flow	(387 310)	13 915	(104 604)	3 886
XI. Total assets	4 160 436	3 894 672	1 123 642	1 087 715
XII. Due to the Central Bank	0	20 021	0	5 592
XIII. Due to other financial institutions	1 113 067	936 976	300 615	261 681
XIV. Due to customers and budget sector	2 372 579	2 321 893	640 782	648 465
XV. Own equity	509 275	480 338	137 544	134 150
XVI. Share capital	30 155	30 155	8 144	8 422
XVII. Number of shares	15 077 700	15 077 700		
XVIII. Book value per share (in PLN/EUR)	33,78	31,86	9,12	8,90
XIX. Diluted book value per share (in PLN/EUR)	33,78	31,86	9,12	8,90
XX. Capital adequacy ratio	19,07	19,50		
XXI. Profit (loss) per ordinary share (in PLN/EUR)	1,87	1,22	0,52	0,34
XXII. Diluted profit (loss) per ordinary share (in PLN/EUR)	0,0	0,0	0,0	0,0
XXIII. Declared or paid-out dividend per ordinary share (in PLN/EUR)	0	0	0	0

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Auditor's Review Report On The Financial Statements Of Fortis Bank Polska S.A. For The Period 1 January 2002 To 30 June 2002

Translation of document originally issued in Polish

To the shareholders of Fortis Bank Polska S.A.

We have reviewed the accompanying [half year financial statements of Fortis Bank Polska S.A.](#) with its registered office at Postępu 15, Warsaw. These financial statements consist of: [the introduction](#); [the balance sheet](#) as at 30 June 2002 with total assets and total liabilities and equity of PLN 4,160,436 thousand; [the profit and loss account](#) for the six months ended 30 June 2002 with a net profit of PLN 19,008 thousand; [the statement of changes in shareholders' equity](#) with equity of PLN 509,275 thousand as at 30 June 2002; [the cash flow statement](#) for six months then ended with a decrease in cash amounting to PLN 387,310 thousand; the statement of contingencies and commitments granted as at 30 June 2002 amounting to PLN 860,015 thousand and [notes to the financial statements](#).

These financial statements are the responsibility of the Bank's management. Our responsibility is issue a report on these financial statements based on our review.

We have conducted our review in accordance with International Standards on Auditing applicable to reviews and Auditing Standard No. 6 issued by the Polish National Council of Certified Auditors.

A review is limited primarily to inquires of Bank's management and personnel and analytical procedures applied to financial statements. The scope and method of a limited review of financial statements is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the true and fair presentation of the financial statements. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half year financial statements do not give a true and fair view of Bank's financial position as at 30 June 2002, the financial result, profitability and cash flows for the period from 1 January 2002 to 30 June 2002 in accordance with the accounting standards applied in Poland as set out in the Polish Accounting Act dated 29 September 1994 (Official Journal of 2002 no. 76, item 694 unified version), the Minister of Finance Ordinance dated 10 December 2001 regarding special accounting principles for banks (Official Journal no. 149, item 1673) as well as the requirements concerning financial statements prepared by the issuer of publicly traded securities, which have been applied on a consistent basis.

Chartered Accountant No. 4979/2575
Hanna Fludra

On behalf of KPMG Polska Audyt Sp. z o.o.
Chartered Accountant No. 796/1670
Bogdan Dębicki, Member of the Board of Directors

On behalf of KPMG Polska Audyt Sp. z o.o.
Richard Cysarz, Proxy

Warszawa, 30 September 2002

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INTRODUCTION

1. Fortis Bank Polska SA seated in Warsaw 02-676, ul. Postępu 15 presents its semiannual report including financial data as at June 30, 2002 and comparative data as at December 31, 2001 and June 30, 2001.

2. The register court competent for the Bank is the Regional 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 the first quarter of 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 and financial transactions both in Polish zlotys and foreign currencies for domestic and foreign legal entities and individual persons and other organizations including economic 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,
- carrying out bank monetary settlements, including credit 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,
- purchasing and selling receivables,
- carrying out foreign-exchange transactions,
- safe-keeping of valuable objects and securities,
- providing the following financial services:
 - custody services,
 - leasing services,
 - brokerage services.
- agency 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.

6. The Bank's only controlled entity is Fortis Securities Polska SA (FSP), a brokerage house. 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 is immaterial for a reliable and transparent presentation of the property, financial situation and financial result of the Bank. As of the end of June 2002, total assets of Fortis Securities Polska SA constituted 0.2% of the Bank's total assets, FSP's total income made up 0.7% of the Bank's total income and deductions have been made to adjust the value of the capital investment in the FSP, in compliance with the applicable regulations.

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 June 30, 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	Senior Vice-President
Andre Van Brussel	Vice-President
Leszek Niemycki	Vice-President
Jean-Luc Deguel	Vice-President
Gilles Polet	Vice-President

9. As of June 30, 2002, the Supervisory Board of Fortis Bank Polska SA consisted of:

Name	Function
Sjoerd van Keulen	Chairman
Luc Delvaux	Vice-Chairman
Antoni Potocki	Vice-Chairman
Zbigniew Dresler	Board Member
Kathleen Steel	Board Member
Werner Claes	Board Member
Paul Dor	Board Member
Roland Saintrond	Board Member
Didier Giblet	Board Member

10. Accounting principles

10.1. Fortis Bank Polska SA maintains its accounting records in accordance with the Accounting Act dated 29 September, 1994 (Dz.U. no. 76, Item 694, uniform text from 2002), Ordinance of the Finance Minister of December 10, 2001, regarding special accounting principles for banks (Dz.U., no. 149, item 1673), 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 (Dz. Urz., no. 149, Item 1674).

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 an 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.

nominalism principle

The Bank keeps accounting records and prepares financial statements in Polish and calculates in Polish currency.

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.

10.2 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.

10.3 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 (Dz.U., 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 (Dz.U. no 139, Item 1569), taking into account the amendments introduced under the Ordinance of the Council of Ministers of March 19, 2002 (Dz.U. no. 31, Item 280) 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 (Dz.U. no. 139, Item 1568), taking into account the amendments introduced under the Ordinance of the Council of Ministers of March 19, 2002 (Dz.U. no. 36, Item 328).

10.4 The Chart of Accounts includes a list of accounts in the General Ledger and auxiliary books (introduced under the Resolution of the Board of Executives no. 174/98 of December 18, 1998, in the Order of the President of the Bank's Board of Executives of December 21, 1998, with subsequent amendments).

10.5 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.

10.6 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.

10.7 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 - 23% 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.

10.8 Items of low initial unit value not exceeding PLN 3,500.00 (during the period from 01.01.2001-31.12.2001, this value was PLN 1,000.00) 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 50 thousand.

10.9 Securities:

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

- securities 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;
- debt securities held to maturity
These are debt securities which have been purchased with an intention to hold them to maturity. Such securities are measured at depreciated cost, taking into account 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.

10.10 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.

10.11 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 income or costs related to shares or interests in equity. Other shares and interests recognized as fixed assets are valued at the acquisition price, taking into account impairment losses.

10.12 Amounts receivable and payable on account of loans, cash loans and other debts are recognized at the amount of the payment due increased by 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 (Dz.U. no. 149, Item 1672, with subsequent amendments of March 29, 2002, Dz.U. no. 31, Item 288). The required provisions are created 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.

10.13 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,
- negative goodwill,
- funds obtained to purchase or manufacture fixed assets, if such assets do not increase equity capital.

10.14 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 future liabilities due to its employees resulting from the work relationship.

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.

10.15 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.

Deferred 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.

10.16 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.

10.17 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.

10.18 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 EBRD, which are included into the financial result on an accrual basis.

10.19 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.

10.20 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 June 30, 2002, deferred tax assets amounted to PLN 36,071 thousand, deferred tax liability totaled PLN 16,165 thousand. The corresponding amount of deferred tax assets as of December 31, 2001 reached PLN 31,666 thousand and as of June 30, 2001 - PLN 27,438 thousand; whereas deferred tax liability on December 31, 2001, amounted to PLN 16,635 thousand and as of June 30, 2001, PLN 16,194 thousand.

10.21 Financial data included in the semiannual report has 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.

10.22 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 June 30, 2002, the mid EUR rate published by the NBP on June 28, 2002, was PLN 4.0091;
- As of December 31, 2001, the mid EUR rate published by the NBP was PLN 3.5219;
- As of June 30, 2001, the mid EUR rate published by the NBP on June 29, 2001, was PLN 3.3783;
- 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 June 2002, was PLN 3.7026; 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 and from January to June 2001 - PLN 3.5806;
- in the first half of 2002, the highest mid EUR rate of PLN 4.0091 was published by the NBP on June 28, 2002; and the lowest mid EUR rate of PLN 3.5015 was published by the NBP on January 8, 2002.
- in the first half of 2001, the highest mid EUR rate of PLN 3.9189 was published by the NBP on January 11, 2001; and the lowest mid EUR rate of PLN 3.3564 was published by the NBP on June 12, 2001.
- 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. No adjustments have been made in the presented financial statement and comparative financial data resulting from reservations made by the external certified auditor in his opinions.

12. 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.

13. The key items in the balance sheet, profit and loss account and cash flow statement in the financial statement for the first six months of 2002 and corresponding financial figures for the first half of 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 the first half of 2002 have been translated into EUR at the mid-rate applied on June 28, 2002, published by the National Bank of Poland, i.e. PLN 4.0091; comparative financial data have been converted into EUR at the mid-rate published on June 30, 2001, i.e., PLN 3.5806, published by the National Bank of Poland;
- particular items in the profits and loss account and cash flow statement for the first half of 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 June, 2002, i.e. PLN 3.7026; 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 June 2001, i.e., PLN 3.5806;

14. 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.

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

16. A difference would occur between the financial statement of Fortis Bank Polska SA prepared as of June 30, 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 depreciated 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 (Dz. U. no. 149 of 2001, Item 1672).

Apart from that, there are no significant differences between the Bank's financial statement prepared as of June 30, 2002, in compliance with the Polish Accounting Principles and a statement which would have been prepared according to the International Accounting Standards.

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Balance sheet

	Note	30.06.2002 (current year)	2001	30.06.2001 (prior year)
ASSETS				
I. Cash and due from Central Bank	1	159 868	407 644	221 091
II. Debt securities eligible for refinancing with Central Bank				
III. Receivables due from other financial institutions	2	872 367	992 170	713 002
1. Current		209 582	349 116	265 403
2. Term		662 785	643 054	447 599
IV. Receivables due from customers	3	2 358 579	2 113 725	2 089 933
1. Current		454 677	383 079	331 152
2. Term		1 903 902	1 730 646	1 758 781
V. Receivables due from budget sector	4	-	16	28 967
1. Current		-	16	-
2. Term		-	-	28 967
VI. Securities purchased under resale agreements	5			
VII. Debt securities	6	598 825	265 471	310 166
VIII. Shares and investments in subsidiaries	7, 10	8 561	10 196	18 196
IX. Shares and investments in sister companies	8, 10			
X. Shares and investments in associates	9, 10			
XI. Minority investments	11	45	39	38
XII. Other securities and other financial assets	12	-	62 101	124 188
XIII. Intangible fixed assets, incl.	14	16 404	18 691	16 999
- goodwill				
XIV. Tangible fixed assets	15	68 471	72 712	85 097
XV. Other assets	16	29 951	93 976	235 109
1. Seized assets - for sale				
2. Other		29 951	93 976	235 109
XVI. Interperiod settlements	17	47 365	57 484	51 886
1. Deferred income tax		36 071	31 666	27 438
2. Other interperiod settlements		11 294	25 818	24 448
TOTAL ASSETS		4 160 436	4 094 225	3 894 672
LIABILITIES				
I. Due to Central Bank		-	-	20 021
II. Due to other financial institutions	20	1 113 067	912 238	936 976
1. Current		128 620	64 814	49 434

2. Term		984 447	847 424	887 542
III. Due to customers	21	2 343 310	2 479 932	2 291 756
1. Savings:				
a. Current				
b. Term				
2. Other:		2 343 310	2 479 932	2 291 756
a. Current		782 862	809 660	591 487
b. Term		1 560 448	1 670 272	1 700 269
IV. Due to budget sector	22	29 269	25 173	30 137
1. Current		5 526	6 245	855
2. Term		23 743	18 928	29 282
V. Securities sold under repurchase agreements	23			
VI. Debt securities issued	20, 21, 22, 24			
1. Short-term				
2. Long-term				
VII. Other liabilities in respect of financial instruments				
VIII. Special funds and other liabilities	25	68 893	101 823	65 869
IX. Accruals and deferred income	26	79 148	67 141	47 106
1. Settlements of accrued expenses		8 632	10 568	9 092
2. Negative goodwill				
3. Other accruals and deferrals		70 516	56 573	38 014
X. Provisions	27	17 474	17 651	22 469
1. Provision for corporate income tax		16 165	16 635	16 194
2. Other provisions		1 309	1 016	6 275
a. Short-term				
b. Long-term		1 309	1 016	6 275
XI. Subordinated debt	28			
XII. Share capital	29	30 155	30 155	30 155
XIII. Unpaid contribution to share capital (negative value)				
XIV. Own shares (negative value)	30			
XV. Reserve capital	31	352 220	352 220	352 213
XVI. Revaluation reserve	32	545	545	552
XVII. Other reserve capital	33	96 062	96 062	96 062
XVIII. Retained earnings (or uncovered loss) from prior years	28	11 285	764	
XIX. Net profit (loss)		19 008	10 521	1 356
TOTAL LIABILITIES		4 160 436	4 094 225	3 894 672
Capital Adequacy Ratio	34	19,07	19,40	19,50

Net book value		509 275	489 503	480 338
Number of shares		15 077 700	15 077 700	15 077 700
Net book value per share (in PLN)	35	33,78	32,47	31,86
Expected number of shares		15 077 700	15 077 700	15 077 700
Diluted book value per share (in PLN)	35	33,78	32,47	31,86
OFF BALANCE SHEET ITEMS				
	Note	30.06.2002 (current year)	2001	30.06.2001 (prior year)
I. Contingent liabilities		1 481 122	1 625 515	828 669
1. Contingent liabilities granted:	36	860 015	1 359 992	651 255
a) lending commitments		720 638	1 231 137	570 049
b) guarantees		139 377	128 855	81 206
2. Contingent assets received:	37	621 107	265 523	177 414
a) lending commitments		559 055	223 526	140 614
b) guarantees		62 052	41 997	36 800
II. Commitments resulting from sale/ purchase transactions		3 693 234	3 069 940	1 497 744
III. Other, including:		40 255	74 520	1 994
- liabilities due to FX deposit transactions		40 255	74 520	1 994
TOTAL off-balance sheet items		5 214 611	4 769 975	2 328 407

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PROFIT AND LOSS STATEMENT

	Note	30.06.2002 (current year)	30.06.2001 (prior year)
I. Interest income	38	165 207	227 940
II. Interest expense	39	101 133	173 192
III. Net interest income (I-II)		64 074	54 748
IV. Commission and fee income	40	36 097	26 822
V. Commission and fee expense		5 290	1 390
VI. Net commission and fee income (IV-V)		30 807	25 432
VII. Income on shares, securities and other financial instruments with variable yield	41	1 405	5 635
1. From subsidiaries			
2. From sister companies			
3. From associates			
4. From other entities		1 405	5 635
VIII. Net result on financial transactions	42	13 311	6 933
IX. Net result on FX differences		29 431	18 708

X. Result on banking activities		139 028	111 456
XI. Other operating income	43	3 073	2 268
XII. Other operating expenses	44	2 314	4 459
XIII. General expenses	45	69 612	71 559
XIV. Depreciation of tangible and intangible fixed assets		14 324	11 831
XV. Charges to provisions and value adjustments	46	39 550	38 321
1. Specific provisions and general risk reserve		37 915	38 321
2. Revaluation of financial assets		1 635	
XVI. Release of provisions and value adjustments	47	10 771	16 006
1. Specific provisions and general risk reserve		10 771	16 006
2. Revaluation of financial assets			
XVII. Net charges to/release of provisions and value adjustments (XV- XVI)		(28 779)	(22 315)
XVIII. Operating profit		27 072	3 560
XIX. Extraordinary gains/ losses, net			-
1. Extraordinary gains	49		181
2. Extraordinary losses	50		181
XX. Profit (loss) before taxation		27 072	3 560
XXI. Corporate income tax	51	8 064	2 204
1. current		12 939	2 634
2. deferred		(4 875)	(430)
XXII. Other mandatory charges to profit (loss)	52		
XXIII. Share in net profit (loss) of subsidiaries estimated by ownership rights	53		
XXIV. Net profit (loss)	54	19 008	1 356
Net profit (loss) (for 12 months)		28 173	18 330
Weighted average number of ordinary shares		15 077 700	15 077 700
Net profit (loss) per ordinary share (in PLN)	55	1,87	1,22
Weighted average of estimated number of ordinary shares		-	-
Diluted net profit (loss) per ordinary share (in PLN)	55	-	-

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MOVEMENTS IN OWN EQUITY

	30.06.2002 (current year)	2001	30.06.2001 (prior year)
I. Opening balance of own equity	489 503	278 952	278 952
a) Changes in adopted accounting principles (policy)	764		
b) Correction of material errors			
I.a. Opening balance of own equity after reclassification to confirm with current year presentation	490 267	278 952	278 952

1. Opening balance of share capital	30 155	20 104	20 104
1.1. Movements in share capital	-	10 051	10 051
a) increases (in respect of)	-	10 051	10 051
- issue of shares	-	10 051	10 051
b) decreases (in respect of)			
- redemption of shares			
1.2. Closing balance of share capital	30 155	30 155	30 155
2. Opening balance of unpaid contribution to share capital			
2.1. Movements in unpaid contributions to share capital			
a) increases			
b) decreases			
2.2. Closing balance of unpaid contribution to share capital			
3. Opening balance of own shares			
a) increases			
b) decreases			
3.1 Closing balance of own shares			
4. Opening balance of reserve capital	352 220	162 234	162 234
4.1. Movements in reserve capital	-	189 986	189 979
a) increases (in respect of)	-	189 986	189 979
- issuance of shares above their par value	-	189 979	189 979
- profit distribution (mandatory)			
- distribution of profit (voluntary)			
- sale and liquidation of fixed assets	-	7	-
b) decreases (in respect of)			
- covering prior period losses			
- sale and liquidation of fixed assets			
4.2. Closing balance of reserve capital	352 220	352 220	352 213
5. Opening balance of revaluation reserve	545	552	552
5.1. Movements in revaluation reserve	-	(7)	-
a) increases (in respect of)			
- sale and liquidation of fixed assets			
b) decreases (in respect of)	-	(7)	-
- sale of fixed assets	-	(7)	-
5.2. Closing balance of revaluation reserve	545	545	552
6. Opening balance of General Risk Fund	79 044	58 012	58 012
6.1. Movements in General Risk Fund	-	21 032	21 032
a) increases (in respect of)	-	21 032	21 032
- profit distribution	-	21 032	21 032
b) decreases (in respect of)			
6.2. Closing balance of General Risk Fund	79 044	79 044	79 044

7. Opening balance of other reserve capital	17 018	17 018	17 018
7.1. Movements in other reserve capital			
a) increases (in respect of)			
b) decreases (in respect of)			
7.2. Closing balance of other reserve capital	17 018	17 018	17 018
8. Opening balance of undistributed profit (uncovered loss) from prior year	10 521	21 032	21 032
8.1. Opening balance of undistributed profit from prior years	10 521	-	-
a) changes in adopted accounting principles (policy)	764	-	-
b) corrections of material errors			
8.2. Opening balance of undistributed profit from prior year after reclassification to confirm with current year presentation	11 285	21 032	21 032
8.3. Movements in undistributed profit from prior years	-	(21 032)	(21 032)
a) increases (in respect of)		-	
- profit distribution			
b) decreases (in respect of)	-	(21 032)	(21 032)
- profit distribution	-	(21 032)	(21 032)
8.4. Closing balance of undistributed profit from prior years			
8.5. Opening balance of uncovered loss from prior years			
a) changes in adopted accounting principles (policy)			
b) corrections of material errors			
8.6. Opening balance of uncovered loss from prior years, after reclassification to confirm with current year presentation			
8.7. Movements in uncovered loss from prior years			
a) increases (in respect of)			
- loss for covering			
b) decreases (in respect of)	-	-	-
8.8. Closing balance of uncovered loss from prior years			
8.9. Closing balance of undistributed profit or uncovered loss from prior years	11 285	-	-
9. Net income	19 008	10 521	1 356
a) net profit	19 008	10 521	1 356
b) net loss			
II. Closing balance of own equity	509 275	489 503	480 338
III. Closing balance of own equity, including the proposed profit distribution (loss covering)	509 275	489 503	480 338

CASH FLOW STATEMENT

	30.06.2002 (current year)	2001	30.06.2001 (prior year)
A. CASH FLOW FROM OPERATING ACTIVITIES (I +/- II) - indirect method*			
I. Net profit (loss)	19 008	10 521	1 356
II. Adjustments for:	(191 630)	(317 142)	(186 981)
1. Share in net profit (loss) of subsidiaries estimated by ownership rights			
2. Depreciation	14 324	26 072	11 831
3. Foreign exchange gains/(losses)	71 006		
4. Interest and dividends received and paid	(625)	(6 924)	(3 639)
5. Profit (loss) on investments	(23 699)	(1 041)	(1 693)
6. Change in other reserves	292	(5 770)	(12)
7. Change in debt securities held	(14 119)	2 777	(4 838)
8. Change in amounts due from financial sector	(19 731)	(152 506)	126 718
9. Change in amounts due from customers and budget	(244 838)	(267 990)	(273 149)
10. Change in securities purchased under resale agreements			
11. Change in shares, securities and other financial instruments with variable yield			
12. Change in amounts due to financial sector	111 292	(22 034)	223 826
13. Change in amounts due to customers and budget	(132 526)	128 289	(54 929)
14. Change securities sold under repurchase agreements			
15. Change in securities issued			
16. Change in other liabilities	(32 948)	24 061	(11 344)
17. Change in interperiod settlements	7 155	(13 405)	(14 629)
18. Change in deferred income	13 943	34 020	15 853
19. Other items	58 844	(62 691)	(200 976)
III. Net cash flow from operating activity (I +/- II)	(172 622)	(306 621)	(185 625)
B. CASH FLOW FROM INVESTING ACTIVITIES (I-II)			
I. Cash inflows from investing activity	711 134	4 193 648	2 267 148
1. Sale of shares in subsidiaries	70 230		
2. Sale of shares in sister companies			
3. Sale of shares in associates			
4. Sale of other shares, securities and financial assets	634 743	4 176 488	2 255 489
5. Sale of tangible and intangible fixed assets	243	878	185
6. Investments in real estates and intangible assets			
7. Other inflows	5 918	16 282	11 474

II. Cash outflows from investing activity	(944 334)	(4 140 182)	(2 320 379)
1. Purchase of shares in subsidiaries			
2. Purchase of shares in sister companies			
3. Purchase of shares in associates			
4. Purchase of other shares, securities and financial assets	(936 947)	(4 095 996)	(2 282 278)
5. Purchase of tangible and intangible fixed assets	(7 387)	(44 186)	(38 101)
6. Investments in real estates and intangible assets			
7. Other outflows			
III. Net cash flow from investing activity (I +/- II)	(233 200)	53 466	(53 231)
C. CASH FLOW FROM FINANCIAL ACTIVITY (I-II)			
I. Cash inflows from financial activity	18 525	454 100	252 999
1. Long-term loans from other banks	18 525	254 070	52 969
2. Long-term loans from other financial institution			
3. Issue of debt securities			
4. Increase in subordinated debt			
5. Net inflows from issuance of own shares and additional payments to share capital		200 030	200 030
6. Other inflows			
II. Cash outflows from financial activity	(13)	(533)	(228)
1. Repayment of long-term loans contracted from other banks			
2. Repayment of long-term loans contracted from non-bank financial institutions			
3. Redemption of debt securities			
4. Other financial liabilities			
5. Payment of liabilities under financial lease agreements			
6. Decrease in subordinated debt			
7. Payment of dividends and other payments to owners			
8. Other payments (not to owners) related to profit distribution			
9. Purchase of own shares			
10. Other outflows	(13)	(533)	(228)
III. Net cash flow from financial activity (I +/- II)	18 512	453 567	252 771
D. NET CASH FLOW (AIII+/-BIII+/-CIII)	(387 310)	200 412	13 915
E. CHANGE IN CASH IN BALANCE-SHEET	(387 310)	200 412	13 915
- including changes in cash arising from exchange rate differences	4 349	(7 535)	(1 421)

F. CASH AT THE BEGINNING OF THE REPORTING PERIOD	756 760	213 242	213 242
G. CASH AT THE END OF THE REPORTING PERIOD (F+/- D)	369 450	413 654	227 157
- including cash with restricted option of use			

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NOTES

Notest to [balance sheet](#)

[Wróć do bilansu](#)

Note 1a

CASH AND DUE FROM CENTRAL BANK	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current account	159 826	407 584	220 974
b. Mandatory reserve			
c. Amounts of Bank Guarantee Fund			
d. Other	42	60	117
TOTAL of cash and due from Central Bank	159 868	407 644	221 091

As at June 30 of 2002, the Bank's mandatory reserve on the current account with NBP amounted to PLN 100,659 thousand.

As at Dec. 31, 2001 the Bank's mandatory reserve of PLN 122,521 thousand was maintained as follows:

- nostro account in NBP - PLN 110,269 thousand,
- cash in hand - PLN 12,252 thousand.

As at June 30, 2001 the Bank's mandatory reserve of PLN 124,848 thousand was maintained as follows:

- nostro account in NBP - PLN 112,363 thousand,
- cash in hand - PLN 12,485 thousand.

Note 1b

CASH (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty	145 339	382 356	209 384
b. in foreign currency (PLN equivalent)	14 529	25 288	11 707
b1. unit/currency 1000/USD	1 743	1 123	1 231
in thousand PLN	7 044	4 477	4 907
b2. unit/currency 1000/EUR	1 145	430	0
in PLN thousand	5 834	1 515	0
b3. unit/ currency 1000/GBP	68	30	33
in PLN thousand	420	174	184
b4. unit/currency 1000/DEM	86	7 249	2 331

in PLN thousand	176	13 053	4 027
b5. other currencies (in PLN thousand)	1 055	6 069	2 589
TOTAL cash	159 868	407 644	221 091

[Wróć do bilansu](#)

Note 2a

DUE FROM OTHER FINANCIAL INSTITUTIONS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts	209 377	349 009	265 196
b. Credits, loans and placements, incl.	660 016	638 985	441 085
- deposits placed in other banks and financial institutions	622 273	613 890	421 414
c. Purchased receivables			
d. Realized guarantees and commitments			
e. Other receivables (in respect of)	875		
- L/C discounts	875		
f. Interest	3 213	4 176	6 721
- accrued	3 213	4 176	6 721
- overdue			
Total gross receivables due from other financial institutions	873 481	992 170	713 002
g. Provisions for receivables due from other financial institutions (negative value)	(1 114)		
Total receivables due from other financial institutions (net)	872 367	992 170	713 002

Note 2b

DUE FROM OTHER FINANCIAL INSTITUTIONS (BY MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts	209 377	349 009	265 196
b. Term, with maturity from balance sheet date:	660 891	638 985	441 085
- up to 1 month	452 374	328 890	331 415
- 1month - 3 months	171 696	225 000	90 800
- 3 months - 1 year	105	62 810	1 321
- 1 year - 5 years	34 016	22 285	17 549
- over 5 years			
- overdue	2 700		
c. Interest	3 213	4 176	6 721
- accrued	3 213	4 176	6 721
- overdue			
Total receivables due from other financial institutions (gross)	873 481	992 170	713 002

Note 2c

DUE FROM OTHER FINANCIAL INSTITUTIONS (BY CONTRACTUAL MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts	209 377	349 009	265 196
b. Term, with duration:	660 891	638 985	441 085
- up to 1 month	312 221	268 959	241 415
- 1 month - 3 months	271 309	284 932	160 000
- 3 months - 1 year	41 337	60 357	21 727
- 1 year - 5 years	36 024	24 737	17 943
- over 5 years			
c. Interest	3 213	4 176	6 721
- accrued	3 213	4 176	6 721
- overdue			
Total receivables due from other financial institutions (gross)	873 481	992 170	713 002

Note 2d

DUE FROM OTHER FINANCIAL INSTITUTIONS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	671 491	846 359	577 724
b. in foreign currency (PLN equivalent)	201 990	145 811	135 278
b1. unit/currency 1000/USD	30 570	15 526	24 532
in PLN thousand	123 558	61 890	97 811
b2. unit/currency 1000/EUR	18 568	21 941	9 766
in PLN thousand	74 442	77 274	32 994
b3. unit/currency 1000/SEK	2 786	898	1 873
in PLN thousand	1 228	340	688
b4. unit/currency 1000/GBP	180	151	225
in PLN thousand	1 112	871	1 261
b5. other receivables (in PLN thousand)	1 650	5 436	2 524
Total receivables due from other financial institutions (gross)	873 481	992 170	713 002

Note 2e

DUE FROM OTHER FINANCIAL INSTITUTIONS (GROSS)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Performing loans	867 568	987 994	706 281
2. Loans on watch-list			
3. Non-performing loans, including:	2 700	0	0
- substandard			
- doubtful	2 700		
- loss			
4. Interest:	3 213	4 176	6 721
a) accrued	3 213	4 176	6 721

b) overdue			
- from performing and loans on watch-list			
- from non-performing loans			
Total receivables due from other financial institutions (gross)	873 481	992 170	713 002

Note 2f

VALUE OF LEGAL COLLATERAL DIMINISHING THE BASE FOR CALCULATION OF SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Loans on watch-list			
b. Non-performing loans, including:	2 250	-	-
- substandard			
- doubtful	2 250		
- loss			
Total value of collateral diminishing the base for calculation of specific provisions for receivables due from other financial institutions	2 250	-	-

Note 2g

SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Loans on watch-list			
b. Non-performing loans, including:	1 114	-	-
- substandard			
- doubtful	1 114		
- loss			
Total specific provisions for receivables due from other financial institutions	1 114	-	-

Note 2h

MOVEMENTS IN SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Opening balance	-		
a) Increases (in respect of)	1 114		
- creating provision	1 114		
b) Utilisation (in respect of)			
c) Releases (in respect of)			
2. Closing balance	1 114		
3. The required amount of specific provisions for receivables due from other financial institutions acc. to the binding law	225		

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Note 3a

DUE FROM CUSTOMERS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Credits and loans	2 401 878	2 143 879	2 089 677
b. Purchased receivables	2 446	2 747	2 992
c. Realized guarantees and commitments	3 645	4 727	4 780
d. Other receivables (in respect of)	8 995	8 591	9 188
- VISA cards settlements	8 923	8 591	9 188
- L/C discounts	72		
e. Interest	83 132	69 557	54 766
- accrued	21 027	20 425	21 892
- overdue	62 105	49 132	32 874
Total receivables from customers (gross)	2 500 096	2 229 501	2 161 403
f. Provision for receivables from customers (negative value)	(141 517)	(115 776)	(71 470)
Total due from customers (net)	2 358 579	2 113 725	2 089 933

The Bank does not have any loans related to financial leases.

Note 3b

DUE FROM CUSTOMERS (BY MATURITY DATE)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts	453 609	380 868	327 743
b. Term, with maturity from balance sheet date:	1 963 355	1 779 076	1 778 894
- up to 1 month	146 976	91 252	102 706
- 1 month - 3 months	88 883	107 268	121 304
- 3 months - 1 year	358 069	361 420	426 959
- 1 year - 5 years	547 430	606 514	648 995
- over 5 years	486 156	373 668	294 931
- overdue	335 841	238 954	183 999
c. Interest	83 132	69 557	54 766
- accrued	21 027	20 425	21 892
- overdue	62 105	49 132	32 874
Total due from customers (gross)	2 500 096	2 229 501	2 161 403

Note 3c

DUE FROM CUSTOMERS (BY CONTRACTUAL MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts	453 609	380 868	327 743
b. Term, with duration:	1 963 355	1 779 076	1 778 894
- up to 1 month	27 207	24 528	21 738
- 1 month - 3 months	98 796	35 090	38 093
- 3 months - 1 year	604 124	657 257	753 283

- 1 year - 5 years	635 330	621 536	602 142
- over 5 years	597 898	440 665	363 638
c. Interest	83 132	69 557	54 766
- accrued	21 027	20 425	21 892
- overdue	62 105	49 132	32 874
Total due from customers (gross)	2 500 096	2 229 501	2 161 403

Note 3d

DUE FROM CUSTOMERS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	1 209 511	1 131 368	1 125 946
b. in foreign currencies (PLN equivalent)	1 290 585	1 098 133	1 035 457
b1. Unit/currency 1000/EUR	211 666	204 783	163 146
in PLN thousand	848 592	721 224	551 155
b2. Unit/currency 1000/USD	106 005	91 451	94 555
in PLN thousand	428 450	364 552	377 000
b3. Unit/currency 1000/CHF	4 974	5 201	9 042
in PLN thousand	13 543	12 357	20 082
b4. Other currencies (in PLN thousand)			87 220
Total due from customers (net)	2 500 096	2 229 501	2 161 403

Note 3e

DUE FROM CUSTOMERS (GROSS)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Performing loans	2 078 053	1 866 738	1 880 097
2. Loans on watch-list	28 395	51 012	42 541
3. Non-performing loans, including:	310 516	242 194	183 999
- substandard	58 109	52 028	47 436
- doubtful	75 260	52 657	26 153
- loss	177 147	137 509	110 410
4. Interest:	83 132	69 557	54 766
a) accrued	21 027	20 425	21 892
b) overdue	62 105	49 132	32 874
- from performing and loans on watch-list	638	777	613
- from non-performing loans	61 467	48 355	32 261
Total due from customers (gross)	2 500 096	2 229 501	2 161 403

Note 3f

VALUE OF LEGAL COLLATERAL DIMINISHING THE BASE FOR CALCULATION OF SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM CUSTOMERS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Performing loans (including interest)			
b. Loans on watch-list	13 688	25 854	19 414
c. Non-performing loans, including:	144 789	123 364	104 761

- substandard	31 873	27 176	27 791
- doubtful	30 506	38 292	20 745
- loss	82 410	57 896	56 225
Total value of collateral diminishing the base for calculation of specific provisions for receivables due from customers	158 477	149 218	124 175

Note 3g

SPECIFIC PROVISIONS FOR RECEIVABLES FROM CUSTOMERS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Performing loans	5 394	4 296	3 340
b. Loans on watch-list	823	376	1 003
c. Non-performing loans, including:	135 300	111 104	67 127
- substandard	6 343	5 254	4 038
- doubtful	6 453	8 326	2 929
- loss	122 504	97 524	60 160
Total specific provisions for receivables due from customers	141 517	115 776	71 470

Note 3h

MOVEMENTS IN SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM CUSTOMERS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Opening balance	115 776	51 273	51 273
a) Increases (in respect of)	40 794	107 017	35 798
- change in risk category	37 508	106 580	35 798
- foreign exchange differences	3 286	437	-
- other			
b) Utilisation (in respect of)			
c) Releases (in respect of)	(15 053)	(42 514)	(15 601)
- repayment	(10 697)	(39 891)	(13 705)
- write off	(3 238)	(604)	(448)
- other (incl. foreign exchange differences)	(1 118)	(2 019)	(1 448)
2. Closing balance	141 517	115 776	71 470
3. The required amount of specific provisions for receivables due from customers acc. to the binding law	124 014	93 446	60 818

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Note 4a

DUE FROM BUDGET (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Credits and loans		16	28 867
b. Purchased receivables			
c. Realized guarantees and commitments			
d. Other receivables (in respect of)	-	-	-
- VISA cards settlements			

e. Interest	-	-	100
- accrued			100
- overdue			
Total receivables from budget (gross)	-	16	28 967
f. Provision for receivables from budget (negative value)			
Total due from budget (net)	-	16	28 967

The Bank does not have any loans related to financial leases.

Note 4b

DUE FROM BUDGET (BY MATURITY DATE)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts		16	
b. Term, with maturity from balance sheet date:	-	-	28 867
- up to 1 month			
- 1 month - 3 months			
- 3 months - 1 year			28 867
- 1 year - 5 years			
- over 5 years			
- overdue			
c. Interest	-	-	100
- accrued			100
- overdue			
Total due from budget (gross)	-	16	28 967

Note 4c

DUE FROM BUDGET (BY CONTRACTUAL MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts		16	
b. Term, with duration:	-	-	28 867
- up to 1 month			
- 1 month - 3 months			
- 3 months - 1 year			
- 1 year - 5 years			28 867
- over 5 years			
c. Interest	-	-	100
- accrued			100
- overdue			
Total due from budget (gross)	-	16	28 967

Note 4d

DUE FROM BUDGET (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)		16	
b. in foreign currencies (PLN equivalent)	-	-	28 967

b1. Unit/currency 1000/DEM			16 770
in PLN thousand			28 967
b2. Other currencies (in PLN thousand)			
Total due from budget (net)	-	16	28 967

Note 4e

DUE FROM BUDGET (GROSS)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Performing loans		16	28 867
2. Loans on watch-list			
3. Non-performing loans, including:	-	-	-
- substandard			
- doubtful			
- loss			
4. Interest:	-	-	100
a) accrued			100
b) overdue	-	-	-
- from performing and loans on watch-list			
- from non-performing loans			
Total due from budget (gross)	-	16	28 967

Note 4f

VALUE OF LEGAL COLLATERAL DIMINISHING THE BASE FOR CALCULATION OF SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM BUDGET

not applicable

Note 4g

SPECIFIC PROVISIONS FOR RECEIVABLES FROM BUDGET

not applicable

Note 4h

MOVEMENTS IN SPECIFIC PROVISIONS FOR RECEIVABLES DUE FROM BUDGET

not applicable

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Note 5

SECURITIES PURCHASED UNDER RESALE AGREEMENTS

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Note 6a

DEBT SECURITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Issued by central banks, of which:	42 892	42 108	142 611
- bonds denominated in foreign currency			
b. Issued by other banks, of which:			
- denominated in foreign currency			
c. Issued by other financial institutions, of which:			

- denominated in foreign currency			
d. Issued by non-financial institutions, of which:			
- denominated in foreign currency			
e. Issued by State Treasury of which:	555 933	223 363	167 555
- denominated in foreign currency			
f. Issued by local authorities, of which:			
- denominated in foreign currency			
g. Repurchased own securities			
Total debt securities	598 825	265 471	310 166

Note 6b

DEBT SECURITIES (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Issued by State Treasury, of which:	555 933	223 363	167 555
a) bonds	323 901	95 552	36 970
b) treasury bills	232 032	127 811	130 585
c) other (by category)			
2. Issued by parent entity, of which:			
a) bonds			
b) other (by category)			
3. Issued by major investor, of which			
a) bonds			
b) other (by category)			
4. Issued by subsidiaries, of which:			
a) bonds			
b) other (by category):			
5. Issued by sister companies, of which:			
a) bonds			
b) other (by category):			
6. Issued by associates, of which:			
a) bonds			
b) other (by category):			
7. Issued by others, of which:	42 892	42 108	142 611
a) bonds			
b) other (by category):	42 892	42 108	142 611
- NBP bonds against mandatory reserve	42 892	42 108	43 662
- NBP bills			98 949
Total debt securities	598 825	265 471	310 166

Note 6c

MOVEMENTS IN DEBT SECURITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a) Opening balance	265 471	397 571	397 571
b) Increases (in respect of)	952 620	4 432 415	2 240 566
- purchases	935 279	4 425 168	2 240 545
- discount			
- interest	3 222	3 767	21
- premium			
- value adjustments	14 119	3 480	
c) Decreases (in respect of)	(619 266)	(4 564 515)	(2 327 971)
- sale	(619 266)	(4 564 515)	(2 327 971)
- interest			
- discount			
- premium			
- value adjustments			
d) Closing balance	598 825	265 471	310 166

Debt securities securing the Bank's liabilities:

- treasury bills held as security for the Banking Guarantee Fund:
 - as at 30.06.2002 - 1 100 bills at total nominal value of PLN 11 000 thousand,
 - as at 31.12.2001 - 1 100 bills at total nominal value of PLN 11 000 thousand,
 - as at 30.06.2000 - 700 bills at total nominal value of PLN 7 000

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Note 7a

SHARES AND INVESTMENTS IN SUBSIDIARIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a) in banks			
b) in other financial institutions	8 561	10 196	18 196
c) in non-financial institution			
Total shares and investments in subsidiary	8 561	10 196	18 196

Note 7b

MOVEMENTS IN SHARES AND INVESTMENTS IN SUBSIDIARIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Opening balance	10 196	18 196	18 196
a) Increases (in respect of)	-	-	-
-			
b) Decreases (in respect of)	(1 635)	(8 000)	
- creating of specific provision	(1 635)	(8 000)	
Closing balance	8 561	10 196	18 196

Note 7c

SHARES AND INVESTMENTS IN SUBSIDIARIES, incl.	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a) goodwill-subsiidiaries	8 561	10 196	18 196
b) negative goodwill- subsidiaries			

Note 7d

MOVEMENTS IN GOODWILL OF SUBSIDIARIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Opening balance of gross goodwill	18 196	18 196	18 196
b. Increases (in respect of)			
c. Decreases (in respect of)			
d. Closing balance of gross goodwill	18 196	18 196	18 196
e. Write-off of goodwill at the opening of balance sheet	(8 000)		
f. Write-off of goodwill for the given period	(1 635)	(8 000)	
- creating of specific provision for the permanent diminution in value	(1 635)	(8 000)	
g. Write-off of goodwill at the end of balance-sheet	(9 635)	(8 000)	-
h. Closing balance of net goodwill	8 561	10 196	18 196

Note 7e

MOVEMENTS IN NEGATIVE GOODWILL OF SUBSIDIARIES

not applicable

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Note 8a

SHARES AND INVESTMENTS IN SISTER COMPANIES

not applicable

Note 8b

MOVEMENTS IN SHARES AND INVESTMENTS IN SISTER COMPANIES

not applicable

Note 8c

SHARES AND INVESTMENTS IN SISTER COMPANIES, INCL. GOODWILL

not applicable

Note 8d

MOVEMENTS IN GOODWILL OF SISTER COMPANIES

not applicable

Note 8e

MOVEMENTS IN NEGATIVE GOODWILL OF SISTER COMPANIES

not applicable

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Note 9a

SHARES AND INVESTMENTS IN ASSOCIATES

not applicable

Note 9b**MOVEMENTS IN SHARES AND INVESTMENTS IN ASSOCIATES**

not applicable

Note 9c**SHARES AND INVESTMENTS IN ASSOCIATES, INCL. GOODWILL**

not applicable

Note 9d**MOVEMENTS IN GOODWILL OF ASSOCIATES**

not applicable

Note 9e**MOVEMENTS IN NEGATIVE GOODWILL OF ASSOCIATES**

not applicable

Note 10

L.p.	a	b	c	d		e	f		
	enterprise's name (& legal form)	seat	type of activity	type of capital affiliation (subsidiary, associated company); description of direct or indirect relations		method of consolidation	date of taking over/ date of beginning significant influence		
1.	Fortis Securities Polska S.A.	Poland	brokerage activity	subsidiary		-	23.12.1999		
g		h		i	j	k		l	
share value at cost		deductions total (incl. depreciaton)		shares (balance sheet value)	pownership (%)	% of votes at the Shareholders Meeting		other ownership	
18.196		9.635		8.561	100%	100%			
L.p.	a	m							
	Enterpris e's name	Own equity	including:						
			share capital	due to capital (negative value)	reserve capital	other own capital	including:		
						undistribut ed profit (uncovered loss) from previous years	net profit (loss)		
1.	Fortis Securities Polska	7.249	9.048	-	692	(2.491)	(1.519)	1.254	
n				o					
payables		including:			receivables	including:			
		short term	long term			short term	long term		
1.395		1.395			-	1.111	1.111		

p	r	s	t
assets	sales revenue	value of unpaid shares by issuer	dividends received/taking part in profits from last year
8.677	1.302		

The unaudited financial data of Fortis Securities Polska S.A. are presented as at June 30, 2002.

[Wróć do bilansu](#)

Note 11a

SHARES AND INVESTMENTS IN OTHER ENTITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. other financial institutions			
b. non-financial institutions	45	39	38
Total shares and investments in other entities	45	39	38

As at June 30, 2002 the Bank owned 1 (one) share of BEF at par value of 55,000.00 and 6 (six) shares of EUR at per value of 9,750 in S.W.I.F.T., the global banking communication entity.

Note 11b

MOVEMENTS IN SHARES AND INVESTMENTS IN OTHER ENTITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Opening balance	39	43	43
a) Increases (in respect of)	6	-	-
- purchase			
- discount			
- interest			
- other (FX differences)	6		
b) Decreases (in respect of)	-	(4)	(5)
- sale			
- interest			
- premium			
- discount			
- other (FX differences)		(4)	(5)
Closing balance	45	39	38

Note 11c

MINORITY INVESTMENTS IN OTHER ENTITIES

L.p.	a	b	c	d	e	f	g		h
	enterprise's name (& legal form)	seat	type of activity	shares (balance sheet value)	share in total number of share capital (in percentage)	number of votes at the Shareholders Meeting	own equity	including: share capital	unpaid shares by issuer
1	S.W.I.F.T. s.c.	Belgium	interbank communication	45					

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Note 12a

OTHER SECURITIES AND FINANCIAL ASSETS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. pre-emptive rights			
b. derivatives			
c. other (by category)		62 101	124 188
- participation units in investment funds		62 101	124 188
Total other securities and financial assets (by category)		62 101	124 188

Note 12b

MOVEMENTS IN OTHER SECURITIES AND FINANCIAL ASSETS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Opening balance	-	-	-
a) Increases (in respect of)	-	124 188	124 188
- purchase		124 188	124 188
b) Decreases	-	(62 087)	-
- redemption of participation units		(62 087)	
Closing balance	-	62 101	124 188

Note 12c

OTHER SECURITIES AND FINANCIAL ASSETS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	-	62 101	124 188
b. in foreign currencies (PLN equivalent)			
b1. Unit/currency 1000/BEF			
in PLN thousand			
b2. Unit/currency 1000/EUR			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total other securities and financial assets	-	62 101	124 188

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Note 13a

FINANCIAL ASSETS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. cash	164 744		
b. marketable financial assets	-		
c. credits and loans granted by the Bank and non-marketable own receivables	3 226 070		
d. financial assets not redeemed before maturity	17 090		
e. financial assets available for sale	581 780		
Total financial assets	3 989 684		

In Note No. 13 to the Bank's financial statements as of June 30, 2002, the new division of financial assets by categories, defined in the Council of Ministers Ordinance dated Dec. 10, 2001 regarding the specific accounting principles for banks, was adopted for the first time. Due

to the fact that the asset categories adopted in previous periods do not correspond directly with the presently binding ones, it is not possible to present the comparable data for the previous reporting periods. Thus, the Bank does not present the data for previous reporting periods in the notes on financial assets.

Note 13b

FINANCIAL ASSETS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	2 541 446		
b. in foreign currencies (PLN equivalent)	1 448 238		
b1. Unit/currency 1000/EUR	224 897		
in PLN thousand	902 878		
b2. Unit/currency 1000/USD	129 603		
in PLN thousand	527 466		
b3. Other currencies (in PLN thousand)	17 894		
Total financial assets	3 989 684		

Note 13c

MARKETABLE FINANCIAL ASSETS - TRADING PORTFOLIO (ACC. TO MARKETABILITY)

not applicable

Note 13d

FINANCIAL ASSETS NOT REDEEMED BEFORE MATURITY (BY MARKETABILITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
A. Unrestricted marketability, quoted on Stock Exchange (book value)			
a. bonds (book value):			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
b. other - by category (book value):			
b1.			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
B. Unrestricted marketability, and quoted on OTC market (book value)			
a. bonds (book value):			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
b. other - by category (book value):			
b1.			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			

C. Unrestricted marketability and non-quoted on regulated market (book value)			
a. bonds (book value):			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
b. other - by category (book value):			
b1. participation units in open investment funds			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
D. Restricted marketability (book value)	17 090		
a. bonds (book value):	17 090		
- value adjustments (for a given period)			
- opening balance value	16 839		
- value at purchase cost	16 652		
b. other - by category (book value):			
b1. participation units in open investment funds			
- value adjustments (for a given period)			
- opening balance value			
- value at purchase cost			
Total value at purchase cost	16 652		
Total opening balance value	16 839		
Total value adjustments			
Total book value	17 090		

Note 13e

FINANCIAL ASSETS AVAILABLE FOR SALE (BY MARKETABILITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
A. Unrestricted marketability, quoted on Stock Exchange (book value)	323 901		
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):	323 901		
- fair value			
- market value	323 901		
- value at purchase cost	321 814		
c. other - by category (book value):			
c1.			
- fair value			
- market value			

- value at purchase cost			
B. Unrestricted marketability, and quoted on OTC market (book value)	257 834		
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):	257 834		
c1. Treasury bills	232 032		
- fair value			
- market value	232 032		
- value at purchase cost	223 900		
c2. NBP bills	25 802		
- fair value			
- market value	25 802		
- value at purchase cost	24 979		
C. Unrestricted marketability and non-quoted on regulated market (book value)	-		
a. shares (book value):			
- fair value			
- market value			
- value at purchase cost			
b. bonds (book value):			
- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):			
c1.			
- fair value			
- market value			
- value at purchase cost			
D. Restricted marketability (book value)	45		
a. shares and investments (book value):	45		
- fair value			
- market value	45		
- value at purchase cost	45		
b. bonds (book value):			

- fair value			
- market value			
- value at purchase cost			
c. other - by category (book value):			
c1.			
- fair value			
- market value			
- value at purchase cost			
Total value at purchase cost	570 738		
Total opening balance value	248 671		
Total value adjustments			
Total book value	581 780		

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Note 14a

INTANGIBLE FIXED ASSETS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. research and development costs			
b. goodwill			
c. patents, licences and related rights, incl.	16 404	18 691	16 999
- purchased software	16 404	18 691	16 999
d. other intangible fixed assets			
e. prepayments for intangible fixed assets			
Total intangible fixed assets	16 404	18 691	16 999

Note 14b

MOVEMENTS IN INTANGIBLE ASSETS (by category)

	a	b	c		d	e	f
	research and development costs	goodwill	patents, licences and related rights	including: software	other intangible assets	prepayments for intangible fixed assets	Intangible assets total
a) intangible assets (gross) at the beginning of the period			31 398	31 398			31 398
b) increases (in respect of)			1 474	1 474			1 474
- share capital increase							-

- purchase			1 454	1 454			1 454
- investment settlement			20	20			20
c) decreases (in respect of)							-
- liquidation							-
- other							-
d) intangible assets (gross) at the end of the period	0		32 872	32 872			32 872
e) accumulated depreciation at the beginning of the period			(12 706)	(12 706)			(12 706)
f) depreciation (in respect to)	0		(3 762)	(3 762)			(3 762)
- cost of obtaining share capital							-
- purchase			(3 762)	(3 762)			(3 762)
- liquidation							-
- other							-
g) accumulated depreciation at the end of the period	0		(16 468)	(16 468)			(16 468)
h) write-offs in respect of permanent diminution of value at the beginning of the period							-
- increase							-
- decrease							-
i) write-offs in respect of permanent diminution of value at the end of							-

the period							
j) net intangible assets at the end of the period	-		16 404	16 404			16 404

In the first 6 months of 2002, there was no unplanned depreciation of intangible assets.

Note 14c

INTANGIBLE FIXED ASSETS (by ownership)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. own	16 404	18 691	16 999
b. used under rental, lease or other agreements, incl. leasing			
Total intangible fixed assets	16 404	18 691	16 999

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Note 15a

TANGIBLE FIXED ASSETS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Tangible fixed assets			
a) Tangible fixed assets, of which:	63 249	70 714	72 127
- land (incl. perpetual usufract right)			
- buildings, premises, ground or water structures			
- technical equipment and machines	18 028	22 391	26 716
- vehicles	4 025	4 648	5 520
- other fixed assets	41 196	43 675	39 891
b) Assets under construction	5 222	1 998	12 970
c) Prepayments towards investments			
Total tangible fixed assets	68 471	72 712	85 097

Note 15b

TABLE OF MOVEMENT OF TANGIBLE FIXED ASSETS (by category)

	land (incl. perpetual usufract right)	buildings, premises, ground or water structures	technical equipment and machines	vehicles	other fixed assets	total fixed assets
a) fixed assets value (gross) at the beginning of the period			44 359	9 406	56 216	109 981
b) increases (in respect to)			1 540	560	509	2 609
- purchase			1 187	560	509	2 256
- investment settlements			353			353
- other						-

c) decrease (in respect to)			(766)	(910)	(42)	(1 718)
- sale			(14)	(759)		(773)
- liquidation			(752)	(151)	(42)	(945)
- other						-
d) fixed assets value (gross) at the end of the period			45 133	9 056	56 683	110 872
e) accumulated depreciation at the beginning of the period			(21 968)	(4 758)	(12 541)	(39 267)
f) depreciation for period (in respect to)			(5 137)	(272)	(2 947)	(8 356)
- purchase			(5 924)	(1 011)	(2 988)	(9 923)
- sale			5	631		636
- liquidation			782	108	41	931
- other						-
g) accumulated depreciation at the end of the period			(27 105)	(5 030)	(15 488)	(47 623)
h) write-offs in respect of permanent diminution of value at the beginning of the period						-
- increase						-
- decrease						-
i) write-offs in respect of permanent diminution of value at the end of the period						-
j) net fixed assets at the end of the period			18 028	4 026	41 195	63 249

In first 6 months of 2002, there was no unplanned depreciation of fixed assets.

Note 15c

ON-BALANCE FIXED ASSETS (BY OWNERSHIP)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Own	68 353	72 530	84 098
b. used under rental, lease or other agreements, incl. leasing	118	182	999
- operating leases	118	182	999
Total on-balance sheet fixed assets	68 471	72 712	85 097

Note 15d**OFF-BALANCE FIXED ASSETS**

not applicable

[Wróć do bilansu](#)**Note 16a**

OTHER ASSETS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Seized assets for sale			
2. Other, including:	29 952	93 976	235 109
- interbank settlements	24 976	84 297	6 966
- settlements with suppliers and recipients	2 359	2 917	3 062
- settlements with employees	1 212	860	1 260
- contentious claims	235	-	-
- tax settlements	22	4 037	17 115
- share issue settlements	-	-	200 031
- other settlements	1 148	1 865	6 675
Total other assets	29 952	93 976	235 109

Note 16b**SEIZED ASSETS FOR SALE**

not applicable

Note 16c**MOVEMENTS IN SEIZED ASSETS FOR SALE**

not applicable

[Wróć do bilansu](#)**Note 17a**

INTERPERIOD SETTLEMENTS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Long-term	26 855	31 896	23 593
- deferred corporate income tax	16 532	7 161	
- other interperiod settlements	10 323	24 735	23 593
b. Short-term	20 510	25 588	28 293
- capital acquisition costs settlement	971	1 083	855
- deferred corporate income tax	19 539	24 505	27 438
- release of provision for deferred income tax			
Total interperiod settlements	47 365	57 484	51 886

In comparable data for 6 months of 2001, there is no division for long and short-term deferred income tax as at June 30, 2002 such division was not binding and the Bank has no relevant data available.

Note 17b

MOVEMENTS IN ASSETS IN RESPECT OF DEFERRED CORPORATE INCOME TAX	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Opening balance	31 666	24 324	24 324
a. related to financial result	31 666	24 324	24 324
- accrued interest	8 087	10 364	10 364
- prepayments	134	109	109
- provision for non-performing loans	21 472	12 243	12 243
- other provisions	1 816	1 608	1 608
- derivatives adjustments to fair value	157	-	-
b. related to own equity	-	-	-
-			
c. related to goodwill or negative goodwill	-	-	-
-			
2. Increases	8 033	9 619	4 919
a. related to financial result of the period due to negative temporary differences (in respect of)	8 033	9 619	4 919
- accrued interest	-	-	-
- prepayments	-	25	-
- provision for non-performing loans	7 028	9 229	4 392
- other provisions	1 005	208	527
- derivatives adjustments to fair value	-	157	-
b. related to financial result of the period due to income tax losses (in respect of)	-	-	-
-			
c. related to own equity due to negative temporary differences (in respect of)	-	-	-
-			
d. related to own equity due to income tax losses (in respect of)	-	-	-
-			
e. related to goodwill or negative goodwill due to negative temporary differences (in respect of)	-	-	-
-			
3. Deductions	3 628	2 277	1 805
a. related to financial result of the period due to negative temporary differences (in respect of)	3 628	2 277	1 805
- accrued interest	3 413	2 277	1 723
- prepayments	58		82
- provision for non-performing loans			
- other provisions			
- derivatives adjustments to fair value	157		
b. related to financial result of the period due to	-	-	-

income tax losses (in respect of)			
-			
c. related to own equity due to negative temporary differences (in respect of)	-	-	-
-			
d. related to own equity due to income tax losses (in respect of)	-	-	-
-			
e. related to goodwill or negative goodwill due to negative temporary differences (in respect of)	-	-	-
-			
4.Closing balance	36 071	31 666	27 438
a. related to financial result	36 071	31 666	27 438
- accrued interest	4 674	8 087	8 641
- prepayments	76	134	27
- provision for non-performing loans	28 500	21 472	16 635
- other provisions	2 821	1 816	2 135
- derivatives adjustments to fair value	-	157	-
b. related to own equity	-	-	-
-			
c. related to goodwill or negative goodwill	-	-	-
-			

Note 17c

OTHER INTERPERIOD SETTLEMENTS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a) Interperiod settlements, of which:	7 447	18 214	11 581
- settlements of capital acquisition costs	2 725	3 283	2 106
- settlements on account of pricing financial instruments	1 317	12 673	5 902
- Bank Guarantee Fund	456	-	642
- rent	442	599	1 031
- Social Benefit Fund	332	-	-
- insurance	268	564	297
- other	1 907	1 095	1 603
b) Other, including:	3 847	7 604	12 867
- interest on discount placements	2 613	-	-
- income to be received	1 234	7 604	12 867
Total other interperiod settlements	11 294	25 818	24 448

[Wróć do bilansu](#)

Note 18**SUBORDINATED LOANS**

Not applicable

[Wróć do bilansu](#)**Note 20a**

DUE TO OTHER FINANCIAL INSTITUTIONS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts and deposits	454 702	348 142	554 032
- placements of banks and other entities	326 252	283 329	524 619
b. Loans and borrowings received	648 156	558 619	377 519
c. Promissory notes			
d. Own share issue			
e. Other, in respect of	4 591	-	-
- amounts due in respect of financial collateral	4 591		
f. Interest	5 618	5 477	5 425
Total due to other financial institutions	1 113 067	912 238	936 976

Note 20b

DUE TO OTHER FINANCIAL INSTITUTIONS (BY MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current	128 449	64 789	49 404
b. Term, with maturity from the balance sheet date:	979 000	841 972	882 147
- Up to 1 month	290 402	238 110	368 786
- 1 month - 3 months	40 418	45 243	154 923
- 3 months - 1 year	24		920
- 1 year - 5 years	648 156	558 619	15 033
- 5 years - 10 years			342 485
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	5 618	5 477	5 425
Total due to other financial institutions	1 113 067	912 238	936 976

Note 20c

DUE TO OTHER FINANCIAL INSTITUTIONS (BY CONTRACTUAL MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current	128 449	64 789	49 404
b. Term, with maturity from the balance sheet date:	979 000	841 972	882 147
- Up to 1 month	215 929	193 971	266 292
- 1 month - 3 months	114 891	71 749	252 303
- 3 months - 1 year	24	17 634	6 034
- 1 year - 5 years	244 929	202 367	15 033

- 5 years - 10 years	403 227	356 251	342 485
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	5 618	5 477	5 425
Total due to other financial institutions	1 113 067	912 238	936 976

Note 20d

DUE TO OTHER FINANCIAL INSTITUTIONS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a.in Polish zloty (PLN)	209 018	160 569	315 219
b. in foreign currency (PLN equivalent)	904 049	751 669	621 757
b1. unit/currency 1000/EUR	170 026	191 304	167 435
in PLN thousand	681 651	673 753	565 646
b2. unit/currency 1000/USD	49 970	15 071	9 162
in PLN thousand	201 968	60 077	36 529
b3. unit/currency 1000/CHF	7 504	7 508	8 817
in PLN thousand	20 430	17 839	19 582
b4. Other currency (in PLN thousand)			
Total due to other financial institutions	1 113 067	912 238	936 976

[Wróć do bilansu](#)

Note 21a

DUE TO CUSTOMERS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts and deposits	2 030 546	2 146 744	1 980 396
b. Loans and borrowings received			
c. Promissory notes			
d. Own share issue			
e. Other, in respect of	299 057	314 064	287 829
- amounts due in respect of financial collateral	299 057	313 608	287 024
- VISA settlements		451	7
- term deposit settlements		5	798
f. Interest	13 707	19 124	23 531
Total due to customers	2 343 310	2 479 932	2 291 756

Note 21b

DUE TO CUSTOMERS - SAVINGS (BY MATURITY)

not applicable

Note 21c

DUE TO CUSTOMERS - SAVINGS (BY CONTRACTUAL MATURITY)

not applicable

Note 21d

DUE TO CUSTOMERS - OTHER (BY MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current	781 626	808 986	591 130
b. Term, with maturity from the balance sheet date:	1 547 977	1 651 822	1 677 095
- Up to 1 month	1 148 023	1 195 062	1 149 468
- 1 month - 3 months	234 875	278 728	364 278
- 3 months - 1 year	153 541	164 801	161 291
- 1 year - 5 years	11 538	13 231	2 058
- 5 years - 10 years			
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	13 707	19 124	23 531
Total due to customers - other	2 343 310	2 479 932	2 291 756

Note 21e

DUE TO CUSTOMERS - OTHER (BY CONTRACTUAL MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current	781 626	808 986	591 130
b. Term, with duration:	1 547 977	1 651 822	1 677 095
- up to 1 month	884 367	921 506	814 923
- 1 month - 3 months	432 809	457 013	616 471
- 3 months - 1 year	209 525	250 486	241 332
- 1 year - 5 years	21 276	22 817	4 369
- 5 years - 10 years			
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	13 707	19 124	23 531
Total due to customers - other	2 343 310	2 479 932	2 291 756

Note 21f

DUE TO CUSTOMERS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	1 858 257	1 985 179	1 761 284
b. in foreign currencies (in respect of)	485 053	494 753	530 472
b1. Unit/currency 1000/USD	73 268	83 088	102 255
in PLN thousand	296 133	331 215	407 701
b2. Unit/currency 1000/EUR	44 173	45 668	22 029
in PLN thousand	177 093	160 839	74 422
b3. Unit/currency 1000/CHF	3 892	96	153
in PLN thousand	10 597	229	341

b4. Unit/currency 1000/GBP	153	109	240
in PLN thousand	948	628	1 347
b5. Other currencies (in PLN thousand)	282	1 842	46 661
Total due to customers	2 343 310	2 479 932	2 291 756

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Note 22a

DUE TO BUDGET (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current accounts and deposits	29 162	25 068	30 063
b. Loans and borrowings received			
c. Promissory notes			
d. Own share issue			
e. Other, in respect of	-	-	-
-			
f. Interest	107	105	74
Total due to budget	29 269	25 173	30 137

Note 22b

DUE TO BUDGET - SAVINGS (BY MATURITY)

not applicable

Note 22c

DUE TO BUDGET - SAVINGS (BY CONTRACTUAL MATURITY)

not applicable

Note 22d

DUE TO BUDGET - OTHER (BY MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current	5 512	6 244	855
b. Term, with maturity from the balance sheet date:	23 650	18 824	29 208
- Up to 1 month	23 629	18 824	29 208
- 1 month - 3 months	21		
- 3 months - 1 year			
- 1 year - 5 years			
- 5 years - 10 years			
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	107	105	74
Total due to budget - other	29 269	25 173	30 137

Note 22e

DUE TO BUDGET- OTHER (BY CONTRACTUAL MATURITY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Current	5 512	6 244	855
b. Term, with duration:	23 650	18 824	29 208
- up to 1 month	17 687	9 791	27 327
- 1 month - 3 months	5 963	7 900	1 881
- 3 months - 1 year		1 133	
- 1 year - 5 years			
- 5 years - 10 years			
- 10 years - 20 years			
- over 20 years			
- overdue			
c. Interest	107	105	74
Total due to budget - other	29 269	25 173	30 137

Note 22f

DUE TO BUDGET (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	28 386	24 839	26 134
b. in foreign currencies (in respect of)	883	334	4 003
b1. Unit/currency 1000/EUR	220	95	
in PLN thousand	883	334	
b2. Unit/currency 1000/USD			1 004
in PLN thousand			4 003
b3. Other currencies (in PLN thousand)			
Total due to budget	29 269	25 173	30 137

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Note 23**SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

not applicable

Note 24a**DEBT SECURITIES ISSUED**

not applicable

Note 24b**MOVEMENTS IN DEBT SECURITIES ISSUED**

not applicable

Note 24c**LONG-TERM LIABILITIES FROM DEBT SECURITIES ISSUED**

not applicable

The Bank does not have liabilities secured on the Issuer assets.

[Wróć do bilansu](#)

Note 25

SPECIAL FUNDS AND OTHER LIABILITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Special funds	1 828	1 202	1 701
- social benefit fund	1 133	806	1 075
- other	695	396	626
2. Other liabilities	67 065	100 621	64 168
- interbank settlements	49 425	83 777	55 712
- tax settlements	8 447	2 666	2 071
- liabilities arising from other transactions with customers	1 826	5 582	843
- settlements with suppliers and recipients	1 048	3 614	1 846
- other	6 319	4 982	3 696
Total special funds and other liabilities	68 893	101 823	65 869

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Note 26a

ACCRUALS AND DEFERRED INCOME	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Short-term , of which:	8 632	10 568	9 092
- provision for rents	2 527	2 119	605
- provision for variable part of remuneration	1 961	585	1 404
- provision for unused leave of absence	1 450	1 450	1 010
- provision for legal consultation and audit	936	861	1 138
- provision for employee training	279	-	203
- provision for marketing	100	-	2 110
- settlement of financial instruments	-	4 241	1 808
- other interperiod settlements	1 379	1 312	814
b. Long-term, of which:	-	-	-
-			
Total accruals and deferred income	8 632	10 568	9 092

Note 26b**CHANGE IN NEGATIVE GOODWILL**

not applicable

Note 26c

OTHER ACCRUALS AND DEFERRALS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Short-term, incl.	273	479	98
- prepayments	273	479	98
b. Long-term, incl.	70 243	56 094	37 916
- deferred income	70 243	56 094	37 916
Total other accruals and deferrals	70 516	56 573	38 014

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Note 27a

MOVEMENTS IN DEFERRED CORPORATE INCOME TAX PROVISION	30.06.2002 (current year)	2001	30.06.2001 (prior year)
1. Opening balance	16 635	13 510	13 510
a. related to financial result	16 635	13 510	13 510
- accrued interest on securities	2 001	947	947
- other accrued interest	6 797	8 126	8 126
- market swap	44	89	89
- unpaid discount	1 735	1 908	1 908
- unrealized FX differences	3 549	267	267
- investment relief, net	1 535	2 173	2 173
- securities adjustments to fair value	974	-	-
b. related to own equity			
-			
c. related to goodwill or negative goodwill			
-			-
2. Increases	5 371	5 310	3 408
a. related to financial result of the period due to positive temporary differences (in respect of)	5 371	5 310	3 408
- accrued interest on securities	1 773	1 054	6
- other accrued interest	-	-	2 016
- market swap	-	-	-
- unpaid discount	619		-
- unrealized FX differences	-	3 282	1 386
- securities adjustments to fair value	2 979	974	-
b. related to own equity due to positive temporary differences (in respect of)			
-			
c. related to own equity due to negative temporary differences (in respect of)			
-			
3. Deductions	5 841	2 185	724
a. related to financial result of the period due to positive temporary differences (in respect of)	5 841	2 185	724
- accrued interest on securities	-	-	-
- other accrued interest	2 298	1 329	
- market swap	44	45	84
- unpaid discount	-	173	384
- unrealized FX differences	3 180	-	-
- investment relief, net	319	638	256
- securities adjustments to fair value			-

b. related to own equity due to positive temporary differences (in respect of)			
-			
c. related to goodwill or negative goodwill due to positive temporary differences (in respect of)			
-			
4. Closing balance	16 165	16 635	16 194
a. related to financial result	16 165	16 635	16 194
- accrued interest on securities	3 774	2 001	953
- other accrued interest	4 499	6 797	10 142
- market swap	-	44	5
- unpaid discount	2 354	1 735	1 524
- unrealized FX differences	369	3 549	1 653
- investment relief, net	1 216	1 535	1 917
- securities adjustments to fair value	3 953	974	-
b. related to own equity			
-			
c. related to goodwill or negative goodwill			
-			

Note 27b

DEFERRED INCOME TAX PROVISION (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	16 165	16 635	16 194
b. in foreign currencies (in respect of)	0	0	0
b1. Unit/currency 1000/USD			
in PLN thousand			
b2. Unit/currency 1000/EUR			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total deferred income tax provision	16 165	16 635	16 194

Note 27c

OTHER PROVISIONS (BY CATEGORY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
- off-balance sheet commitments provision	809	516	131
- provision for employees benefits	500	500	
- general risk reserve			6 144
Total other provisions	1 309	1 016	6 275

Note 27d

OTHER PROVISIONS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Short-term			
-			
b. Long-term	1 309	1 016	6 275
- off-balance sheet commitments provision	809	516	131
- provision for employees benefits	500	500	
- general risk reserve			6 144
Total other provisions	1 309	1 016	6 275

Note 27e

OTHER PROVISIONS (BY CURRENCY)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. in Polish zloty (PLN)	1 309	1 016	6 275
b. in foreign currencies (in respect of)	0	0	0
b1. Unit/currency 1000/USD			
in PLN thousand			
b2. Unit/currency 1000/EUR			
in PLN thousand			
b3. Other currencies (in PLN thousand)			
Total deferred income tax provision	1 309	1 016	6 275

Note 27f**MOVEMENTS IN OTHER SHORT-TERM PROVISIONS**

not applicable

Note 27g

MOVEMENTS IN OTHER LONG-TERM PROVISIONS	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Opening balance	1 016	6 286	6 286
- off-balance sheet commitments provision	516	142	142
- provision for employees benefits	500		
- general risk reserve	-	6 144	6 144
a) Increases (in respect of)	356	3 437	2 284
- creating provision for off-balance sheet commitments	356	957	304
- creating provision for employees benefits	-	500	
- creating general risk reserve	-	1 980	1 980
b) utilisation (in respect of)	-	-	-
-			
c) releases (in respect of)	(63)	(8 707)	(2 295)
- release of off-balance sheet commitments provision	(63)	(583)	(315)
- release of general risk reserve	-	(8 124)	(1 980)

Closing balance	1 309	1 016	6 275
- off-balance sheet commitments provision	809	516	131
- provision for employees benefits	500	500	
- general risk reserve	-	-	6 144
Total other long-term provisions	1 309	1 016	6 275

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Note 28a

SUBORDINATED DEBT

not applicable

Note 28b

MOVEMENTS IN SUBORDINATED DEBT

not applicable

Note 29

SHARE CAPITAL (par value of 1 share = 2 PLN)

Series / issue	Type of shares	Type of preference	Number of shares	Issue value	Type of capital covering	Date of registration	Eligibility for dividend
A	bearer share	common shares	634,060	1,268,120	cash	19.12.1990	from full payment
B	bearer share	common shares	1,115,940	2,231,880	cash	30.04.1991	from full payment
C	bearer share	common shares	2,000,000	4,000,000	cash	14.07.1994	01.01.1994
D	bearer share	common shares	1,250,000	2,500,000	cash	11.07.1996	01.01.1995
E	bearer share	common shares	1,250,000	2,500,000	cash	11.04.1997	01.01.1996
F	bearer share	common shares	625,000	1,250,000	cash	04.06.1998	01.01.1997
G	bearer share	common shares	740,000	1,480,000	cash	04.06.1998	01.01.1997
H	bearer share	common shares	761,500	1,523,000	cash	08.10.1999	01.01.1999
I	bearer share	common shares	1,675,300	3,350,600	cash	03.07.2000	01.01.1999
J	bearer share	common shares	5,025,900	10,051,800	cash	28.06.2001	01.01.2000
Total number of shares			15,077,700				
Total share capital				30,155,400			

As at Dec. 31, 2001 the following shareholders owned stock representing at least 5% of the Bank's share capital or 5% of the votes in the General Meeting of Shareholders (AGM):

- Fortis Bank: 99.10% of share capital, with the right of 11,308,275 votes at the General Meeting of Shareholders or 99.10% of total votes at AGM. However, in accordance with Article 26 of the Bill dated 29.08.1997 r. Banking Law (Dz. U. Nr 140, item 939 as amended) with reference to the resolution No. 159/KNB/99 of Banking Supervision

Commission as of 16.08.1999 r. relating to permission granted to Fortis Bank to purchase shares of PPABank SA, Fortis Bank has permission only to acquire shares which give it up to 75% of the total voting rights at the AGM.

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Note 30a

OWN SHARES

not applicable

Note 30b

BANK SHARES OWNED BY SUBSIDIARIES

not applicable

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Note 31

RESERVE CAPITAL	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Share premium	351 853	351 853	351 854
b. Mandatory reserve	367	367	359
c. Statutory			
d. Contribution from shareholders			
e. Other			
-			
Total reserve capital	352 220	352 220	352 213

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Note 32

REVALUATION CAPITAL	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. fixed assets revaluation	545	545	552
b. deferred income tax			
c. FX differences from foreign branches			
d. Other			
-			
Total revaluation capital	545	545	552

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Note 33

OTHER RESERVE CAPITAL (BY PURPOSE)	30.06.2002 (current year)	2001	30.06.2001 (prior year)
- General Risk Fund	79 044	79 044	79 044
- Other	17 018	17 018	17 018
Total other reserve capital	96 062	96 062	96 062

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Note 34

Capital Adequacy Ratio calculation	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Risk weighted assets	2 284 751	2 135 181	2 221 077
Risk weighted contingent liabilities	196 319	269 645	131 956
Total weighed assets and contingent liabilities	2 481 070	2 404 826	2 353 033
Equity capital	30 155	30 155	30 155
Additional capital	352 220	352 220	352 213
Reserve capital	17 018	17 018	17 018
General Risk Fund	79 044	79 044	79 044
Fixed assets revaluation capital	545	545	552
Undistributed profit (uncovered loss) from previous years	11 285	-	-
Subordinated debt			
Deductions of core funds and supplementary own funds	(13 482)	(12 394)	(20 106)
Own equity	476 785	466 588	458 876
Capital Adequacy Ratio	19,07	19,40	19,50

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Note 35

Book value per share	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Equity capital	30 155	30 155	30 155
Additional capital	352 220	352 220	352 213
Reserve capital	17 018	17 018	17 018
General Risk Fund	79 044	79 044	79 044
Fixed assets revaluation capital	545	545	552
Undistributed profit (uncovered loss) from previous years	11 285	764	-
Net profit	19 008	10 521	1 356
Total	509 275	490 267	480 338
Number of shares	15 077 700	15 077 700	15 077 700
Book value per share (in PLN)	33,78	32,52	31,86

Diluted book value per share	30.06.2002 (current year)	2001	30.06.2001 (prior year)
Equity capital	30 155	30 155	30 155
Additional capital	352 220	352 220	352 213
Reserve capital	17 018	17 018	17 018
General Risk Fund	79 044	79 044	79 044
Fixed assets revaluation capital	545	545	552
Net profit	19 008	10 521	1 356

Undistributed profit (uncovered loss) from previous years	11 285	764	-
Total	509 275	490 267	480 338
Number of shares	15 077 700	15 077 700	15 077 700
Diluted book value per share	33,78	32,52	31,86

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Note 36

CONTINGENT LIABILITIES GRANTED TO AFFILIATED ENTITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Guarantees and sureties granted to:			
- subsidiaries			
- sister companies			
- associates			
- major investor			
- controlling entity			
b. Other, incl.	75	75	75
Visa card limits granted to	75	75	75
- subsidiaries	75	75	75
- sister companies			
- associates			
- major investor			
- controlling entity			
-			
- subsidiaries			
- sister companies			
- associates			
- major investor			
- controlling entity			
-			
Total guarantees and sureties granted to affiliated entities	75	75	75

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Note 37

CONTINGENT LIABILITIES RECEIVED FROM AFFILIATED ENTITIES	30.06.2002 (current year)	2001	30.06.2001 (prior year)
a. Guarantees and sureties received from:	55 835	14 242	21 864
- subsidiaries	55 835	14 242	21 864
- sister companies			
- associates			
- major investor			
- controlling entity			
b. Other, incl.	130	130	130

Reguarantees received from:	130	130	130
- subsidiaries	130	130	130
- sister companies			
- associates			
- major investor			
- controlling entity			
-			
- subsidiaries			
- sister companies			
- associates			
- major investor			
- controlling entity			
-			
Total guarantees and sureties received from affiliated entities	55 965	14 372	21 994

NOTES TO [PROFIT AND LOSS STATEMENT](#)

[Wróć do rachunku zysków i strat](#)

Note 38

INTEREST INCOME	30.06.2002 (current year)	30.06.2001 (prior year)
a. Interest income from financial institutions	38 169	54 492
b. Interest income from customers	100 915	135 233
c. Interest income from budget	-	771
d. Fixed income securities	26 123	37 163
e. Other	-	281
Total interest income	165 207	227 940

[Wróć do rachunku zysków i strat](#)

Note 39

INTEREST EXPENSE	30.06.2002 (current year)	30.06.2001 (prior year)
a. Interest expense on transactions with financial institutions	23 307	30 013
b. Interest expense on transactions with customers	76 717	141 587
c. Interest expense on transactions with budget	1 106	1 574
d. Other	3	18
Total interest income	101 133	173 192

[Wróć do rachunku zysków i strat](#)

Note 40

COMMISSION AND FEE INCOME	30.06.2002 (current year)	30.06.2001 (prior year)
a. Commission and fee income on banking activity	36 097	26 822
b. Commission and fee income on brokerage activity		
Total commission and fee income	36 097	26 822

[Wróć do rachunku zysków i strat](#)

Note 41

INCOME ON SHARES, SECURITIES AND OTHER FINANCIAL INSTRUMENTS WITH VARIABLE YIELD	30.06.2002 (current year)	30.06.2001 (prior year)
a. Subsidiaries		
b. Sister companies		
c. Associates		
d. Other	1 405	5 635
Total income on shares, securities and other financial instruments with variable yield	1 405	5 635

[Wróć do rachunku zysków i strat](#)

Note 42

NET RESULT ON FINANCIAL TRANSACTIONS	30.06.2002 (current year)	30.06.2001 (prior year)
a. Transactions with securities and other financial instruments	13 311	73
- income	19 403	1 850
- expense	6 092	1 777
b. Other financial transactions	-	6 860
Total net result on financial transactions	13 311	6 933

[Wróć do rachunku zysków i strat](#)

Note 43

OTHER OPERATING INCOME 30.06.2002 (current year)	30.06.2002 (current year)	30.06.2001 (prior year)
a. Asset management fees		
b. Sales, liquidation of fixed assets, intangible assets and seized assets for sale	243	185
c. Recovered past-due, written-off, uncollectible debts	6	1
d. Compensation, penalties, fines received	757	57
e. Donations		
f. Other	2 067	2 025
- provision for cash differences	191	174
- leasing	6	156
- other	1 870	1 695
Total other operating income	3 073	2 268

[Wróć do rachunku zysków i strat](#)

Note 44

OTHER OPERATING EXPENSES	30.06.2002 (current year)	30.06.2001 (prior year)
a. Asset management fees		
b. Sales, liquidation of fixed assets, intangible assets and seized assets for sale	335	184
c. Recovered past-due, written-off, uncollectible debts	217	205
d. Compensation, penalties, fines paid	30	3 210
e. Donations	13	109
f. Other	1 719	751
- provision for employee benefits	120	-
- debt recovery expenses	406	484
- improperly paid-out deposits	970	-
- other	223	267
Total other operating expenses	2 314	4 459

[Wróć do rachunku zysków i strat](#)

Note 45

GENERAL EXPENSES	30.06.2002 (current year)	30.06.2001 (prior year)
a. Remuneration	27 200	32 129
b. Social security premium and other employee benefits	6 797	2 086
c. Material losses	35 151	36 675
d. Taxes and levies	6	10
e. Bank Guarantee Fund charges	458	659
f. Other general expenses		
Total general expenses	69 612	71 559

[Wróć do rachunku zysków i strat](#)

Note 46

CHARGES TO PROVISIONS AND REVALUATION	30.06.2002 (current year)	30.06.2001 (prior year)
a. Charges to provisions for::	37 915	38 321
- performing loans	1 098	1 871
- loans on watch-list	1 724	331
- non-performing loans	34 686	33 596
- general risk reserve	-	1 980
- contingent liabilities	356	304
- other	51	239
b. Revaluation:	1 635	-
- of financial assets	1 635	-
- other		
Total charges to provisions and revaluation	39 550	38 321

[Wróć do rachunku zysków i strat](#)

Note 47

RELEASE OF PROVISIONS AND DECREASE IN RESPECT OF REVALUATION	30.06.2002 (current year)	30.06.2001 (prior year)
a. Releases of provisions for: :	10 771	16 006
- performing loans	-	-
- loans on watch-list	1 040	185
- non-performing loans	9 657	13 520
- general risk reserve	64	316
- contingent liabilities	-	1 980
- other	10	5
b. Revaluation:		
- of financial assets		
- other		
Total releases of provisions and decrease in respect of revaluation	10 771	16 006

[Wróć do rachunku zysków i strat](#)

Note 49

EXTRAORDINARY GAINS	30.06.2002 (current year)	30.06.2001 (prior year)
a) Contingent		
b) Other	-	181
Total extraordinary gains	-	181

[Wróć do rachunku zysków i strat](#)

Note 50

EXTRAORDINARY LOSSES	30.06.2002 (current year)	30.06.2001 (prior year)
a) Contingent		
b) Other	-	181
Total extraordinary losses	-	181

[Wróć do rachunku zysków i strat](#)

Note 51a

CURRENT CORPORATE INCOME TAX	30.06.2002 (current year)	30.06.2001 (prior year)
1. Gross profit before tax	27 072	3 560
2. Differences between gross profit before taxation and taxable income	22 693	5 845
- permanent	2 133	5 278
- temporary	20 572	1 534
- other	(12)	(967)
3. Taxable income	49 765	9 405
4. Corporate Income Tax 28% 2002 / 28% 2001	13 934	2 633
5. Increases, exemptions, deductions and abatements	-	

6. Corporate Income Tax payable as shown in CIT declaration	13 934	2 204
- as shown in the profit&loss statement	8 064	2 204
- on items which increased/decreased the Bank's equity		
- on items which increased/decreased the Bank's goodwill or negative goodwill		

Note 51b

DEFERRED INCOME TAX AS SHOWN IN PROFIT&LOSS STATEMENT	30.06.2002 (current year)	30.06.2001 (prior year)
- decrease/increase due to arising and reversing the temporary differences	(7 178)	(430)
- decrease/increase due to changes in tax rates	2 303	
- decrease/increase due to carryover of tax loss, tax allowances or temporary differences		
- decrease/increase due to write-off of assets for income tax or no possibility to use the provision for deferred income tax		
- other deferred tax items		
Total deferred income	(4 875)	(430)

Detailed information on the differences between corporate income tax charge as shown in profit&loss statement and the corporate income tax declaration:

a) investment tax allowance and investment premium claimed as at 30.06.2002

	30.06.2002	30.06.2001
Deduction from revenue - investment tax allowance	-	-
Deduction from revenue - premium relief (in 000's)	-	1,063
Difference resulting from investment tax relief correction in 1998 (in 000's)	-	(96)

b) tax deductible donations granted (in 000's)

30.06.2002	30.06.2001
12	265

c) Reasons for discontinuance of payment, exemptions, deductions and abatements

d) Deferred tax liabilities as of 30.06.2002 (in 000's)

	30.06.2002	30.06.2001
accrued interest on securities	2,602	9,038
other accrued interest	-	30,592
Market swap	-	17
unrealised foreign exchange differences	-	5,902
unrealised discount	5,422	5,444
net investment tax allowance	2,137	6,845
pricing of securities	-	-
deferred tax liability base	10,161	57,838
tax	2,438	16,195
tax rates	24%	28%

e) Deferred tax assets as of 30.06.2002 (in 000's)

	30.06.2002	30.06.2001
interest payable	663	29,051
deffered income	-	98
provision for non-performing loans	67,710	59,412
other provisions	-	7,636
other	-	1,799
deferred tax asset base	68,373	97,996
tax	16,409	27,439
difference between liability and receivable	-	(11,244)
tax rates	24%	28%

f) changes resulting from the change of tax rates

g) the Bank did not release any deffered tax assets due to the inability of claiming the future tax receivables.

h) operations regarding income tax on extraordinary gains
Income tax on extraordinary gains amounts to 0

Note 51c

TOTAL DEFERRED INCOME TAX

not applicable

Note 51d

DEFERRED INCOME TAX AS SHOWN IN PROFIT&LOSS STATEMENT

not applicable

[Wróć do rachunku zysków i strat](#)

Note 52

OTHER OBLIGATORY CHARGES TO PROFIT (LOSS)

not applicable

[Wróć do rachunku zysków i strat](#)

Note 53

SHARE IN PROFIT (LOSS) OF SUBSIDIARIES ESTIMATED BY OWNERSHIP RIGHTS

not applicable

[Wróć do rachunku zysków i strat](#)

Note 54

NET PROFIT (LOSS)

The present equity is fully sufficient to ensure security of the Bank's activity and also to cover the Bank's development capital needs. Taking the above into account, the Board of Executives intends to propose to the Board of Directors and the Shareholders' Meeting to allocate the 2002 profit for payment of dividend to the shareholders.

The entire net profit for 2001 in the amount of PLN 10,520,863.07 was allocated in full for the increase of own funds as retained earnings.

[Wróć do rachunku zysków i strat](#)

Note 55

PROFIT PER ORDINARY SHARE	30.06.2002 (current year)	30.06.2001 (prior year)
Net profit	28 173	18 330
Weighted average ordinary shares	15 077 700	15 077 700
Profit per ordinary share (in PLN)	1,87	1,22

Diluted profit per share	30.06.2002 (current year)	30.06.2001 (prior year)
Net profit		
Projected weighted average ordinary shares		
Diluted profit per ordinary share (in PLN)		

NOTES TO CASH FLOW STATEMENT

A. CASH FLOW FROM OPERATING ACTIVITIES (I+/-II) - indirect method*	30.06.2002 (current year)	30.06.2001 (prior year)
I. Net profit (loss)	19 008	1 356
II. Adjustments for:	(191 630)	(186 981)
1. Share in net profit (loss) of subsidiaries estimated by ownership rights		
2. Depreciation	14 324	11 831
3. Foreign exchange gains/(losses)	71 006	
4. Interest and dividends received and paid	(625)	(3 639)
5. Profit (loss) on investments	(23 699)	(1 693)
6. Change in other reserves	292	(12)
7. Change in debt securities held	(14 119)	(4 838)
8. Change in amounts due from financial sector	(19 731)	126 718
9. Change in amounts due from customers and budget sectors	(244 838)	(273 149)
10. Change in securities purchased under resale agreements		
11. Change in shares securities and other financial instruments with variable yield		
12. Change in amounts due to financial sector	111 292	223 826
13. Change in amounts due to customers and budget sectors	(132 526)	(54 929)
14. Change in securities sold under repurchase agreements		
15. Change in securities issued		
16. Change in other liabilities	(32 948)	(11 344)
17. Change in interperiod settlements	7 155	(14 629)
18. Change in accrued and deferred income	13 943	15 853
19. Other items	58 844	(200 976)
III. Net cash flow from operating activity (I+/-II)	(172 622)	(185 625)

Structure of cash (ref. to balance-sheet movements of cash)	30.06.2002 (current year)	30.06.2001 (prior year)
Cash	37 557	42 684
Travellers checks and valuable stamps	42	117
Current account with NBP	122 269	178 290
Nostro accounts with Polish banks	212	248
Nostro accounts with foreign banks	4 665	5 817
O/N deposits of Polish banks	185 000	225 000
O/N deposits of foreign banks	19 500	34 131
Interest receivable from performing debit balances	205	207
Total cash	369 450	486 494

Other items - operating activity	30.06.2002 (current year)	30.06.2001 (prior year)
Donations	13	228
Lombard loan interest	17	
Change in balance of accrued income from securities	(6 847)	(11 277)
Change in balance of other assets	64 026	(189 927)
Change in balance of provisions for shares and investments	1 635	
Total	58 844	(200 976)

Other inflow - investment activity 30.06.2002 (current year)	30.06.2002 (current year)	30.06.2001 (prior year)
Realised interest on securities in 2001/2000, accrued in 2002/2001	5 293	7 835
Realised and accrued interest on securities in 2002/2001	625	3 639
Total	5 918	11 474

Other outflow - financial activity	30.06.2002 (current year)	30.06.2001 (prior year)
Donations	(13)	(228)
Total	(13)	(228)

Operating activity includes the Bank's core activity that generates income. The funds generated from operating activity are intended to maintain operating capacity, making new investments, repayment of debts without employing external financing, and the amount of the funds is used as a basis for assessment of the effectiveness of the Bank's particular operations. The operating activity refers primarily to core banking activity such as:

- maintaining banking accounts,
- granting credits and cash loans,
- accepting deposits.

In addition, the Bank includes to the operating activity the following items: income tax payments, revenues from income tax surplus payments, adjustments of the net financial result by depreciation and all non-cash items related to investment and financial activity.

The investment activity is connected with purchasing and sale of long-term assets that allow the Bank to generate future profits, specifically the following:

- receipts and expenses related to sale / purchase of fixed tangible and intangible assets,

- receipts and expenses related to sale / purchase of shares and stakes in companies,
- receipts and expenses related to sale / purchase of debt securities.

The financial activity involves changes in the volume and relations of own capital to outside capital invested in the Bank, specifically the following:

- contracting and repaying long-term loans towards banks,
- receipts from own share issues,
- expenses for social purposes (donations).

[do góry](#)

Additional Explanatory Notes

1. Information on the structure of bank's exposure to specific entities, capital groups, industrial and geographical market segments, together with the exposure risk assessment.

1.1. Information regarding the Bank's exposure to specific industries is presented in the table below. The data do not include the interest accrued:

Sectors of the economy	As of June 30, 2002 PLN thousand	As of June 30, 2001 PLN thousand
Wholesale	469 754	499 877
Other services	468 416	327 788
Construction services	231 191	191 570
Motor vehicles	161 526	15 730
Private individuals	158 305	109 976
Other production	104 069	113 488
Municipal and housing services	103 252	44 074
Retail trade in industrial goods	99 352	128 613
Power plants, gasworks and waterworks	67 110	70 758
Production of metal goods	65 395	85 093
Production of food and beverages	45 717	49 353
Land transport	36 409	29 577
Print shops and publishers	34 284	37 767
Timber and wooden goods	28 587	26 393
Economic building industry	28 463	30 974
Electric products	19 792	21 132
Trade in means of transport	19 771	24 134
Production of textiles and fabrics	19 669	19 949
Paper and stationery	16 225	18 305
Furniture and accessories	15 691	22 609
Other chemical products	15 350	18 266
Tourist services	14 622	17 328
Retail trade in groceries	13 931	16 950
Medical and social welfare services	12 755	12 227
Legal and economic services	12 299	13 831

Science and technology services	12 091	8 043
Other sectors	142 866	201 369
Total	2 454 637	2 155 174

1.2. Data on the source of funds utilization by the main geographical regions of Poland are presented in the table below. Interest is not included.

Geographical regions of Poland	Gross loans as at June 30, 2002 PLN in thousands	Gross loans as at June 30, 2001 PLN in thousands
- Małopolska Region	265 423	322 375
- Northern Region	158 270	194 909
- Silesia Region	203 789	192 384
- Eastern Region	1 478 961	1 059 887
- Western Region	348 194	385 619
TOTAL	2 454 637	2 155 174

1.3. Data regarding the Bank's exposure to specific entities are presented in the Table below. Interest is not included.

Entity type	Gross loans as at June 30, 2002 PLN in thousands	Gross loans as at June 30, 2001 PLN in thousands
Financial sector	37 745	19 670
- insurance institutions and pension funds	173	-
- other financial intermediaries	37 467	19 670
- auxiliary financial institutions	105	-
Non-financial sector	2 416 892	2 106 637
- State-owned enterprises and companies	77 759	59 734
- private enterprises and companies and cooperatives	1 828 030	1 512 467
- individual entrepreneurs	327 608	413 428
- individuals	168 989	110 274
- individual farmers	958	892
- non-commercial institutions operating in favor of households	4 625	654
settlements with non-financial entities on account of VISA card settlements	8 923	9 188
The budget sector	0	28 867
- local budgets	-	28 867
TOTAL	2 454 637	2 155 174

1.4. As at June 30, 2002, the Bank's exposure to 27 clients exceeded 10% of equity and totaled PLN 833,300 thousand. The loan exposure limit defined in the banking law was not exceeded with respect to any client.

2. Data regarding the source of deposit acquisition, broken by industrial and geographical market segments

2.1. Data on the source of funds acquisition by the main geographical regions of Poland are

presented in the table below. Interest is not included.

Geographical regions of Poland	Deposits as at June 30, 2002 PLN in thousands	Deposits as at June 30, 2001 PLN in thousands
- Małopolska Region	689 306	650 741
- Northern Region	194 175	246 393
- Silesia Region	266 088	239 528
- Eastern Region	929 221	876 459
- Western Region	279 976	285 166
TOTAL	2 358 765	2 298 288

The Małopolska Region comprises the following provinces: Małopolska, Podkarpackie and Świętokrzyskie.

The Silesia Region comprises the following provinces: Silesia and Opole.

The Eastern Region comprises the following provinces: Mazovia, Lublin, Łódź, Warmia-Mazuria and Podlasie.

The Western Region comprises the following provinces: Wielkopolska, West Pomerania, Lower Silesia and Lubuskie.

The Northern Region comprises the following provinces: Pomerania and Kujawy-Pomerania.

2.2. Information regarding fund acquisition by the Bank from specific industry sectors is presented in the Table below. Interest is not included.

Sectors of the economy	As of June 30, 2002 PLN thousand	As of June 30, 2001 PLN thousand
Private individuals	1 527 946	1 599 533
Other services	191 293	185 175
Wholesale	102 603	106 885
Construction services	59 806	45 416
Non-bank financial services	35 387	17 625
Production of metal goods	30 120	18 601
Electric products	28 311	6 428
Legal and economic services	27 543	17 866
Municipal and housing services	25 409	18 138
Land transport	25 314	19 101
Communications services	25 003	6 061
Print shops and publishers	24 084	24 123
Other production	23 483	9 038
Production of food and beverages	22 567	12 164
Science and technology services	19 305	20 839
Motels and hotels	19 131	1 506
Public services	18 820	20 737
Power plants, gasworks and	13 413	5 762

waterworks		
Retail trade in industrial goods	12 737	23 873
Educational services	11 692	13 645
Housing building industry	9 184	18 083
Economic building industry	8 440	10 985
Tourist services	7 806	7 634
Administrative services	7 158	10 724
Motor vehicles	6 979	4 360
Coal and oil products	6 330	1 975
Agricultural and forestry services	6 180	2 164
Medical and social welfare services	5 067	7 956
Retail trade in groceries	4 776	4 604
Vehicle repair, motor services	4 721	3 096
Other sectors	48 156	54 191
Total	2 358 765	2 298 288

3. Information about changes in the value of subsidies for foreign branches, with the balance as of the beginning of the period, increases and decreases, broken by specific entities, and the balance as of the end of the period.

The Bank does not have any foreign branches.

4. Information about financial instruments, considering the Issuer's specificity

- Financial assets or liabilities held for trading - financial assets or liabilities which were purchased or originated in order to obtain gains as a result of short-term price fluctuations,
- Financial assets held to maturity - financial assets of payments or maturity determined or possible to determine, which the bank intends and is able to hold to maturity, except for loans granted by the bank and its own receivables;
- Financial assets available for sale - other financial assets that are not loans granted by the bank or the bank's own receivables;

4.1. The Tables below present the change of the balance of loans and cash loans granted by the Bank, own receivables not held for trading, financial assets held to maturity and financial assets available for sale:

Loans and cash loans granted by the Bank and own receivables not held for trading	June 2002 in PLN thousand
Opening balance	3 099 884
Increases	298 211
- net credit balance increase	269 250
- net interest accrued balance increase	12 613
- net other receivables balance increase	1 295
- specific provisions balance decrease	15 053
Decreases	(172 025)
- specific provisions balance increase	(41 908)
- net deposit balance decrease from banks	(130 117)
Ending balance	3 226 070

Financial assets held to maturity	June 2002 in PLN thousand
Opening balance	16 839
Increases (on account of)	251
- interest	251
Decreases (on account of)	0
Ending balance	17 090

Financial assets available for sale	June 2002 in PLN thousand
Opening balance	248 671
Increases (on account of)	952 375
- purchase	935 279
- interest	2 971
- valuation	14 119
- FX differences	6
Decreases (on account of)	(619 266)
- sale	(619 266)
Ending balance	581 780

4.2. Financial assets generated by financial instruments are divided into the following, using the classification made on the purchase date:

- As of June 30, 2002, the Bank did not held any financial assets for trading,
- In the item "Financial assets or liabilities held for trading," the Bank presents NBP bonds related to the maintenance of the mandatory reserve,
- In the item "Financial assets held to maturity," the Bank presents Treasury securities: bills and bonds and shares in SWIFT.

4.2.1. Description of methods and essential assumptions adopted to establish fair value of financial assets and liabilities:

Fair value is the amount that a given asset could be exchanged for and liability settled, through a transaction effected on market terms, between the interested, well-informed, not affiliated parties.

Debt securities held for trading (marketable securities) are recognized at their purchase price adjusted for accrued interest, discount and premium. In the case the value determined in such a way is higher or lower than the market or fair value, the difference is recognized as financial operating cost or income, respectively.

Debt securities held to maturity (investment securities) are recognized at their purchase price adjusted for accrued interest, discount and premium. Debt securities held to maturity are adjusted for write-offs on account of an impairment loss.

Debt securities available for trading are recognized at their purchase price, adjusted for interest accrued, discount and premium. In the case the value determined in such a way is higher or lower than the market or fair value, the difference is recognized as financial operating cost or income, respectively.

Debt securities are entered into accounting books at the purchase price and transaction date, taking into account the value date. Between the transaction date and value date, a given security is recorded in off-balance sheet items in a nominal value, considering the side of the transaction effected.

Securities held for trading and available for sale with the right to equity are recognized at their purchase price. At the end of a reporting period, the measurement at the fair value is made.

The results of increase or decrease in the value of securities are recognized as either financial operating income or cost, respectively.

Open-ended investment fund participation units are recognized by the Bank at their purchase price, adjusted by the increase or decrease in the participation unit value accrued up to the balance sheet date, taking into consideration relevant write-offs on account of an impairment loss. The impairment loss of value is regarded to take place, if the depreciated price remains lower than the purchase price for at least three (3) months.

Shares and holdings in other entities, i.e. in subsidiaries, sister companies and associated entities and minority shares are recognized at their purchase price taking into consideration relevant write-offs on account of impairment loss.

Amounts receivable and payable on account of loans, cash loans and other receivables are recognized at the amount of required payment increased by interest due, taking into consideration specific provisions built under the Ordinance of the Finance Minister dated December 10, 2001 regarding the rules of creating provisions for risk related to banking activity (Dz. U. No 149 item 1672, with subsequent amendments dated March 29, 2002, Dz. U. No. 31, item 288). The required provisions are created at the end of each reporting period. Provisions for receivables denominated in foreign currencies are translated into Polish zlotys together with the amounts receivable covered by the provisions.

The Bank acquires financial instruments from the interbank market only.

As of the end of the first half of 2002, the Bank pursued a policy of matching average interest rate re-pricing periods of USD and EUR assets and liabilities, which are re-priced in one, three and six month periods. At the same time, the Bank maintained longer interest rate re-pricing periods of PLN assets versus PLN liabilities, to utilize the decreasing interest rate trend to increase interest income. In order to achieve longer interest rate re-pricing periods in PLN assets, the Bank bought liquid State Treasury bonds of fixed interest rate and maturity up to five years, and Treasury bills. The effect thus achieved was additionally reinforced by short re-pricing periods (mostly up to three months) of deposits accepted by the Bank from clients which reduced the average re-pricing period on the liabilities side. Using such a technique, the Bank achieved a profitable, from the point of view of the market situation, balance sheet structure position while keeping the liquidity at a safe level.

The Bank's credit activity focuses on the service of small and medium enterprises. The majority of loans are granted entities operating in trade and services economic sectors. The Table below presents credit risk in sectors in which the Bank's exposure exceeds 5% of the total volume of loans granted by the Bank. In the item " Non-performing loans," receivables are reported that are classified by the Bank as:

- watch-list,
- sub-standard,
- doubtful,
- lost,

with the specification of the lost items.

Credit risk in sectors where the Bank's exposure exceeds 5% of the total loans granted by the Bank	As of June 30, 2002				As of June 30, 2001			
	Performing loans		Non-performing loans		Performing loans		Non-performing loans	
	In PLN thousand	% of total loans	In PLN thousand	% of total loans	In PLN thousand	% of total loans	In PLN thousand	% of total loans
Wholesale trade	387 378	16%	82 376	3%	447 286	21%	52 591	2%
- of which non-performing			61 630	3%			44 060	2%
Other services	442 777	18%	25 639	1%	300 778	14%	27 010	1%
- of which non-performing			16 018	1%			8 796	0.4%

Construction services	210 182	9%	21 009	1%	177 251	8%	14 319	1%
- of which non-performing			4 350	0,2%			87	0%
Motor vehicles	161 164	7%	362	0%	15 602	1%	128	0%
- of which non-performing			19	0%			9	0%
Private individuals	143 177	6%	15 128	1%	102 883	5%	7 093	0.3%
- of which non-performing			7 863	0.3%			4 426	0.2%

4.2.2. Not applicable

4.2.3. All assets that are so required, i.e. assets held for trading and available for sale, are measured by the Bank at fair value. Other assets are measured at amortized costs.

Loans and credit facilities due from financial and non-financial entities and government and self-government institutions are recognized in the balance sheet at the amount of the required payment increased by interest due, taking into consideration specific provisions built under the Ordinance of the Finance Minister dated December 10, 2001 regarding the rules of creating provisions for risk related to banking activity (Dz. U. No 149 item 1672, with subsequent amendments dated March 29, 2002, Dz. U. No. 31, item 288).

Financial liabilities which are neither held for trading nor are derivatives due to financial or non-financial entities are recognized in the balance sheet at amortized cost.

4.2.4. Not applicable

4.2.5. Data regarding the effects of measurement of available-for-sale financial assets at market value:

As of January 1, 2002 the measurement of available-for-sale securities was made in the amounts as presented in the Table below. The measurement value was recognized in the opening balance in the item "profit (loss) from the previous years". As of the end of the first half of 2002, available-for-sale securities were measured at their market value.

	Profit from the measurement in PLN thousand	
	As of January 1, 2002	As of June 30, 2002
Treasury bills	941	996
Treasury bonds	2 539	13 123
TOTAL	3 480	14 119

4.2.6. Information about income and cost from financial assets available for trade, which were removed (sold, liquidated) from the balance sheet statement:

In the first half of 2002, Fortis Bank Polska SA sold the following securities from the portfolio of assets available for sale:

- Treasury bills of the nominal value amounting to PLN 207,400 thousand.

The Bank earned profit on the above transactions in the amount of PLN 838 thousand, while the discount sold amounted to PLN 2,393 thousand,

- Treasury bonds of the nominal value of PLN 50,000 thousand. The securities sold comprised bonds marked with PS1106 symbols.

The Bank earned profit on the above transactions in the amount of PLN 1,835 thousand, while the discount sold amounted to PLN 79 thousand and the coupon sold amounted to PLN 2,641 thousand.

4.2.7. Not applicable

4.2.8. In the first half of 2002, no financial assets measured at fair value were reclassified into assets measured at the adjusted cost of acquisition.

4.2.9. In the first half of 2002, the Bank made re-measurement write-offs on account of impairment loss of loans. The data regarding decreases and increases in the value of this group of financial assets are presented in notes nos. 2H and 3H to balance sheet statement. Changes in the value of subsidiary's shares held by the Bank on account of impairment loss is presented in no. note 7D to the balance sheet statement.

4.2.10. Revenues on account of interest on loans granted and own receivables are presented in the Table below:

	As of June 30, 2002 in PLN thousand		As of June 30, 2001 in PLN thousand	
	Interest accrued	interest received	interest accrued	interest received
Interbank placements	3 123	34 402	6 593	46 816
Loans	13 021	88 516	17 132	119 820
Receivables purchased	1	14	6	102
Guarantees paid	1	5	0	27
TOTAL	16 146	122 938	23 731	166 765

The loan interest payment due date falls on every month.

4.2.11. Deferred interest income on loans granted or own receivables on account of their impairment loss:

	As of June 30, 2002 in PLN thousand	As of June 30, 2001 in PLN thousand
Interest capitalized	32	58
Deferred interest income on receivables purchased	82	47
Deferred interest income on guarantees paid	3 304	2 363
Deferred interest income on loans	66 825	35 449
TOTAL	70 243	37 916

4.2.12. Interest expense broken by paid and accrued are presented in the Table below:

	As of June 30, 2002 in PLN thousand		As of June 30, 2001 in PLN thousand	
	Interest accrued	Interest paid	Interest accrued	Interest paid
Current accounts	1 414	20 862	360	24 989
Interbank deposits	594	4 955	780	10 612
Term deposits	9 728	40 890	20 155	89 805
Blocked deposits	2 846	9 562	3 584	14 503
Credit facilities and loans received	4 850	5 431	4 172	4 214
TOTAL	19 432	81 699	29 051	144 123

4.2.13. Information about underlying instruments

- *forward*

Forward transactions, which are settled later than two business days after the transaction date, are carried out by the Bank with clients and other banks. FX forward transactions involve either the purchase or sale of a specific amount of a foreign currency for PLN or another foreign currency, on a predetermined date in the future, using a forward rate set on the transaction date.

Forward transactions are measured by the Bank by comparing the transaction exchange rate with the market rate binding for similar transactions at the end of a reporting period.

This financial instrument is used to secure the Bank against the FX risk and to maintain liquidity. Any details, such as a transaction amount, FX rate and settlement date are specified in a contract.

On June 30, 2002, Fortis Bank Polska SA was involved in 427 FX forward transactions concluded with non-banking clients. On this day there was one (1) transaction of this type opened on the interbank market. The Bank was obliged to sell: EUR 69,433 thousand, SEK 2,800 thousand, USD 96,632 thousand, GBP 21,518 thousand, PLN 58,599 thousand (in total PLN 855,704 thousand calculated at NBP fixing on June 28, 2002). Obligations to buy: GBP 19,500 thousand, USD 80,598 thousand, EUR 67,084 thousand, PLN 141,268 thousand (in total: PLN 856,621 thousand calculated at the NBP fixing on June 28, 2002).

The forward transactions were concluded for periods from 4 up to 373 days, while the latest settlement date is May 22, 2003.

A transaction can be settled earlier by concluding appropriate closing transactions. FX forward transactions may not be converted into another asset or liability. The Bank uses a number of security deposits in the event that a client fails to fulfill his/her contractual obligations. They amount to either 10% or 15% of the transaction amount. When carrying out FX forward transactions, the Bank is exposed to the FX and interest rate risk, however, the Treasury Department controls their levels by making appropriate transactions on the interbank market.

- *swap*

The Bank effects currency swap transactions. FX swaps involve the purchase or sale of a specific currency at a spot exchange rate and a simultaneous sale or purchase of the same amount of the currency at a forward rate.

It is a financial instrument used to manage liquidity and hedge the Bank's foreign currency loan portfolio against the FX risk. The amount of transactions, FX rates and settlement dates are specified in contracts concluded on the interbank market. However, since it does not meet the criteria of hedge accounting, it is presented in the group of speculative instruments.

Currency swap transactions are measured by the Bank by comparing the transaction exchange rate with the NBP mid-rate binding at the end of a reporting period.

On June 30, 2002 Fortis Bank Polska SA was involved in 19 swap transactions with both domestic and foreign banks.

The Bank's obligations to buy arising out of these transactions amounted to: EUR 42,600 thousand, USD 55,917 thousand, CHF 6,765 thousand and PLN 286,051 thousand (in total, PLN 701,261 thousand calculated at the NBP fixing on June 28, 2002). Obligations to sell: EUR 46,903 thousand, USD 37,383 thousand, CHF 3,839 thousand and PLN 352,021 thousand (in total PLN 701,575 thousand calculated at the NBP fixing on June 28, 2002).

The period for which swap transactions were concluded was between 3 and 367 days, where the latest settlement date is May 16, 2003.

This financial instrument may be settled only on the date specified in the contract. It also may not be converted into (exchanged for) another asset or liability. With respect to currency swaps, the Bank is exposed to the interest rate risk, which will be reflected in the current prices of the instrument. The Bank hedges against adverse market changes by making opposite transactions, i.e. offset (closing swaps, placements, deposits).

- *spot*

Spot transactions consist in the purchase of a currency for another currency, which is

settled two business days after the transaction date. There are spot transactions carried out by the Bank with clients and with other banks.

Spot transactions are measured by the Bank by comparing the transaction exchange rate with the NBP mid-rate binding at the end of the reporting period.

The table below presents FX spot, forward and swap operations.

	As of June 30, 2002 PLN in thousand	As of June 30, 2001 PLN in thousands
Spot	578 073	242 984
Forward	1 712 325	481 212
Swap	1 402 836	773 548
Total	3 693 234	1 497 744

Transaction prices of forward and swap transactions opened as of June 30, 2002 were as follows:

- forward:
 - EUR/USD transactions: from 0.8724 to 0.9974
 - EUR/PLN transactions: from 3.637 to 4.196
 - GBP/EUR transactions: from 1.4263 to 1.5257
 - GBP/PLN transactions: from 5.9194 to 5.9255
 - SEK/PLN transactions: from 0.4114 to 0.415
 - USD/PLN transactions: from 4.013 to 4.2419
- swap:
 - EUR/USD transaction: 0.995
 - EUR/CHF transactions: from 1.4693 to 1.4725
 - EUR/PLN transactions: from 3.6865 to 3.8465
 - USD/PLN transactions: from 4.03512 to 4.391

4.2.14. Risk management

The Bank's strategy as regards risk has the following objectives:

- protection of funds and liabilities of other type, such as deposits, share capital, securities, entrusted to the Bank by clients and shareholders;
- prevention against losses and using the opportunities to earn profit in the controlled environment, i.e. within determined processes, rules, parameters that are subject to periodical review and changes implemented by the Bank's Board of Executives;
- development of operational activity in compliance with assumptions adopted by the Board of Executives and Board of Directors;

Effective risk management regarding the entire bank has become a formal necessity due to changeable economic and social parameters, which are e.g. characterized by frequently changing interest rates and FX rates and also more and more complex law provisions environment.

Main rules

Any new products and services that involve liquidity, interest rate, credit and/or operational risks, are subject to the following verification process before the launch of the concerned product or service:

- Step 1: identification of potential risks involved.
- Step 2: check whether the Bank is able to assess and monitor identified potential risks in an efficient way from start to maturity.
- Step 3: check if identified potential risks can be hedged at market prices, under which conditions and to what extent.
- Step 4: check if envisaged sales prices cover hedging costs (risk premium).
- Step 5: check if existing systems and procedures allow to process transactions in a professional way.

If a new product or service does not meet the Bank's criteria of sound risk management and

the concerned Business Line nevertheless is of the opinion that good reasons exist for launching the product or service, the Board of Executives, upon the request of the concerned Business Line or the Risk Department, will decide whether or not or under which conditions the new product or service can be offered.

The same rule also applies to fundamental changes to existing products and services if such changes affect market, liquidity, credit or operational risks.

Liquidity risk

Limits

The Bank monitors liquidity risk through a multidimensional system of limits and reports. Today, the following limits exist:

- Current liquidity limit - Unstable Liabilities
Liquid Assets must exceed Unstable Liabilities less one third of the Free Inter-bank Funds and less one third of Available Inter-bank Fortis Funds
- Current liquidity limit - Largest Depositors
Liquid Assets must exceed total Largest Deposits less one third of Free Inter-bank Funds and less one third of Available Inter-bank Fortis Funds.
- Current liquidity limit - Largest deposit concentration by economic sector
Liquid Assets must exceed Largest Deposit Concentration by Economic Sector less one third of Free Inter-bank Funds and less one third of Available Inter-bank Fortis Funds.
- Current liquidity limit - Minimum Level
Liquid assets must exceed PLN 350 million.
- Current liquidity limit - Potential Commitments
Liquid Assets must exceed Potential Commitments less one third of Free Inter-bank Funds and less one third of Available Inter-bank Fortis Funds.
- Long-term liquidity limit - All Currencies
The Maximum Cumulated Gap - All Currencies position may not exceed 70% of core deposits in all currencies.
- Short-term liquidity limit - All Currencies
The Maximum 30-day Cumulated Gap - All Currencies position may not exceed 30% of core deposits in all currencies.
- Long-term liquidity limit - PLN
The Maximum Cumulated Gap - PLN may not exceed 70% of core deposits in PLN.
- Short-term liquidity limit - PLN
The Maximum 30-day Cumulated Gap - PLN may not exceed 30% of core deposits in PLN.
- Long-term liquidity limit - USD
The Maximum Cumulated Gap - USD may not exceed PLN 450 million plus half of the Available Inter-bank Fortis Funds.
- Short-term liquidity limit - USD
The Maximum 30-day Cumulated Gap - USD may not exceed PLN 200 million plus half of the Available Inter-bank Fortis Funds.
- Long-term liquidity limit - EUR
The Maximum Cumulated Gap - EUR may not exceed PLN 250 million plus half of the Available Inter-bank Fortis Funds.
- Short-term liquidity limit - EUR
The maximum 30-day cumulated gap - EUR may not exceed PLN 100 million plus half of the Available Inter-bank Fortis Funds.

These are the limits valid as of the balance sheet date, i.e. June 30, 2002. They may be changed or new limits may be added at any time by the Board of Executives upon a proposal of the ALCO Committee.

The ALCO Committee reviews limits and reporting techniques at least once a year.

Liquidity Risk Management Objectives

- to keep PLN deposits priced at table rates at a minimum level of approximately 40% of total PLN customer deposits.
- to keep PLN deposits with a contractual maturity exceeding 3 months at a minimum level of approximately 30% of total PLN customer deposits.
- to keep the evolution of USD deposits in line with the evolution of USD loans.

Market risk

The Bank monitors market risk, i.e. FX risk and interest rate risk through a multidimensional limits and reports system. At present, the following limits are applied:

Interest rate risk

- Maximum Interest Earnings at Risk
The maximum cumulated negative changes reported in the Net Interest Earnings at Risk - Shock Interest Rate Change Scenario may not exceed 20% of the total forecasted net interest earnings of the current year.
- Maximum economic value at risk - I
The absolute value of the total negative value changes in the Economic Value at Risk - Shock Interest Rate Change Scenario may not exceed 10% of the Bank's Equity.
- Maximum economic value at risk - II
The absolute value of the total negative value changes in the Economic Value at Risk - Shock Interest Rate Change Scenario for 3 and 6 Months Rates may not exceed 10% of the Bank's Equity.

Foreign Exchange Risk

- Overnight Position Limits
 - The maximum overnight position for each currency may not exceed 1.5% of the Bank's Equity,
 - The maximum global¹ overnight position may not exceed 2.5% of the Bank's Equity,
 - The maximum total² overnight position may not exceed 3% of the Bank's Equity.
- Overnight Value at Risk Limit
 - The maximum end of day value at risk³ limit may not exceed PLN 50,000.
- Daily Position Limits
 - The maximum intra-day overnight position for each currency may not exceed PLN 10,000,000,
 - The maximum intra-day global¹ position may not exceed PLN 12,500,000,
 - The maximum intra-day total² position may not exceed PLN 15,000,000.
- Daily Value at Risk Position Limit
 - The maximum intra-day value at risk⁴ position may not exceed PLN 30,000.

These are the limits valid as of the balance sheet date, i.e. June 30, 2002. They may be changed or new limits may be added at any time by the Board of Executives upon a proposal of the ALCO Committee.

The ALCO Committee reviews limits and reporting techniques at least once a year.

The following instruments are allowed for hedging purposes:

- Securities, i.e. bonds and Treasury bills issued by the Republic of Poland and the NBP,
- Inter-bank money market transactions,
- Interbank foreign exchange swap transactions.

The ALCO Committee may decide at any time to amend this list or to add new hedging instruments.

The hedging strategy of the Bank is reviewed and decided by the ALCO Committee taking into consideration existing limits, revenue opportunities, current market situation and most

probable market development, each time the Committee meets.

¹This is the sum of all positions in foreign currencies.

²This is of the total long or the total short positions in foreign currencies, in absolute terms, whatever is the largest amount.

³This is the statistically estimated potential loss resulting from the overnight positions in each currency.

⁴This is the statistically estimated potential loss resulting from the intra-day position in each currency.

Operational Risk

Fortis Bank Polska SA has adopted for the needs of the operational risk management a risk definition proposed by the Basel Committee on Banking Supervision:

"The operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events."

For the needs of operational risk monitoring and the future capital requirement determination on account of this risk, the operational risk includes also legal risk.

The operational risk is a fundamental risk which due to its complexity is characteristic for any organization, including banks.

There is a special organizational unit in Fortis Bank Polska SA, an integral part of the Risk Department, which is responsible for current operational risk analysis, development and perfecting of adequate risk control techniques in the Bank.

In cooperation with the Belgian Fortis group Fortis Bank Polska SA has undertaken measures to develop adequate operational risk monitoring and management systems by the end of 2002. Operational risk monitoring systems in the Bank use databases that contain information on operational losses incurred. The databases that record operational losses g will be used in the operational risk analysis and diminishing this risk in the Bank.

The Bank pays special attention to mitigating operational risk by perfecting internal processes and to diminishing operational risk related to launching new products and services.

By the nod of 2002, Fortis Bank Polska SA will also complete the Business Continuity Plan started in 2001, which will cover all the Bank's basic business functions.

The role of ALCO Committee in banking risk management

ALCO Committee sets limits for:

- general market risk position (interest rate, currency, price fluctuations risk),
- interest rate risk for specific portfolios maintained in accounting records.

ALCO Committee determines risk management strategies for short, medium and long-term time horizons subject to the approval of the Board of Executives and Board of Directors.

ALCO Committee periodically changes the realization of respective market risk management strategy for short, medium and long-term time horizons.

Risk Department

The Risk Department supports the Board of Executives in all issues pertaining to banking activity risk apart from credit risk. The risk management includes:

- ALM
- market risk,
- risk modeling,
- transfer pricing,
- operational risk.

The Risk Department Manager directly reports to the Chief Financial Officer and is a member of

the ALCO Committee.

The Fortis group Central Risk Management department in Brussels offers assistance as regards the implementation of new risk management methodologies. Both departments are in regular touch with each other.

The Risk Department is responsible for:

- interest rate re-pricing dates mismatch monitoring and reporting it to ALCO,
- presenting risk hedging strategies to ALCO,
- unused risk limits monitoring and reporting them to ALCO.

Risk monitoring and measurement tools:

The following tools have already been created:

- Daily Interest Margin Observer
- ADO calculator,
- Risk Database containing most important information about interest rate and liquidity risks, utilized in the decision-making process on strategic long-term investments.

Tools currently worked on include:

- Basel 2 database,
- Operational losses database,
- Further development of Risk Database, especially as regards information essential for long-term investments.

Credit risk

The risk is analyzed using a standard assessment methodology applied in the Bank. When assessing credit risk, both a given credit product risk and the total Bank's credit exposure risk towards an entity, including all loans granted and other risk-bearing financial products, are analyzed.

There is multi-level credit application analysis and credit decision-making system functioning in the Bank. The analysis and decision-making level depends on the total Bank's exposure towards an economic entity or a group of affiliated entities. The system adopted by the Bank is to ensure maximum objectivity in the application assessment process and minimum risk related to the Bank's credit exposure.

The Bank's credit decisions pertain both to the loan applied for by a given entity (loan amount and terms), and to the total Bank's exposure towards this entity.

As regards entities that qualify to, or have been classified into a higher-risk category using a classification system adopted by the Bank, additional procedures are applied along with the generally binding ones, to mitigate the Bank's risk.

In the Bank's credit process, client acquisition and credit product sales functions are organizationally separated from credit risk assessment. Client acquisition and credit product sales are the main tasks of MEC and IPS Business Lines, while risk assessment is the responsibility of the Credit Department.

To balance both functions, the "four eyes principle" has been adopted for credit decision making. The rule means that with regard to each case, the decision is made by a representative of the Credit Department and a representative of either MEC or IPS Business Line.

Monitoring is conducted based on internal Bank's procedures, taking into account the provisions of the Finance Minister Ordinance dated December 10, 2001 regarding the creation of provisions for risk related to banking activity, and the entity rating rules binding in the Fortis group.

Risk is mitigated and secured by following the rules below:

- entities are granted financing in the amount corresponding to the assessment of their creditworthiness and risk level,

- legal collateral for the loan repayment is established,
- the collateral value is realistically assessed,
- the Bank's Credit Committee determines an individual strategy as regards debtors of large credit exposure bearing increased risk,
- specific provisions are created and planned for the existing and forecast higher-risk credit exposures.

4.2.15. The Bank does not classify any of financial instruments as hedging ones.

4.2.16. Not applicable

4.2.17. Not applicable

5. Data regarding contracts concluded for subscription options or ordinary share sales

In the period from January 1, 2002 till June 30, 2002, the Bank did not conclude any contracts for either subscription options or ordinary share sales.

6. Detailed information on assets that constitute collateral for own commitments and commitments of a third party, and also on the value of commitments collateralized by these assets.

As of June 30, 2002, the following assets of Fortis Bank Polska SA constituted collateral for commitments:

- Treasury bills of the nominal value of PLN 50,000 thousand blocked against a technical loan extended to the Bank by the NBP. The technical loan is contracted in the amount of 80% of the bills blocked. As of June 30, 2002, the Bank did not contract the technical loan;
- Treasury bills of the nominal value of PLN 11,000 thousand that collateralize the Guaranteed Means Protection Fund under the Bank Guarantee Fund. As of June 30, 2002, the value of funds covered by the guarantee system accumulated in the Bank amounted to PLN 2,348,646 thousand;
- Bonds issued by the National Bank of Poland of the nominal value of PLN 41,631 thousand; these obligations, maintained in the portfolio in relation to the decrease of the mandatory reserve rates, may not be sold before maturity.

7. Information regarding repo transactions not recorded in the balance sheet statement.

In the period from January 1, 2002 till June 30, 2002 the Bank did not conclude any repo agreement transactions.

8. Information about credit facilities granted, including irrevocable commitments.

As of June 30, 2002, there were 436 unused credit lines, in the total amount of PLN 241,872 thousand, while as of June 30, 2001, there were 467 unused credit lines of the total amount of PLN 191,819 thousand. The table below shows unused credit lines broken down by an entity type and maturity date:

	As of June 30, 2002		As of June 30, 2001	
	up to 1 year	over 1 year	up to 1 year	over 1 year
financial entities	-	21 873	-	43 958
non-financial entities	155 914	64 085	122 501	25 360
TOTAL	155 914	85 958	122 501	69 318

The Bank has irrevocable commitments in the form of overdraft facilities granted. As of June 30, 2002, the balance of overdrafts granted totaled PLN 332,922 thousand, as compared to PLN 134,890 thousand as of June 30, 2001.

9. Data about off-balance sheet items, in particular about contingent liabilities, including a breakdown of guarantees and sureties issued (together with bill-of-exchange and other guarantee-like liabilities), with a separate list of guarantees or sureties issued in favor of affiliated entities.

As of the end of June 2002, the number of guarantees issued by the Bank totaled 650, of which 392 was denominated in PLN. The Bank's liabilities on account of guarantees amounted to a PLN equivalent of 137,833 thousand, of which 95,282 thousand was denominated in PLN. The table below shows the guarantees issued with a breakdown into particular currencies:

Specification	Currency	30.06.2002		30.06.2001	
		Amount	Number	Amount	Number
Total granted guarantees	in PLN thousand	137 833	650	77 804	514
where:	in CHF thousand	27	1	25	1
	in DEM thousand	-	-	4 707	47
	in DKK thousand	239	1	1 091	1
	in EUR thousand	26 565	106	1 723	30
	in GBP thousand	62	1	10	1
	in ITL thousand	-	-	422 216	4
	in NLG thousand	-	-	1 529	2
	in PLN thousand	95 282	392	47 040	297
	in USD thousand	15 658	149	3 292	131

The balance of letters of credit opened by the Bank as of June 30, 2002, totaled PLN 49,214 thousand. The currency structure of letters of credit opened is shown below:

Currency	30.06.2002		30.06.2001	
	Amount	Amount in PLN	Amount	Amount in PLN
in BEF thousand	-	-	490	41
in DEM thousand	-	-	678	1 172
in DKK thousand	-	-	1 406	638
in ESP thousand	-	-	23 383	475
in EUR thousand	7 481	29 993	2 021	6 829
in GBP thousand	7	44	-	-
in ITL thousand	-	-	2 471 583	4 312
in JPY thousand	12 500	425	-	-
in PLN thousand	724	724	14	14
in SEK thousand	-	-	173	64
in USD thousand	4 460	18 028	3 478	13 867
Total		49 214		27 602

Moreover, the Bank has one confirmed export letter of credit opened upon request of a foreign business partner by a foreign bank in the amount of PLN 1,544 thousand.

Currency	30.06.2002		30.06.2001	
	Amount	Amount in PLN	Amount	Amount in PLN
in FRF thousand	-	-	219	113
in USD thousand	382	1 544	825	3 289
Total		1 544		3 402

At the end of the first six months of 2002, the Bank did not have any guarantees or sureties issued in favor of its subsidiaries.

10. Information about a proposed dividend payment if it has not been formally approved, and also about any cumulated unrecognized dividends from preference shares.

The General Shareholders' Meeting resolved that the Bank's after-tax profit (net financial result), which for 2001 fiscal year amounted to PLN 10,520,863.07, would be entirely used to increase the Bank's equity as undistributed profit from previous years.

11. Information about liabilities related to approved dividend payment

At the end of the first half of 2002, the Bank did not have any liabilities related to approved dividend payment.

12. Data about liabilities due to the State Budget or local government authorities arising from the acquisition of an ownership title to buildings and constructions.

In the first six months of 2002, the Bank did not have any liabilities due to the State Budget or local government authorities arising from the acquisition of an ownership title to buildings or constructions.

13. Information about revenues, costs and results of operations discontinued in a given period or expected to be discontinued in the following period, and reasons for such discontinuance.

In the first six months of 2002, the Bank did not discontinue any type of operations and it is not expected that it will reduce the scope of its business.

14. Cost of fixed assets under construction, fixed assets for own needs.

In the first six months of 2002, the Bank incurred costs of fixed assets under construction, fixed assets for own needs in the amount of PLN 8.3 million.

15. Investment made and investments planned for the next 12 months from the balance-sheet date, including non-financial fixed assets.

In the next 12 months the Bank expects to incur investment costs of approximately PLN 21.6 million, a majority of which will be allocated to the purchase of fixed assets and intangible fixed assets necessary for a smooth running of the Bank's day-to-day operations.

The table bellows shows the incurred investment outlays in the first half of 2002 and in the first half of 2001:

	As of June 30, 2002 in PLN thousand	As of June 30, 2001 in PLN thousand
Investments in progress	3 597	14 941
Advances on account of investments	-	-
Fixed assets	2 256	18 042
- Equipment	1 187	13 435
- Means of transport	560	2 788
- Other	509	1 819
Intangible fixed assets	1 454	6 045
- Computer software purchased	1 454	6 045
TOTAL	7 307	39 028

16.1. Information about the issuer's transactions with affiliated entities, also those capital or organizationally affiliated under the Banking Law Act, related to the transfer of rights and obligations, including the principles of the Bank' credit policy towards affiliated entities and a percentage share assigned to transactions with such entities.

- loan agreement concluded on September 24, 1998 with Fortis Bank S.A. and Fortis Bank Nederland NV (former Generale Bank). On November 12, 1999, an Annex to the Agreement was signed. Under the Agreement, the Bank was granted a credit line of up to DEM 200 million (or its equivalent in USD, NLG, BEF, FRF, GBP, EUR) for seven years.

- Loan Agreement dated September 24, 2001 with Fortis Bank (Nederland) seated in Rotterdam. Under the Agreement, the Bank was granted a credit line of EUR 50 million for 48 months,
- Fortis Bank Polska SA concluded transactions on the interbank market with Fortis Bank seated in Brussels. As of 30.06.2002, the amount of placements totaled PLN 310,209 thousand. Fortis Bank also had nostro and loro accounts. The interest rate on these accounts does not differ from market rates.
- the Bank did not carry out any projects or enterprises under joint venture with capital-affiliated companies.

16.2. Data referring to affiliated companies on:

- a. Inter-company receivables and liabilities of Fortis Bank Polska SA and Fortis Securities Polska SA:

	As of June 30, 2002 in PLN thousand	As of June 30, 2001 in PLN thousand
Receivables		
Loans	800	-
Interest	4	-
Fixed assets	-	1 102
Other assets	192	144 768
Total receivables	996	145 870
Liabilities		
Funds deposited on current accounts	688	36
Term deposits	-	150 993
Interest accrued	0.5	356
Total liabilities	688.5	151 385

- b. Expenses and revenues from inter-company transactions between Fortis Bank Polska SA and Fortis Securities Polska SA.

	As of June 30, 2002 in PLN thousand	As of June 30, 2001 in PLN thousand
Revenues		
Interest revenues	4	-
Fees	11	129
Financial operations revenues	-	4 451
Other operating revenues	258	133
Total revenues	273	4 713
Expenses		
Interest expenses	94	5 088
Operating expenses	289	-
Total expenses	383	5 088

- c. granted credit facilities, including irrevocable commitments,
As of June 30, 2002, Fortis Securities Polska SA had a VISA card limit in the amount of PLN 75 thousand.
- d. share in management:
At the end of 2001, the Bank owned 100% of shares of Fortis Securities Polska SA. The Board of Directors of Fortis Securities Polska SA includes two members of the Board of Executives of Fortis Bank Polska SA and one commercial proxy.

17. Information about joint ventures which are not included in consolidated financial statements

Not applicable.

18. Information about revenues and costs of brokerage business conducted by the Bank

The Bank does not conduct brokerage business.

19. Information about write-offs of non-collectible receivables into costs, with a breakdown into the titles of write-offs and manner of writing off such receivables - against created provisions, against costs of financial operations, including the specification of losses related to loans and cash loans.

In the first half of 2002, six loans totaling PLN 3,238 were written off against the provisions created.

20. Information about costs related to the creation of provisions for future liabilities towards employees, including the specification of titles:

In the first half of 2002, the Bank created provisions for future liabilities towards employees in the following amounts:

- PLN 500 thousand was allocated for future liabilities towards employees related to severance pay,
- PLN 1,450 thousand was allocated for unused vacation leave.

21. Information about costs of financing employee pension schemes

Not applicable

22. Information about custody business conducted

As of June 30, 2002, the Custody Services Group at Fortis Bank Polska SA maintained three securities accounts in favor of clients. The total value of client financial instruments in the safekeeping of the Custody Services Group on that day amounted to PLN 366,075 thousand. During the reporting period, no securities traded abroad were maintained in the custody of the Bank. Under custody services rendered to clients, the Bank co-operated with Fortis Securities Polska SA. Alongside custody services, the Group acted as a depositary for term investment funds established and managed PDM Towarzystwo Funduszy Inwestycyjnych SA. Due to termination of the funds operation period, the Group has become their liquidator under relevant laws.

23. Information about asset securitization

Not applicable

24. Information about average headcount, with a breakdown into professional groups

At the end of the first half of 2001, 989 people were employed in Fortis Bank Polska SA. Within 12 months, the Bank's headcount fell to 911 persons. Average headcount in the first half of 2002 was 883 persons.

Structure of employment in terms of education:

	As of June 30, 2002	As of June 30, 2001
High-school graduates	42%	49%
College graduates	8%	7%
University graduates	50%	44%

Fortis Bank Polska SA employees can take out employee loans.

	As of June 30, 2002	As of June 30, 2001
Employee loan balance in PLN thousand	8 756	9 526
Number of employee loans	251	289

Interest rates on employee loans do not differ from market rates.

25. In the financial statement - information about the total value of remunerations and rewards (in cash and in kind), paid or due, separately to persons managing and supervising the issuer in the issuer's company, regardless of the fact whether they were charged into costs or resulted from the distribution of profit, and if the issuer is a controlling entity or a major investor - separate information about the amount of remunerations and rewards received for performing functions in the governing bodies of subsidiaries, sister companies and affiliated entities (for each group separately).

Remunerations, including distributed profit, paid to the Board of Executives, Board of Directors and commercial proxies of Fortis Bank Polska SA are shown in the table below.

Remuneration	As of June 30, 2002 in PLN thousand	As of June 30, 2001 in PLN thousand
Board of Executives	2 596	3 988
Board of Directors	180	162
Commercial proxies	1 784	2 288

26. In the financial statement - information about the value of unpaid advances, loans, cash loans, guarantees and sureties or any other agreements under which the party is obligated to provide benefits in favor of the issuer, its subsidiaries, sister companies or affiliated entities, with interest rates and repayment terms of such amounts specified, granted by the issuer in the issuer's organization and separately in organizations of the issuer's subsidiaries, sister companies and affiliated entities (separately for each group), to persons managing and supervising [the issuer], and the issuer's employees and separately to their spouses, relatives and relations by affinity up to the second degree, adoptees or adopters and any other persons who such managing and supervising persons are personally related with, with the interest rates and repayment terms of such amounts specified

As of June 30, 2002 Fortis Bank Polska SA extended:

- to Board of Directors' members
 - 1 loan with the total outstanding balance amounting to PLN 57 thousand as of June 30, 2002, with a repayment date of up to 1 year, the interest rate does not differ from market rates,
 - 2 guarantees issued for an indefinite period; as of June 30, 2002 the exposure amounted to USD 10 thousand.
- to Board of Executives' members
 - 1 guarantee for the period of up to one year with the total exposure of PLN 54 thousand as of June 30, 2002.
- to commercial proxies
 - 6 loans of the total outstanding balance of PLN 30 286 thousand as of June 30, 2002, with the repayment dates of between 7 months and over 4 years, and interest rates not differing from market rates.

As of June 30, 2002, family members of the managing or supervising persons held the following liabilities due to the Bank:

- family members of the persons supervising the Bank:
 - 1 VISA card limit up to PLN 5 thousand.
- family members of the managing persons:
 - 1 loan granted for a period from 5-10 years, with an exposure of EUR 9 thousand as of June 30, 2002.
- One overdraft facility granted for the period up to one year, of the outstanding balance amounting to PLN 30 thousand as of June 30, 2002,
- 1 VISA card limit up to PLN 5 thousand

As of June 30, 2002, family members of the managing and supervising persons did not hold any advances, cash loans, guarantees or sureties.

As of June 30, 2002 the Bank did not extend any advances, cash loans, guarantees, sureties or any other valid agreements under which they would be obliged to provide benefits in favor of the issuer, its subsidiaries or affiliated entities.

As of June 30, 2002, the Bank granted a loan to Fortis Securities Polska SA in the amount of PLN 800 thousand.

Two members of the Board of Executives and a commercial proxy of Fortis Bank Polska SA who at the same time are the members of the Supervisory Board of Fortis Securities Polska SA did not receive any remuneration related to this assignment, either in 2001 or in 2002.

27. Information about important events referring to previous years, presented in the financial/consolidated financial statement for the current period

In the first half of 2002, there were no significant events referring to previous years, presented in the financial report for the current period.

28. Information about important events that occurred after the balance sheet data to be included in the financial/consolidated statement.

On August 13, 2002, the current report no.11/2002 to the SEC Commission, provided information about the liquidation of PDM TFI (subsidiary of Fortis Securities Polska SA, in which Fortis Bank Polska SA has a 100% share) through the Bank's subsidiary.

On September 19, 2002, in current report no. 12/2002, the Board of Executives of Fortis Bank Polska SA notified the Securities and Exchange Commission that Mr. Sjoerd van Keulen resigned from his function of the Chairman of Fortis Bank Polska SA Board of Directors as of October 1, 2002, while Mr. Luc Delvaux, so far Vice-Chairman of the Board of Directors, was appointed as the new Chairman of the Board of Directors, and Mr. Paul Dor was nominated as a Vice-Chairman of the Boar of Directors.

29. Information about important events referring to the fiscal year which affect a substantial change in the structure of balance sheet items and financial result.

As a result of the provisions of the novelized Accounting Act becoming effective as of January 1, 2002, the Bank made required changes to its financial report. The effects of new asset measurement rules were recorded in item "profit (loss) from previous years."

30. Information on relations between the legal predecessor and issuer and on the manner and scope of the takeover of asset and liabilities

In the first half of 2002, there were no relations between the legal predecessors and the issuer.

31. Financial statement and comparative financial data/consolidated financial statement and comparative consolidated financial data, at least in relation to key balance-sheet items and the profit and loss account/consolidated balance sheet and consolidated profit and loss account, adjusted by the relevant inflation index, specifying the source of the index and method of its application, assuming that the period of the last financial statement is the base period, if the cumulated average annual inflation rate from the last three years of operation of the issuer has reached or exceeded 100%

Due to the fact the inflation index in the last three years has been maintained below 20%, the Bank does not present a financial statement adjusted by the inflation index.

32. Presentation and explanation of differences between data disclosed in the financial statement and comparative financial data/consolidated financial statement and comparative consolidated financial data, with previously prepared and published financial statements/consolidated financial statements.

BALANCE SHEET AS OF	SPECIFICATION OF BALANCE-SHEET ITEMS:	BEFORE: IN PLN THOUSANDS.	NOW: IN PLN THOUSANDS	CHANGE CONCERNS:
June 30, 2002	Liabilities IX. Accruals and deferred income 1. Settlement of accrued expenses	9 132	8 632	Change of presentation with regard to the Quarter II 2002 Report: posting to the item: "other provisions for future liabilities due

			to employees on account of severance pay"
X. Provisions 2. Other provisions	809	1 309	Change of presentation with regard to the Quarter II 2002 Report: posting from the item: "Settlement of accrued expenses"
Profit and Loss Statement VII. Income on shares, securities and other financial instruments with variable yield 4. from other entities	(6 725)	1 405	Change of presentation of the settlement of income from redemption of participation units in open pension funds, the amount posted to item: "Net result on financial operations"
VII. Net result on financial operations	21 441	13 311	Change of presentation of the settlement of income from redemption of participation units in open pension funds, the amount posted from item VII.4 of the Profit and Loss Statement.

33. Changes in the applied accounting principles (policy) and manner of preparing a financial statement/consolidated financial statement, made with respect to the previous fiscal year(s), their reasons, titles and impact of financial consequences due to such changes on the property and financial situation, liquidity, financial result and profitability

As a result of adjusting reporting to the requirements of a new Accounting Act as of the end of 2001, the following changes were made: measurement of securities and swap positions at market value, reclassification of interest on watch-list receivables, which was excluded from the financial result and posted to deferred interest item. Furthermore, the presentation of deferred tax was changed, for the computation of which various tax rates were used, and the breakdown into deferred income tax assets and deferred income tax provision.

As of January 1, 2002	SPECIFICATION	IN PLN THOUSAND
	T-bills measurement	941
	Treasury bonds measurement	2 539
	Deferred income tax assets	14 871
	Deferred income tax provision	(16 636)
	Deferred interest income and watch list receivable interest	(392)
	SWAP measurement	(559)

In order to obtain comparative data, changes were made to the presentation of relevant items in balance sheet statements as of June 30, 2001 and December 31, 2001.

BALANCE SHEET AS OF	SPECIFICATION OF BALANCE-SHEET ITEMS:	BEFORE: IN PLN THOUSANDS.	NOW: IN PLN THOUSANDS	CHANGE CONCERNS:
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December 31, 2001	Assets: III. Receivables due fro other financial institutions 1. Current	6 010	349 116	Posting overnight deposits from "term" to "current" item
	III. Receivables due from other financial institutions 2. Term	986 160	643 054	Posting overnight deposits from "term" to "current" item
	XIII. Intangible fixed assets	21 974	18 691	Posting costs of capital accumulation to "Interperiod settlements"
	XVI. Interperiod settlements 1. deferred income tax assets	16 795	31 666	Deferred income tax assets and provision are presented separately in the balance sheet statement
	XVI. Interperiod settlements 2. Other	22 535	25 818	Posting costs of capital accumulation from "Intangible fixed assets"
June 30, 2001	Assets: III. Receivables due from other financial institutions 1. Current	6 066	265 403	Posting overnight deposits from "term" to "current" item
	III. Receivables due from other financial institutions 2. Term	706 936	447 599	Posting overnight deposits from "term" to "current" item
	XIII. Intangible fixed assets	19 105	16 999	Posting costs of capital accumulation to "Interperiod settlements"
	XVI. Interperiod settlements 1. deferred income tax assets	11 244	27 438	Deferred income tax assets and provision are presented separately in the balance sheet statement
	XVI. Interperiod settlements 2. Other	22 342	24 448	Posting costs of capital accumulation from "Intangible fixed assets"
	Liabilities: II. Due to other financial institutions 1. Current	29 872	49 434	Posting overnight deposits from "term" to "current" item
	II. Due to other financial institutions 2. Term	907 104	887 542	Posting overnight deposits from "term" to "current" item

III. Due to customers 1. Current	289 629	591 487	Posting overnight deposits from "term" to "current" item
III. Due to customers 2. Term	2 032 257	1 700 262	Posting overnight deposits from "term" to "current" item
X. Provisions 1. provision for deferred income tax	0	16 194	Deferred income tax assets and provisions are presented separately in the balance sheet statement

Accounting policies are presented in Item 10 of the [Introduction to the Semiannual Report](#).

34. Corrections of basic errors, their reasons and titles, and effect of ensuing financial consequences on the property and financial situation, liquidity, financial result and profitability

Not applicable.

35. In the event of uncertainties as to the continuation of operations, description of such uncertainties and information that such uncertainties exist and whether the financial statement/consolidated financial statement includes adjustments due to such uncertainties. Information under this Item should also include a description of actions undertaken or planned to be taken by the issuer/affiliated entities aiming at eliminating such uncertainties

At the end of the first half of 2002, there were no uncertainties as to the continuation of operations.

36. With respect to a financial statement/consolidated financial statement prepared for a period during which a merger occurred, it should be specified that this financial statement has been prepared after the merger of the companies and the date of the merger and applied method of concluding the merger (i.e., through acquisition, merger of shares) should be given

Not applicable

37. In the event that the balance-sheet date on which the financial statement of a subsidiary included in a consolidated statement precedes the balance sheet date on which the consolidated statement is prepared, however, not more than three months, information should be given on important events regarding changes in the balance of assets, liabilities, as well as profits and losses of the subsidiary that occurred between the balance sheet date on which the consolidated statement was prepared and the balance-sheet date of the subsidiary

Not applicable

38. Information about adjustments and amount of the particular items in the financial statement for which different valuation methods and principles were applied, in the event that relevant adjustments are made in the financial statement of a unit included in the consolidated financial statement to the method and principles adopted by the controlling entity, and in the event of a decision not to make such adjustments - reasons for such a decision.

Not applicable.

39. If the issuer does not prepare a consolidated statement, the additional explanatory notes to the financial statement should include information about legal grounds for a decision not to prepare a consolidated statement, along with data justifying the decision not to prepare a consolidated statement or not to carry out valuation according to the equity method, name and seat of the unit preparing a consolidated financial statement at a higher level of the capital group and place of its publication, key economic and financial indices referring to the operations of affiliated entities in the previous fiscal year, such as: value of sales revenues and financial revenues, net financial result and value of equity with a breakdown into groups, value of fixed assets and average annual headcount as well as other information, if required under separate regulations.

Pursuant to Art 58 of the Accounting Act, the Bank is not obligated to prepare a consolidated statement because the financial data of its 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 June 2002, the total assets of Fortis Securities Polska SA constituted 0.2% of the Bank's total assets, FSP's total revenues made up 0.7% of the Bank's total revenues and deductions have been made in order to adjust the value of the capital investment in the FSP, in compliance with the applicable regulations.

40. If the issuer preparing a consolidated financial statement under separate regulations does not include a subsidiary in the consolidated statement or does not apply valuation according to the equity method, the additional explanatory notes to the financial statement should include information about the legal grounds for and data justifying such a decision, key economic and financial indices referring to the operations of affiliated entities in the current and previous fiscal year, such as: value of sales revenues and financial revenues, net financial result and value of equity, with a breakdown into groups, value of fixed assets, average annual headcount and other information required under separate regulations

Not applicable

41. Other information

41.1. Bank's authorities

Fortis Bank Polska SA has following authorities:

- General Meeting of Shareholders,
- Board of Directors,
- Board of Executives.

As of June 30, 2002 the Board of Directors was composed of 9 members, and the Board of Executives of 6 members.

41.2. Additional information to the Bank assets and liabilities

The foreign currency structure of assets and liabilities is presented in the table below.

Foreign currency structure of assets and liabilities as of June 30, 2002.

Currency	Assets (PLN thousand)	Assets [%]	Liabilities (PLN thousand)	Liabilities [%]
ATS	56	0.00%	0	0.00%
AUD	90	0.00%	113	0.00%
BEF	32	0.00%	0	0.00%
CAD	956	0.02%	130	0.00%
CHF	22 844	0.55%	31 128	0.75%
CZK	135	0.00%	27	0.00%
DEM	176	0.00%	0	0.00%
DKK	388	0.01%	43	0.00%
ESP	26	0.00%	0	0.00%
EUR	915 849	22.01%	881 754	21.19%
FIM	22	0.00%	0	0.00%
FRF	51	0.00%	0	0.00%
GBP	1 543	0.04%	1 235	0.03%
GRD	4	0.00%	0	0.00%
HUF	3	0.00%	0	0.00%
IEP	166	0.00%	0	0.00%

ITL	23	0.00%	0	0.00%
JPY	275	0.01%	0	0.00%
NLG	30	0.00%	0	0.00%
NOK	306	0.01%	51	0.00%
PTE	6	0.00%	0	0.00%
SEK	1 400	0.03%	257	0.01%
USD	529 427	12.73%	518 136	12.45%
PLN	2 686 628	64.58%	2 727 562	65.56%
TOTAL	4 160 436	100%	4 160 436	100%

The total currency position as of June 30, 2002 amounted to PLN 13,337 thousand, i.e. 2.80% of the Bank's equity.

41.3. As no merger occurred with another economic entity, the Bank presents a unit financial statement.

Signatures of all BoE Members

30.09.2002	Jean-Marie De Baerdemaeker	BoE President
30.09.2002	Ronald F.E. Richardson	Senior Vice-President
30.09.2002	Andre van Brussel	Vice-President
30.09.2002	Leszek Niemycki	Vice-President
30.09.2002	Jean-Luc Deguel	Vice-President
30.09.2002	Gilles Polet	Vice-President

Signature of the person responsible for maintaining books of accounts

30.09.2002	Andre Van Brussel	Vice-President, CFO
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Board of Executives 2002 Semiannual Report on Fortis Bank Polska SA Activity

I. SUMMARY OF THE BANK'S ACTIVITY IN THE 1ST HALF OF 2002

A. Introduction

Measures undertaken by the Board of Executives last year that aimed at the increase of income and operating cost reduction have brought first results. The net result of the first 6 months of 2002 reached PLN 19 million and was higher by over PLN 5 million than planned. Other factors that positively affected the net profit generated included also Foreign Exchange income and fee income.

However, the amount of non-performing loans continues to be unsatisfactorily high (PLN 313 million) while stocks of loans and deposits grow more slowly than expected (PLN 2,359 million and PLN 2,373 million, respectively). Therefore, the Bank's Board of Executives, having additionally considered the still unfavorable macroeconomic situation in Poland, decided to adjust the 2002 financial result forecast. The original plan assumed earning net profit of PLN 46 million for the period ending December 31, 2002, while the current forecast is 35% lower, which means that the net profit in 2002 is projected at PLN 30 million.

In accordance with the earlier announcements, the Bank continued to implement projects that

streamlined the functioning of the Bank as an organization and led to cost reduction and income increase. A new Branch Model has already been in place, with a clear division into a *front-office* and *back-office*. The Call Center launched in August 2002, combines the usefulness of the existing Infoline with the automated telephone service. The credit application consideration process has been changed. Thanks to improvements in operating procedures, automation and outsourcing, the Bank's income in the first half of 2002 grew faster than costs.

The Bank's management conducts activities aimed at further business standard modernization and strengthening operational and market risk management in line with Fortis Bank standards and recommendations issued by the General Inspectorate for the Banking Supervision, through improved reporting systems and management techniques, implementation of a new currency and liquidity risk management strategy and also through a series of developments in Back Office function and automation of domestic and international clearing.

The above actions and their effect on relations with clients, small and medium enterprises - which are the basic and most important client group - will be surely verified by the Bank's participation in the "Customer Friendly Bank" competition. Today it is already known that Fortis Bank Polska has been qualified to competition's Stage II. Both two years ago and last year, the Bank was awarded the title of "the Customer Friendly Bank." The competition is organized jointly by the Polish Chamber of Commerce, Polish-American Advisory Fund for Small Enterprises and the Warsaw Banking Institute.

B. External factors essential for the Bank's development

1. Bank's performance in comparison to the banking sector results

In the classification presented by the Rzeczpospolita daily in which banks are ranked according to their equity, Fortis Bank Polska was ranked 13th (after first quarter of 2002, it was the 16th position). The Bank was at the same position as regards the total assets.

After two quarters of 2002, the equity of domestic banks increased on average by 10.3% as compared to the same period of last year. The equity of Fortis Bank Polska increased slightly over last year (reaching now PLN 509 million).

The total assets of the sector increased really (i.e. after the inflation) by merely 4.5% within two quarters of 2002. Fortis Bank Polska SA recorded a medium total assets growth by 2%, i.e. to PLN 4,160.4 million within first 6 months of 2002. The highest growth of total assets was recorded by institutions that merged with other banks or just started operations, as well as the ones that managed to enlarge the size of their activity.

Small increase of both loans and deposits has been the effect of a poor economic situation. Over two quarters of 2002 the average value of loans granted in the sector grew up by only 8% (deposits - by only 7%). Fortis Bank Polska loan portfolio increased by 13% (up to PLN 2,358.6 million) over the same period last year. Deposit balance went up by only 2% (up to PLN 2,372.6 million).

Net profit of the banking sector was lower by 25% compared to the last year. The net result of commercial banks only was lower by 14% than last year. The major factor that affected the result deterioration was the creation of large provisions for client receivables in the second quarter. Another issue was the change of accounting rules, under which the effect of profits/losses made by subsidiaries and associates must be taken into account in entities' financial reports. Fortis Bank Polska recorded net profit growth of 1,302% and gross profit growth of 660%.

At the same time, after two quarters of 2002 Fortis Bank Polska SA, similarly as other banks, reported poor interest income growth of 17%. Generally, the interest income of banks in the period discussed decreased by 29%. This is an obvious result in the diminishing interest rate environment. Fortis Bank Polska reported a good result on operating activity, an increase by 25% (PLN 139 million), whereas the average increase in the entire sector amounted to 5.6%.

Over the two quarters of 2002, the costs of banks' operating activity went down by 20.3%. In the case of Fortis Bank Polska SA, this index amounted to (-3%) (PLN 69.6 million).

C. Summary of the Bank financial results in the 1st half of 2002

The most important factors that affected the financial performance of Fortis Bank Polska SA in the first half of 2002 were the following:

- **Loan portfolio increase with a simultaneous deterioration of the portfolio quality.** In the first half of 2002, the Bank loan portfolio increased by 11% as compared to the first half of 2001 and reached PLN 2,359 million as of the end of June 2002. The share of non-performing loans in the total portfolio amounted to 13% at the end of June (and 1.2% - loans in the "watch-list" category).
- **Deposit balance increase.** After six months of 2002, deposit balance amounted to PLN 2,373 million. The deposits grew by 2% over the first half of 2001.
- **Commission and fee income increase by 35%,** due to the acquisition of new customers and diversification of the offering by adding new products.
- **Net interest income in the amount of PLN 64 million** was higher than in the first half of 2001 by PLN 9 million, which was mainly due higher amount of loans granted, however at the narrowing interest margins.
- **Result on financial operations in the amount of PLN 13 million,** which consisted mainly of proceeds from the debt securities sale.
- **Good FX result (PLN 29 million)** resulting from the growth of import-export transactions serviced by the Bank, disbursement of foreign currency loans and profitable transactions performed on the FC market. FX result was higher by 57% over the first half of 2001.
- **General expenses decrease** by 3% over the first half of 2001.
- **Considerable costs of provisioning for loans and off-balance sheet liabilities.** Deterioration of financial standing of several borrowers resulted in an increase of non-performing loans, and as a consequence the need to create additional specific provisions. The balance of the provisions created and released for loans and off-balance sheet liabilities amounted to PLN 27 million.

II. SHAREHOLDERS, CAPITAL AND FUNDS

A. Share capital

As of January 1, 2002 the share capital amounted to PLN 30,155,400 and was divided into 15,077,700 common bearer shares of PLN 2 nominal value each. In the first half of 2002 no changes occurred in the share capital.

B. Changes in the ownership structure in the 1st half of 2002

In the first half of 2002 no changes occurred in the Bank's shareholder structure.

As of June 30, 2002 the following entities held over 5% of Fortis Bank Polska SA shares:

Shareholder	Number of shares owned		Number of votes at the AGM	
Fortis Bank*	14,941,807	99.10%	11,308,275	75.00%
Others	135,893	0.90%	135,893	0.90%
Total:	15,077,700	100.00%		

*As of June 28, 2001 i.e. after share capital increase as the result of Series J shares issue, Fortis Bank seated in Brussels holds 99.10% of the total number of the Bank's shares, however, under Art. 26 of the Banking Law Act of 29.08.1997 (Dz. U /Official Journal/ No. 140, Item. 939 as amended) and according to Resolution No. 159/KNB/99 of the Banking Supervision Commission dated 16.08.1999 regarding the issuance of the permission to acquire the Bank's shares by Fortis Bank - Fortis Bank may exercise 75% of the total voting rights at the General Shareholders Meeting.

The Bank has not been informed of any agreements that may result in a change in the number of shares held by the present shareholders in the future.

C. Equity

Equity of Fortis Bank Polska SA increased from PLN 478,982 thousand as of June 30, 2001 to PLN 490,267 thousand (including undistributed profit from last years in the amount of PLN 11,285 thousand) as of June 30, 2002 and were sufficient to ensure security of the Bank's activity.

The General Shareholders' Meeting of Fortis Bank Polska SA held on June 27, 2002 resolved to allocate the entire net profit for 2001 fiscal year in the amount of PLN 10,520,863.07 to the increase of the Bank's equity as retained earnings.

Pursuant to the provisions of Article 127 of the Banking Law Act, items classified as the Bank's equity include also the fixed assets revaluation reserve fund amounting to PLN 545 thousand at the end of June, 2002.

Besides, in order to calculate a capital adequacy ratio and observe exposure limits, Fortis Bank Polska SA decreased its equity by PLN 8,561 thousand as a result of its net capital exposure in shares of Fortis Securities Polska SA and by 30% of net intangible fixed assets in the amount of PLN 4,921 thousand.

Equity' structure as of June 30, 2002 was as follows:

Category	June 30, 2002 PLN thousand	June 30, 2001 PLN thousand
Share capital	30,155	30,155
Additional capital	352,220	352,213
Reserve capital	17,018	17,018
General risk fund	79,044	79,044
Revaluation reserve fund	545	552
Retained earnings	11,285	0
Capital exposure	(8,561)	(18,196)
30% of net intangible assets - 2002	(4,921)	
10% of net intangible assets - 2001		(1,910)
Equity total for the purpose of the capital adequacy ratio calculation	476,785	458,876

III. FINANCIAL RESULTS

A. Profit and loss statement

1. Income on banking activity

In the first half of 2002, the total revenues earned by Fortis Bank Polska SA on its banking activity amounted to PLN 245,451 thousand. Interest income in the amount of PLN 165,207 thousand remained the principal component of the Bank's revenues. The interest income consist mainly of the following items:

- interest on loans: PLN 101,559 thousand
- interest on interbank placements: PLN 37,525 thousand
- interest on securities: PLN 26,122 thousand

The Bank recorded an increase in fee and commission income that reached PLN 36,097 thousand for the first half of 2002.

In the first half of 2002, the Bank earned FX result reaching PLN 29,431 thousand, which accounted for 12% of the total revenues.

2. Costs of banking activities

Interest expense during the period in question reached PLN 101,133 thousand and was lower

by 42% as compared to the first half of 2001. This amount includes the following items:

- interest on customer deposits: PLN 77,951 thousand
- interest on interbank deposits: PLN 12,901 thousand
- interest on credits and loans contracted: PLN 10,281 thousand.

The decrease of interest on customer deposits resulted mainly from lowering base interest rates by the Monetary Policy Council and the ensuing lower client deposit interest rates.

In the first half of 2002, commission and fee expenses increased by PLN 3,900 thousand in comparison to the first half of 2001, however, they accounted for a mere 5% of total expenditures.

3. Other income and expenses

The remaining operating revenues include mainly:

- income from fines, financial penalties and compensations: PLN 757 thousand
- income from sale or liquidation of fixed assets and assets for sale: PLN 243 thousand
- income from other non-operating services: PLN 1,125 thousand.

The remaining operating expenses include:

- sale or liquidation of fixed assets and assets for sale: PLN 335 thousand,
- vindication expenses: PLN 406 thousand,
- loan write-offs: PLN 217 thousand,
- donations granted: PLN 13 thousand,
- other: PLN 1,343 thousand.

The Bank's operating expenses in the first half of 2002 reached PLN 69,612 thousand and were lower by 3% compared to the corresponding period of 2001. The decrease of costs resulted from projects conducted by the Bank to improve efficiency and reduce expenses

The depreciation of fixed and intangible assets in the first half of 2002 amounted to PLN 14,324 thousand and was higher by 21% than in the previous year.

In the first half of 2002, the creation of provisions generated costs in the amount of PLN 39,550 thousand, while revenues from released provisions stood at PLN 10,771 thousand, as a result the balance of provisions increased by PLN 28,779 thousand. Provisions for non-performing loans were the key component that generated the unfavorable balance of reserves. The net provisions for loans at risk and off-balance sheet liabilities amounted to PLN 27,103 thousand.

4. Profit

In the first half of 2002, Fortis Bank Polska SA generated a gross (pre-tax) profit of PLN 27,072 thousand. The Bank's income tax liability amounted to PLN 8,064 thousand.

In the first half of 2002, the Bank's net profit (after tax) amounted to PLN 19,008 thousand and was higher by PLN 17,652 thousand than in the corresponding period of 2001.

Growth of selected items of profit and loss account (PLN thousand)

Profit and loss statement (in thousands)	June 30, 2002	June 30, 2001	Change 2002-2001
Net interest income	64,074	54,748	17%
Net fee and commission income	30,807	25,432	21%
Net income on FX transactions	29,431	18,708	57%
Net income on banking activities	139,028	111,456	25%
Net operating income	27,072	3,560	660%
Gross profit	27,072	3,560	660%
Income tax	8,064	2,204	266%
Net profit	19,008	1,356	1,302%

B. Balance sheet

1. Total assets

The Bank total assets as of June 30, 2002 amounted to PLN 4,160 million, which represents an increase by PLN 279 million, i.e. by 7% versus the first half of 2001.

Structure and growth of selected balance-sheet items (PLN thousand)

Balance-sheet item	June 30, 2002	Share in total assets	June 30, 2001	Share in total assets	Change 2002-2001
Cash and Central Bank balances	159,868	4%	221,091	6%	(28%)
Due from financial institutions	872,367	21%	713,002	18%	22%
Due from customers and the public sector	2,358,579	57%	2,118,900	54%	11%
Due to financial institutions	1,113,067	27%	936,976	24%	19%
Due to customers and the public sector	2,372,579	57%	2,321,893	60%	2%
Equity (including net profit)	509,275	12%	480,338	12%	4%
Retained earnings	11,285	0.3%	-	-	-
Share capital	30,155	1%	30,155	1%	-
Total assets	4,160,436		3,894,672		7%

2. Assets

Loans constitute the principal item in the Bank's assets (net, adjusted for non-performing loans provisions), which accounted for 57% of total assets as of June 30, 2002 as compared to 54% at the end of June 30 2001. Net loan portfolio rose by PLN 239,679 thousand and reached PLN 2,358,579 thousand (11% increase versus the corresponding period of 2001). Provisions for non-performing loans were established in the amount of PLN 142,631 thousand. The share of non-performing loans (excluding the watch-list category) in the total portfolio stood at approximately 13%.

The share of debt securities in total assets increased in the first half of 2002 and amounted to PLN 598,825 thousand as of June 30, 2002. Their share in total assets increased from 8% as of June 30, 2001 to 14% as of June 30, 2002.

At the end of June 2002, the Bank security portfolio consisted of securities issued by the State Treasury and the NBP. The composition of the portfolio was as follows:

- Treasury bills issued by the Ministry of Finance: PLN 232,032 thousand,
- State Treasury bonds: PLN 323,901 thousand,
- NBP bonds to secure the mandatory reserve: PLN 42,892 thousand.

At the end of June 2002, the proportion of cash and central bank balances in total assets decreased from 6% in June 2001 to 4% as of June 30, 2002.

Dues from the financial sector, including placements with other banks, accounted for 21% of total assets as of June 30, 2002, which was higher than at the end of June, 2001 when this item made up 18% of the balance sheet total. The balance of this item as of June 30, 2002 included:

- PLN deposits: PLN 671,491 thousand
- foreign currency deposits: PLN 201,990 thousand

In comparison to the first half of 2001, the value of fixed assets increased by PLN 17 million. The fixed assets primarily include:

- computer hardware: PLN 15,128 thousand,
- leasehold improvements (on rented office space): PLN 35,657 thousand.

The value of intangible fixed assets at the end of June 2002 amounted to PLN 16,404 thousand, including computer software in the value of PLN 16,404 thousand.

Other assets accounted for 1% of the total assets. This item consists mainly of interbank settlements in the amount of PLN 24,976 thousand.

3. Liabilities

Dues to customers (arising from current accounts and term deposits) are the main item on the liabilities side. Customer deposits at the end of June 2002 reached PLN 2,372,579 thousand, which represented 57% of total liabilities, as compared to 60% noted at the end of June 2001. The majority of deposits are in zlotys in the total amount of PLN 1,886,643 thousand, which accounts for 79% of all the customer deposits. Foreign currency deposits reached PLN 485,936 thousand at the end of June 2002.

In the first half of 2002, the share of dues to financial sector in the overall structure of liabilities slightly increased. As of June 30, 2002, this item accounted for 27% of total liabilities, compared to 24% the year before.

Special funds and other liabilities accounted for 2% of total liabilities at the end of June 2002. The principal item in this group comprises interbank settlements in the amount of PLN 49,425 thousand, i.e. 72% of this item.

Provisions shown in the balance sheet consist of:

- off-balance sheet liabilities provision: PLN 809 thousand,
- provision for employee benefits: PLN 500 thousand.

4. Off-balance sheet items

At the end of June 2002, off-balance sheet items totaled PLN 5,214,611 thousand and increased by PLN 2,886 thousand as compared to June 2001. The off-balance sheet items consist of:

- Off-balance sheet liabilities granted, including:
 - items related to financing: PLN 720,638 thousand,
- guarantees: PLN 139,377 thousand.
- Off-balance sheet liabilities received, including:
 - items related to financing: PLN 559,055 thousand
- guarantees: PLN 62,052 thousand
- foreign currency exchange transactions concluded before year-end which did not yet mature on June 30, 2002: PLN 3,693,234 thousand,
- FC deposit transactions: PLN 40,255 thousand.

C. Management of funds

1. Sources of funds, drawn credits, loans, guarantees

Deposits constitute the most important source of financing the Bank's credit activity. The Bank accepts funds both from economic entities and individuals.

In order to finance its activity, the Bank has also been using a credit line under the Credit Agreement dated September 24, 1998, granted by Fortis Bank SA/NV and Fortis Bank (Nederland) N.V., in the amount of EUR 102 million for 7 years (1998-2004).

Moreover, in September 2001, the Bank was granted another credit facility in the principal maximum amount of EUR 50 million from Fortis Bank (Nederland) N.V. seated in Rotterdam for 48 months earmarked for financing the Bank's operations. The credit facility may be drawdown in one or more advances in EUR or its equivalent in USD, CHF or JPY within 23 months from the date of conclusion of the agreement for one, three or six month interest periods. The applied interest rate is one, three or six month IBOR in the relevant currency of the advance depending on the Bank's choice of interest rate period. The commitment fee: 0.125% p.a. calculated on the total unused credit principal.

In 2001, the Bank used a five-year credit facility in the amount of EUR 10 million granted by the European Bank for Reconstruction and Development (EBRD). As a continuation of successful cooperation, the Bank concluded a credit agreement with the EBRD, under which EBRD granted to the Bank a credit facility in the amount of EUR 20 million for 5 years (counting from 2000) to be disbursed in two tranches earmarked for financing SME Finance Facility.

The Bank has financed its activity also from internal sources. By 2001, the Bank Shareholders had consistently accepted the policy recommended by the Board of Directors and the Board of Executives to pay no dividend, which enabled the Bank to systematically increase its capital base. The 2001 profit was earmarked to the increase of the Bank's equity as retained earnings.

Data about the funding sources and usage, with a breakdown into the main geographical regions of the country, is shown in additional notes in [Items 1.2](#) and [2.1](#).

2. Interest rate management

The basic floating loan interest rates used in the Bank are based on either the LIBOR or EURIBOR interest rates with respect to foreign currency loans and WIBOR for PLN loans. The Bank also uses rates known as adjustable interest rates for PLN loans, i.e. the NBP Lombard and rediscount rates. Adjustable rates are updated on the day when the decision of the NBP Monetary Policy Council to change the respective official interest rates becomes effective. The Bank uses also fixed interest rates that are not changed over the duration of the loan agreement.

In the first half of 2002, following the NBP official interest rate cuts, Fortis Bank Polska SA decreased its interest rates on PLN deposits and loans. Also the interest rates on EUR and USD deposits and loans were adjusted following the market trends.

In March 2002, the Bank purchased five-year fixed-interest-rate Treasury Bonds of PLN 250 million nominal value and average yield to maturity amounting to 9.17%, to secure interest income derived from the Bank's capital investment in the decreasing interest rate environment on the interbank market.

3. Risk management

In the period from January to June 2002, the liquidity and market risk have been kept at a safe level.

In order to provide risk supervision independent of business activity, in June 2001 the Bank established a Risk Department, a unit directly reporting to the Vice-President, Chief Financial Officer. The Risk Department is responsible for market and operational risks and the management of the Bank's asset and liability structure. The additional task of the Risk Department is to model the internal bank product pricing system for interest generating products and to service it on a current basis and set parameters. Moreover, the Risk Department directly, and indirectly, through contributing to the work of the ALCO Committee, supports the Board of Executives in the decision making process, giving its opinions on new products and advising on making any necessary changes in the existing structure of the balance sheet.

In the first half of 2002, the Risk Department intensified works on creating professional tools to collect market risk data. Database was advanced and it contains all source information regarding interest rate, FX and liquidity risks existing in the Bank. Furthermore, software tools were created to enable everyday monitoring of liquidity, interest rate risk and currency risk limits. These tools allow the Risk Department to prepare everyday reports on foreign currency, interest rate and liquidity risk levels to the Bank's Board of Executives. The tools facilitate also automated analyses and simulations to support asset and liability structure management by ALCO. Moreover, the Treasury Department uses the above tools to obtain daily precise information on interest rate and liquidity risk positions. In the second quarter of 2002, the Risk Department has broadened the cooperation with the unit responsible for market risk in Fortis Bank Brussels at the Financial Markets Business Line level. The cooperation is to provide the Board of Executives with a risk reporting system compliant with Fortis group standards.

In the first quarter of 2002, the Bank's Board of Executives and Business Lines management got access to another software tool which allows to make daily analyses of volumes, margins

and profits on specific types of products based on interest rates. Additionally, such an analysis may be made at the level of a business line, branch or a specific Account Manager. Thanks to this tool, the Bank may at once precisely adjust its actions to changes observed as regards profitability of products based on interest rates.

As regards operational risk, Fortis Bank Polska SA has started works on the creation of an operating loss monitoring and reporting system. The Risk Department developed an IT solution and operating process to produce an automated operating loss recording and identification system. Data collected in the process will be analyzed to identify operating activity areas that need improvement or reorganization. In a longer time horizon, such data accumulation is also to prepare the Bank to meet New Basel Accord provisions regarding capital requirements for operational risk, which are to become effective in 2006.

The regular ALCO Committee supports the Board of Executives in the effective management of the Bank's assets and liabilities by setting the main policy guidelines, managing the balance sheet structure, setting the Bank's minimum margins on particular products, approving assumptions of the internal transfer pricing system and issuing opinions on the introduction of new (retail) products that affect the structure of the balance sheet.

4. Key financial indicators

The capital adequacy ratio slightly decreased in the first half of 2002.

This indicator represents the ratio of the Bank's equity to risk-weighted assets and off-balance sheet liabilities. The Banking Supervision Commission determines the risk weights of assets and off-balance sheet liabilities. The Bank equity increased by 4% versus the first half of 2001, while risk-weighted assets and off-balance sheet liabilities increased by 5% in the corresponding period.

Capital adequacy ratio and its determinants

Indicator	June 30, 2002	June 30, 2001
Risk-weighted assets	2,284,751	2,221,077
Risk-weighted off-balance sheet liabilities	196,319	131,956
Net equity	476,785	458,876
Capital adequacy ratio	19.07%	19.50%

Performance indicators

Indicator	June 30, 2002	June 30, 2001	June 30, 2000
Return on assets (ROA)	0.7%	0.5%	0.8%
Return on equity (ROE)	5.9%	6.6%	11.8%
Net interest margin	3.1%	3.7%	5.0%
Profit per share	1.87	1.22	2.20
Book value per share	33.78	31.86	22.88

The above indicators were calculated as follows:

Capital adequacy ratio	Net equity to off balance-sheet weighted assets and liabilities
Return on equity (ROE)	Net profit earned for the last 12 months to average annual balance of equity
Return on assets (ROA)	Net profit earned for the last 12 months to average annual balance of total assets
Net interest margin	Net interest income to assets' average balance
Profit per share	Net profit earned for the last 12 months to average weighted number of shares issued
Book value per share	Book value to the number of shares issued

IV. OPERATING ACTIVITY

A. Credit activity

1. Credit policy

Credit activity is one of the main source of income for Fortis Bank Polska.

The Bank offers the following types of loans:

- a. loans for companies:
 - overdraft facility
 - working capital and investment loans (PLN and FC)
 - discount loan
 - factoring loan
- b. loans within the Personal Banking Packages:
 - overdraft limit
 - fast loan
 - mortgage loans.
- c. Straight Loan - a form of a loan addressed to corporate clients.

In line with the existing strategy of supporting small and medium-sized enterprises, the Bank grants loans available to the companies from the European Bank for Reconstruction and Development funds. The EBRD credit line is earmarked for loans (working capital loans, investment loans) and overdraft facilities. The Bank offers two types of loans granted for a period of 1 to 5 years: "a micro loan" - in the amount up to an equivalent of EUR 30 thousand or "a small loan" - in the amount between EUR 30 thousand and EUR 125 thousand.

The Bank also issues PLN and FC guarantees, opens import letters of credit, advises and confirms export letters of credit if requested.

Due to the macroeconomic environment and the existing portfolio, the Bank authorities have adopted a restrictive policy of granting new loans, assuming that the portfolio will improve mainly by taking a more selective approach to new risks and by reacting more quickly to the client's financial problems.

In order to reduce credit risk, the Bank applies relevant procedures of granting and monitoring loans. Credit decisions are made by the Bank credit committees authorized to do so by the Bank Board of Directors and Board of Executives. The Bank's central Credit Committee takes decisions with respect to granting credit facilities, loans, guarantees and other kinds of financing. Subject to the approval of the Bank Board of Executives, the Credit Committee may delegate some of its authority to five local credit committees and authorized managers. The decision-making authority of Credit Managers as regards loans classified as performing amounts up to PLN 0.5 million, while that of local credit committees up to PLN 1.5 million of the total Bank's exposure towards a customer. Whereas for debtors classified into watch-list or non-performing categories: substandard, doubtful and lost, pursuant to provisions set by the Banking Supervision Commission the decision-making authority of a Credit Manager and of a local credit committee is maximum PLN 200 thousand and PLN 0.5 million, respectively.

In August 2000, the credit structures were reorganized. In order to increase the efficiency of debt recovery and intensive care processes in the Bank, local debt collectors now report to the director of a new Intensive Care and Recovery Department. Furthermore, Credit Administration Groups were combined in one Credit Administration Department. Credits supervise the Bank's credit activity as regards credit risk analysis and monitoring, setting credit standards and development of credit procedures, keeping credit files and running debt recovery.

In the first half of 2002, a new Credit Risk Management system was implemented in the Bank and a credit analysis model was standardized for all applications above the local credit committee limit. The works on collateral recording system have been continued.

2. Loan portfolio structure

In the first half of 2002, loan production targets were not reached due to the economic slowdown and the Bank's conservative lending policy. The total net portfolio is 14% lower than planned but 15% higher than at the end of December 2001.

As of the end of June 2001, the net outstanding loan balances amounted to PLN 2,119 million and increased up to PLN 2,359 million as of June 20, 2002. The PLN loan portfolio amounted to PLN 1,209 million as of the end of June 2002 and 7% higher than at the end of June 2001. The EUR loan portfolio amounted to PLN 849 million at the end of June 2002, i.e. increased by 54% as compared to June 2001. The USD loans increased by 14% up to the amount of PLN 428 million as of June 30, 2002.

The Bank financial exposure is concentrated mainly in services (35% of the loan portfolio), trade (25%) and production (12%) as of June 30, 2002. Exposure in other sectors is relatively low. As compared to June 30, 2001, the Bank increased its exposure in services.

Information regarding the Bank's exposure to specific industries is presented in the additional explanatory notes - [Item 1.1](#)

In terms of original maturity dates at the end of June 2002, the Bank's structure of receivables from the non-financial sector was as follows: 19% constitute overdrafts (increase by 4% in comparison to the first half of 2001), 1% maturing in 1 month, 4% maturing in 1-3 months, 25% maturing 3 months to 1 year (decrease by 10%), 26% maturing in 1 to 5 years (decrease by 4%) and 25% loans with a maturity date longer than 5 years (increase by 8%).

As of June 30, 2002, 523 loans in the amount of EUR 22.1 million were extended from the EBRD credit line (both tranches for five years), as compared to 157 loans in the amount of EUR 7.4 million (after adjustment) at the end of the first half of 2001. The outstanding balance amounted to EUR 12.4 million, in comparison to EUR 4.8 million (after adjustment) as of June 30, 2001.

3. Non-performing loans

As of the end of June 30, 2002, the balance of non-performing loans amounted to PLN 311 million (without the watch-list category) and comprised 11% of the total loan portfolio, including PLN 58 million of sub-standard loans (i.e. 2.4% of the total portfolio), PLN 75.3 million - doubtful loans (i.e. 3% of the portfolio) and PLN 177 million are lost loans (i.e. 7.3% of the portfolio).

4. Enforcement titles

The total amount of the Bank's receivables that have not been recovered as of June 30, 2002 under all the 53 enforcement titles was PLN 41,115 thousand.

B. Guarantees issued

As of the end of June 2002, the Bank issued 650 guarantees, including 392 in PLN. The Bank's liabilities arising under the guarantees issued amounted to the equivalent of PLN 137,833 thousand, including PLN 95,282 thousand of guarantees issued in PLN. In Fortis Bank Polska SA, the same procedures apply to issuing bank guarantees and granting loans.

Over the first half of 2002, the Bank did not issue any sureties or guarantees to one entity (or its subsidiaries) whose total amount constituted at least 10% of its equity.

Detailed information on guarantees issued by the Bank with a breakdown into currencies is shown in the explanatory notes - [item 9](#).

At the end of June 2002, the Bank's off-balance-sheet liabilities resulting from opened import letters of credit totaled PLN 49,214 thousand. Moreover, the Bank had on his books one confirmed export letter of credit opened by a foreign bank acting on the instruction of a customer in the equivalent of PLN 1,544 thousand.

[Item no. 9](#) of the additional explanatory notes also includes data regarding the currency structure of the letters of credit opened by the Bank.

C. Deposits

At the end of June 2002, the balance of deposits totaled PLN 2,373 million, which indicates an increase by 2% as compared to the end of the first half of 2001, when the balance of deposits amounted to PLN 2,322 million. Customers may place deposits in foreign currencies, however, the majority of deposits are maintained in PLN (79%).

Deposit-related activity is conducted through the Bank's operating branches and e-banking systems.

The Bank offers current and auxiliary accounts, FC accounts, PLN or FC accounts for non-residents, Silver, Gold, Platinum accounts, Stock Investor accounts, deposits with negotiable interest rates (depending on the amount and term of deposit and the situation on the interbank market), as well as different types of fixed and variable interest term deposits in PLN and foreign currencies. The minimum amount of a deposit in PLN is PLN 5,000. The application of a simplified system of setting interest rates for small amounts and the possibility of negotiating high-value deposits ensure flexible solutions and have a direct effect on the Bank's revenues.

Institutional clients are offered also deposits placed on the interbank market: overnight, tomorrow/next and spot/next, and a term deposit of a variable interest rate based on 1M WIBID base rate.

With respect to personal banking, the Bank offers three packages of services: Silver, Gold and Platinum. These tailor made packages enable effective and safe management of funds deposited on savings and checking accounts opened with Fortis Bank Polska SA. Within the packages the Bank offers deposit and loan products, payment cards as well as stock-exchange investment services and e-banking. These services and products are designed for individuals with a higher-than-average income, i.e. managers, specialists, businessmen and professionals. The Bank is also offering VISA Electron cards and the "e-Package" based on home banking.

D. Custody services

The Bank offers a comprehensive service with respect to securities accounts on which publicly traded stocks, treasury bills and bonds are recorded. The custody services are offered under the Decision issued by the Securities and Exchange Commission dated July 14, 2000 (KPWiG-4042-2/2000) by a Custody Services Group separated in the Bank's organizational structure.

The Bank provides also services for investment funds. This function involves, among others, determining the value of the funds' net assets, pricing participation units and checking whether the funds operate in line with the relevant laws.

In the first half of 2002, the Bank acted as a Depository for term investment funds established and managed by PDM Towarzystwo Funduszy Inwestycyjnych S.A. Under the binding law provisions, the Bank, as the Depository, became also the funds liquidator.

E. Money market operations

The Bank invests excess funds in the money market. The Bank is active both on the primary and secondary market of the Treasury bills and on the secondary market of the T-bonds.

The Treasury Department is responsible for maintaining liquidity, managing the Bank's foreign currency position and ensuring a balanced structure of the Bank's foreign currency assets and liabilities. Furthermore, the Department manages the investment portfolio and co-ordinates the Bank's policy with respect to cash operations in foreign currencies and the Polish zloty. The Bank's investments are basically not affected by market volatility due to the implementation and adherence to the investment policy recommended by the Assets and Liability Committee (ALCO), which restricts the portfolio to the most stable debt securities issued by the government or central bank.

Income generated from foreign exchange transactions makes up a substantial share in the Bank's profits. Customers are offered a full range of currency operations, including FX forward transactions. The dealing room also reviews and updates the table of FX rates and sets preferential rates for high-value transactions.

F. The Bank's clearing activity

With respect to domestic and foreign clearing services, the Bank offers its clients:

- foreign payments: service of import and export orders in convertible currencies,
- domestic transfers,

- forward transactions,
- service of documentary, import and export letters of credit,
- purchase and collection of checks drawn by other banks,
- collection of checks drawn on foreign banks,
- documentary collection.

The Bank is preparing for the introduction of IBAN (International Bank Account Number). Since February 2001, Fortis Bank Polska has been servicing the so-called passive IBAN form, i.e. it registers and checks correctness of IBAN numbers on payment documents used in other banks. The new account standard implementation schedule at Fortis Bank Polska assumes that Client account numbers will be changed in the second quarter of 2003, which all Clients will be duly informed about in special letters.

Gradually settlements in the SYBIR system have been replaced by the payments in the ELIXIR system. Fortis Bank Polska limited the number of payments sent by the SYBIR system to 0.02%.

The Bank offers clients a collective account for non-residents - business entities, to facilitate settlements between residents and non-residents, clients of a correspondent bank. Any instructions of the account holder, including opening an account, are effected with the assistance of the correspondent bank and using authenticated SWIFT messages. Thus one can become a Fortis Bank Polska SA client without coming to Poland.

The organizational structure of Operations has been gradually changing since January 2002. On July 1, 2002, the Accounts Service Group started work in the Operations Department, to centralize some tasks performed so far by the Bank's Branches.

G. Co-operation with international financial organizations

In the first half of 2002, Fortis Bank Polska SA co-operated with foreign banks with respect to foreign exchange, placement/deposit transactions and banknote transactions. The Bank has accounts in many renowned banks operating in the main world financial centers, and also maintains accounts in PLN for banks in the Fortis group, acting as a correspondent bank. Co-operation with leading banks enables the Bank to effectively handle payment orders of its customers as well as to carry out instructions received from abroad. Since September 1995, the Bank has been a participant of the SWIFT international interbank network, which enables faster payment realization, facilitates contacts with foreign banks and enables the implementation of new products related to the service of international transactions and their full automation. The Bank co-operates with a large number of foreign banks with respect to documentary transactions, which involves the opening, advising and confirming of all types of letters of credit and making payments related to documentary collection. Using the services of correspondent bank, Fortis Bank Polska SA cashes checks drawn in foreign currencies.

H. Development of banking services

In the first half of 2002, Fortis Bank Polska SA enlarged its offering addressed both to individual and institutional clients.

In the opinion of the jury of the "Customer Friendly Bank" competition, the prize awarded to the Bank confirmed "the maintenance of very high client service quality, understanding and friendly approach to solving problems of enterprises." Striving to enhance its offering, the Bank has introduced a specialist package "FortisClass" addressed to small and medium enterprises. The package includes deposit and credit products of negotiated interest rates, automatic overnight deposit and VISA Business Electron card issued free of charge. The Bank strongly develops "non-brick" channels of communications with clients - home banking (Multicash) and internet banking (PI@net) systems and Call Center. Fees charged for transactions effected through these channels are lower than for using traditional "brick" network. FortisClass package holders are assisted by Advisors - specialist in the service of institutional clients.

Fortis Bank Polska has been consistently enriching its offering addressed to Personal Banking clients. Especially for this client group, the Bank designed a set of services named Platinum Package. The Package comprises accounts, deposits, investment services, loans, payment

cards and professional consulting. Specific Platinum Package products are offered free of charge. Each Platinum Package holder has his/her own Private Banking Advisor, who prepares an individual investment strategy for the client. In this respect, licensed investment advisors of Fortis Securities Polska brokerage house have strongly supported the Bank. The Platinum Package replaced Gold VIP package which was offered to affluent individuals so far.

In the second half of 2002, Fortis Bank Polska signed an agreement with Allianz Polska Services Sp. z o.o., regarding agency services in selling bank accounts and loans for housing purposes to individual clients. Under the Agreement, Allianz Polska Financial Consultants, acting as agents, will offer potential clients comprehensive information and consulting on Fortis Bank Polska products and services. The cooperation between the Bank and Allianz Polska is another step to facilitate access to banking products and services to prospective clients. Pilot program covers several Bank's outlets in Poland (Warsaw, Gdańsk, Szczecin, Bielsko-Biała, Poznań). It is planned to extend the program to other locations in the future.

I. Technology enhancements

In connection with launching the Call Center, Fortis Bank Polska bought the following Avaya Poland's software: Interactive Voice Response system, Automatic Call Distribution, Call Management System, Computer Telephony Integration and Nice call recording system. Thanks to the above, Fortis Bank Polska SA clients have got access to practically all information and transactions in their accounts under one telephone number nationwide. Account Holders may call at 0801 FORTIS or 0801 367847 to inquire about their account balance, transaction history, deposit interest amount, payment card debt, if any, or to block the lost or stolen card. Clients may also effect payment transfers, also to accounts that have not been predefined.

J. Agreements significant for the Bank activity

1. The most important agreements:

a. Commercial Cooperation Agreement concluded with Fortis Bank on November 6, 1997

Fortis Bank Polska SA and Fortis Bank (former Generale Bank), seated in Belgium, undertook mutually to cooperate and to promote their operations and institutional development through the establishment and activities of the European Desk (currently the International Desk of Fortis Bank). The Agreement provides that the parties undertake to cooperate on an exclusive basis. Both parties obliged themselves to refrain from entering into any agreements with any other institutions whose purposes or effects would be similar to the ones contained in the Agreement.

b. Cooperation Agreement concluded with Fortis Lease Polska SP. z o.o. on January 2, 2002, and Annex to the Agreement dated February 28, 2002

Under the Agreement, the Bank provides information to its clients about services offered by Fortis Lease. Each time a client introduced by the Bank signs a lease agreement, the Bank receives an agency commission in the amount of 0.1% p.a. computed quarterly on the current client debt outstanding balance.

Agreements regarding transactions with parent entities and subsidiaries are presented in Chapter V Section C of this Report.

c. Loan Agreements concluded with the European Bank for Reconstruction and Development (EBRD) on January 26, 2000 and on December 21, 2001

On January 26, 2000, the Bank concluded a loan agreement with the European Bank for Reconstruction and Development under which EBRD granted to the Bank a credit line of up to EUR 10 million for five years to finance small and medium size enterprises (SME Finance Facility).

As a continuation of successful cooperation, on December 21, 2001 Fortis Bank Polska SA concluded another loan agreement with EBRD, under which the latter granted to the Bank an additional credit facility up to EUR 20 million for 5 years (counting from 2000) to be disbursed in two tranches, earmarked for financing SME sector.

d. Agreement on maintaining bank account concluded with the NBP Payment System Department on June 23, 2000

On June 23, 2000 the Bank concluded an agreement with the NBP Payment System Department regarding maintaining a bank account. On April 23, 2002, Annex no. 7 to

- the agreement was signed.
- e. **Agreement concluded with the NBP on December 27, 2001**
On December 27, 2001 the Bank concluded an agreement under which the NBP opened and has maintained PLN term deposit account for the Bank in the NBP Head Office Capital Operations Department. The Bank may keep funds on this account until the following operational day.
 - f. **Agreement concluded with the NBP on January 2, 2002**
Due to the introduction of new types of refinancing banks by NBP during an operational day, on January 2, 2002, the Bank concluded an agreement with NBP regarding a technical loan to be granted and secured through ownership right transfer from T-bills.
 - g. **Agreement concluded with the NBP on February 19, 2002**
The Agreement regards the exchange of NBP bonds held by the Bank, into a new issue of variable interest rate 10-year bonds, which took place on February 28, 2002.
 - h. **Agreement concluded with the National Clearing Chamber (KIR) on February 15, 1999**
The Bank participates in settlements through KIR in the Elixir and Sybir systems.
 - i. **Agreement concluded with Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych - PFRON (State Fund for the Rehabilitation of the Disabled) on February 4, 2002**
The agreement superseded the previous one dated May 21, 1999. The agreement defines terms and conditions under which PFRON shall partly finance interest on loans granted by the Bank to the institutions of special status where persons disabled are employed, under the provisions of Art. 32 item 1 of The Disabled Professional and Social Rehabilitation and Employment Act dated August 27, 1997.
 - j. **Agreement concluded with VISA International Service Association regarding issuance, service and settlement of VISA Classic and VISA Business payment cards**
In 2000, the Bank concluded with VISA International Service Association the Annex to the License Agreement dated October 15, 1997 regarding issuance, functioning and settlement of VISA Classic and VISA Business payment cards. As of January 1, 2001 the Bank achieved the status of a Principal and Plus Member. Before the Bank performed its task in the VISA system only through Bank Śląski (BSK).
 - k. **Agreement concluded with VISA International Service Association regarding the establishment of VISA Polska domestic organization, dated November 9, 2000**
The member banks of Visa International operating in Poland have set up a domestic organization VISA POLSKA in order to standardize rules regarding the issuance of Visa cards and service of commercial outlets servicing VISA cards in Poland.
 - l. **Agreement concluded with Allianz Polska Services Spółka z o.o. on May 9, 2002**
In order to strengthen the sales structure, Fortis Bank Polska SA signed an agreement with Allianz Polska Services Spółka z o.o. regarding agency services in the sale of products offered by the Bank - packages for individual clients and loans for housing purposes. Under the Agreement, Allianz Polska Financial Consultants, acting as agents, will offer potential clients comprehensive information and consulting on Fortis Bank Polska products and services.
 - m. **General Insurance Agreement concluded with the Europa SA insurance company dated June 21, 2001.**
Following the introduction of mortgage loans into its range of products, the Bank concluded an agreement with the Europa SA insurance company in order to provide insurance coverage for mortgage, construction, construction and mortgage loans as well as mortgage loans for the purchase of a building lot granted to private individuals.
 - n. **Insurance Agreement concluded with CIGNA STU SA Insurance and Reinsurance Company on June 20, 2001, with an Annex dated May 20, 2002**
Insurance of holders of VISA Gold Cards issued by Fortis Bank Polska within the Personal Insurance Package with respect to the reimbursement of medical treatment and assistance costs incurred during foreign travels.
 - o. **Insurance Agreement concluded with CIGNA STU SA Insurance and Reinsurance Company on January 10, 2002**

- Insurance of the holders of VISA Classic and VISA Electron Cards issued by Fortis Bank Polska within the Personal Insurance Package with respect to the reimbursement of medical treatment and assistance costs incurred during foreign travels.
- p. **Insurance Agreement concluded with CIGNA STU SA Insurance and Reinsurance Company on May 20, 2002**
The Agreement concerns insurance of the holders of VISA Business Gold, VISA Business and VISA Business Electron Cards issued by the Bank.
- q. **Insurance Agreement concluded with CIGNA STU SA Insurance and Reinsurance Company on June 20, 2002**
The Agreement concerns insurance of the holders of VISA Classic and VISA Gold Cards issued by the Bank as regards the coverage of post-warranty repairs.
- r. **Co-operation agreement concluded with Bank Gospodarstwa Krajowego on April 23, 2001**
This agreement concerns loans extended by the Bank and secured by sureties established by the funds of the National Loan Surety Fund (Krajowy Fundusz Poręczeń Kredytowych) established at Bank Gospodarstwa Krajowego under Act of May 8, 1997, on sureties and guarantees issued by the State Treasury and some legal entities. Such sureties may secure investment loans and loans earmarked for the purchase of manufacture and raw materials contracted by residents in PLN or a foreign currency.
- s. **Agreement on the performance of tasks of WSE Member - Issuer's Market Maker concluded with CA IB Securities SA on November 3, 2000.**
With the implementation of a new WARSET system by the Warsaw Stock Exchange, the Bank concluded an agreement with CA IB Securities SA under which CA IB Securities SA will act as the WSE Member - Issuer's Market Maker with respect to the Bank's publicly traded common bearer shares.
- t. **Agreement concluded on the use of the Emitent system concluded with the Securities and Exchange Commission of July 25, 2001.**
In order to meet the disclosure requirements applicable to listed companies defined in the Public Trading in Securities Act, the Bank concluded another agreement with the Securities and Exchange Commission with respect to the use the Emitent system enabling information exchange.
- u. **Agreement concluded the SWIFT international interbank network on May 22, 1998**

2. Significant loan agreements

In the first half of 2002, the Bank concluded one loan agreement with a customer towards whom the total Bank's exposure would exceed 10% of the Bank's equity.

As of June 30, 2002, the Bank's exposure towards 27 Bank customers exceeded 10% of the Bank's equity and totaled to PLN 833 million. The loan exposure concentration limit specified in the banking law has not been exceeded towards any customer.

V. ORGANIZATIONAL AND CAPITAL ASSOCIATIONS WITH OTHER ENTITIES

A. The description of shareholder holding over 5% of votes at the General Shareholders' Meeting

Fortis Bank, seated in Brussels, holds 99.10% shares of Fortis Bank Polska SA

Fortis is an international financial services provider active in the fields of insurance, banking and investment. With a market capitalization of EUR 28 billion and around 67 thousand employees, Fortis ranks among the thirty largest financial institutions in Europe. At the end of June, 2002, Fortis total assets amounted to EUR 496 billion while its net profit reached EUR 1,529 million.

In its key market, the Benelux countries, Fortis occupies a leading position and offers a broad range of financial services to individuals, companies and the public sector. Outside its home market, Fortis concentrates on selected market segments.

Fortis is listed on the exchanges of Amsterdam, Brussels, London and Luxembourg and has a sponsored ADR program in the United States.

According to the data for two quarters of 2002, Fortis reported an annualized net profit of EUR 1,519 million, which was lower by 18%. Despite difficult economic environment, net operating profit for the first two quarters of 2002 amounted to EUR 1,479 million, i.e. it was a mere 4% drop in comparison with the same period last year.

Fortis recorded net profit on insurance activity of EUR 637 million, whereas the net profit on the banking activity amounted to EUR 994 million.

Key figures (EUR million):

	June 30, 2002 in EUR million	Change after two quarters (2001-2000)
Net operating profit	1,479	-4%
- insurance	637	-36%
- banking	994	+4%
Net profit	1,519	-18%
ROE	16.5%	

Reliability and security of Fortis Bank is reflected by high rating grades issued by independent international rating agencies (Standard & Poor's: AA-; Moody's: Aa3).

Fortis Bank intends to gradually develop selected areas of activity so as to strengthen its position in Europe, both through the development of its own structures and mergers with other institutions.

B. Fortis Securities Polska S.A.

Fortis Securities Polska S.A. (FSP) - a subsidiary of Fortis Bank Polska SA stopped rendering brokerage services as of June 29, 2002 under a contingent Sale Agreement concluded on May 20, 2002 between Fortis Securities Polska SA and DB Securities SA regarding the sale of the organized part of the entity, used so far to provide brokerage services by Fortis Securities Polska S.A. The transaction was consistent with the strategy of Fortis group in Poland. Fortis Securities Polska SA will continue its activity as a brokerage house that supplements the Bank's offering by distribution of Treasury bonds, participation units in investment funds and asset management to clients' order.

On August 12, 2002, the Extraordinary General Shareholders' Meeting of PDM Investment Fund Society SA (a subsidiary of Fortis Securities Polska SA) resolved to liquidate PDM TFI.

C. Transactions with associated entities

1. Loan Agreement concluded with Generale Bank, seated in Brussels (currently Fortis Bank) and Generale Bank Nederland NV, seated in Rotterdam (currently Fortis Bank Nederland) on September 24, 1998

On November 12, 1999, the third Annex to this Agreement was signed in order to increase the credit line facility granted by Fortis Bank (Nederland) N.V. seated in Rotterdam up to DEM 200 million (EUR 102 million) for the term of seven years.

2. Loan Agreement concluded with Fortis Bank Nederland NV, seated in Rotterdam, on September 24, 2001

On September 24, 2001, the Bank concluded an agreement with Fortis Bank (Nederland) N.V. seated in Rotterdam, under which the Bank was granted a credit facility in the principal maximum amount of EUR 50 million from for 48 months.

3. Cooperation Agreement concluded with Fortis Securities Polska SA on October 13, 2000

The Agreement involved increasing the scope of current co-operation of the Bank with the brokerage house in the following areas:

- the Bank lets its office space in order to open the brokerage house's customer service

outlets

- the co-operation in the sale of the brokerage house products and services within the Bank's organizational structure, incl. sale of participation units in investment and pension funds, sale of participation units of foreign investment funds.

On January 23, 2001 Annex No. 2 was signed to the Cooperation Agreement with respect to issues related to the organization and operation of the customer service and information outlets of Fortis Securities Polska SA located at the Bank branches. The brokerage house's customer service outlets (POK) operating in the Bank's units sell participation units of investment funds, investment portfolios, likewise render agency services for conclusion of investment account agreements.

4. Annex dated June 26, 2002 to the Cooperation Agreement concluded with Fortis Securities Polska SA on October 13, 2000 concluded with DB Securities SA

In connection with a contingent agreement signed between FSP and DB Securities SA regarding the sale of an organized part of the enterprise, on June 26, 2002 Fortis Bank Polska SA and DB Securities SA signed an Annex to the Cooperation Agreement concluded between Fortis Bank Polska SA and FSP. The Parties to the Agreement decided to start cooperation as regards the service of loans for the purchase of securities on the secondary market granted by the Bank to brokerage house clients.

5. Loan Agreement concluded with Fortis Securities Polska SA on June 14, 2002

In order to finance FSP restructuring costs, under the Agreement dated June 14, 2002 the Bank granted FSP a non-revolving working capital loan in the amount of PLN 800,000 for three months.

The description of other transactions related to the banking services rendered to the affiliated entities is presented in the additional explanatory notes - [Item 16.2](#).

VI. THE BANK STOCK PERFORMANCE ON THE WSE

The Bank debuted on the primary market of the Warsaw Stock Exchange in November 1994.

Since April 18, 2001, the Bank's shares have been quoted in a two-fixing system. The Bank shares' name is abbreviated to FTS.

As a result of the acquisition of over 98% of the Bank shares by Fortis Bank, the liquidity of the Bank's shares virtually disappeared in 2000. This resulted in a gradual fall of the share price. At present all the other shareholders hold only 135,893 shares, i.e. 0.90% of the total number of the Bank's shares.

Average daily turnover of the Bank's shares in the first half of 2002 amounted to 54 shares in comparison to 222 shares in the first half of 2001. At the first session in 2002, the Bank's share price amounted to PLN 22.20 and increased to PLN 24.50 as of June 28, 2002. In the said period, the WIG index slightly grew from 13,995.24 to 14,192.94 points, while WIG-banks, a sector sub-index also went up from 20,533.61 to 23,301.70.

Below there are market indices for Fortis Bank Polska SA as of June 30, 2002:

Ratio	June 30, 2002	June 30, 2001
EPS ratio	1.86	1.22
P/E ratio	13.17	24.18
BVPS ratio	33.78	31.86
P/BV ratio	0.73	0.93

Book value per share is PLN 33,78. To make appropriate calculation, share capital, reserve capital, revaluation reserve, other reserve capital and a net profit for fiscal year were included in equity.

VII. FINANCIAL FORECASTS AND DEVELOPMENT PLANS

In December 2001, the Board of Directors approved the Bank's financial plan for 2002-2004. The projected net profit for 2002 was assumed at PLN 46 million and capital expenditure at the total of PLN 19.7 million. However, despite the good net profit reported in the first half of this year, the Bank's management discerns risk for achieving financial result planned for 2002 mainly due to the unfavorable macroeconomic situation in the country. Given this risk, the Board of Executives has decided to review down the financial forecast as of December 31, 2002. The planned net profit as of 31 December 2002 is assumed to reach PLN 30 million (down by 35% as compared to the original plan), whereas the total assets are assumed to reach PLN 4,144 million, which is 15% lower than originally planned. In the process of reviewing the financial plan, the following items were assumed:

- lower than expected interest income as a result of a slower than expected growth in the stocks of loans and deposits,
- higher than originally planned provisions for non-performing loans,
- lower operating expenses.

Considering the excess capital, high fixed costs of an expensive bricks network - infrastructure that is capable of handling more volume, the Board of Directors recommended further reduction and strict control over costs and more effective use of capital. The reduction of cost-income ratio to 55 % (from 61% at June 30, 2002) is planned through a consistent implementation of process reengineering projects launched in 2001, operation automation and outsourcing, rationalization of operating costs and reduction in the headcount. The bank will cut investments in new branches and reduce outlays for IT systems.

In the middle of 2002, the efficiency and productivity improvement project ('Zefir') concerning the basic areas of the Bank's operations entered its final stage. Savings - cost reductions, cost avoidance and additional income - exceeded initial expectations. In July, the new Branch Operating Model was implemented and opening of the Bank Call Center and credit process streamlining was launched in August. A number of new projects aiming at further process efficiency and effectiveness improvement in the Bank will be launched in the 2nd half of this year (info-mapping, OCR, centralization of foreign exchange operations, on-line risk management, etc.).

Due to its involvement, both in financial and organizational terms, the Bank has acquired strategic customers in the segment of small- and medium-size enterprises with foreign capital, improved the effectiveness and efficiency of lending procedures and credit risk management and finally is going to expand Bank's activity on financial markets.

Based upon the Financial Markets business line established in the Bank structures in the second quarter of 2002, which corresponds to a similar unit in Fortis Bank, the bank intends to increase its activity on the money market and securities trading. The strategy of Financial Markets in Poland will be customer driven. The FBP intends to trade in derivatives on a larger scale, such as currency options, swaps and forward contracts on interest rates. Introduction of new products, improved efficiency of treasury operations on money, FX and securities markets coupled by better risk monitoring will be feasible thanks to new computer systems.

Two business lines - now matured organizationally, the MEC line - responsible for the segment of medium-size businesses and corporate customers, and IPS line - responsible for the segment of individual customers and small businesses, will continue to strive to reach their objectives, including:

- acquisition of new customers, in particular, companies with foreign capital developing and operating on international markets or those which have commercial links in the countries where Fortis is present, increase in the number of personal banking customers and quality dynamic small businesses,
- development of the currently offered specialist services, such as cash management and leasing, feasibility studies of introducing factoring and project financing, specialization in the financing of international trade and financial markets (servicing of money market transactions) and introduction of new products in this area,
- diversification of the range of products and services, including the opening of a call center, improvement of the Gold and Silver package and further development of electronic distribution channels for products and services,

- strengthening of control over credit risk and improvement of effectiveness of processes.
- increase in Fortis brand awareness and recognition,

The IPS business lines plans for achieving "critical mass" in the target segments by 2005, maintenance of the current network of operating branches with the simultaneous rationalization of their operating costs.

The Bank management plans a further improvement of operating standards and strengthening of risk management and internal controls functions in line with the Fortis Bank guidelines and the relevant recommendations of the General Inspectorate of Banking Supervision (GINB).

VIII. ORGANIZATIONAL STRUCTURE

A. Bank's authorities

According to the Statute, the Bank's authorities consist of:

- General Shareholders' Meeting,
- Board of Directors,
- Board of Executives.

There are also regular and temporary committees appointed that are advisory or decision-making bodies. The regular committees are the following:

- Assets and Liabilities Committee (ALCO)
- Credit Committee
- Problem Asset Committee
- Regional Credit Committees,
- Business Continuity Committee.

The Board of Directors approves regulations of credit committees that are to decide on credits, loans, guarantees or other agreements regarding financing.

The Problem Asset Committee (PAC) was created to relieve the Credit Committee of issues not related to loan production. The PAC decides on asset valuation, assignment of problem assets to specific risk categories, creation of reserves and development of relevant procedures. The PAC operates under Regulations approved by the Board of Directors.

The Assets and Liabilities Committee (ALCO) is a regular advisory and decision-making body. ALCO is to support the Board of Executives in effective management of the Bank's assets and liabilities in order to ensure a long-term increase coupled with the realization of current financial plans. In specific matters, in particular liquidity and market risk management, ALCO can make decisions. Scope of competence and activity of ALCO are defined in Regulations approved by Board of Executives.

The Business Continuity Committee is to plan and coordinate actions to be undertaken in emergency situations in order to ensure the continuity of the Bank's operations.

B. Business Lines and operating outlets

As of the end of June, 2002, the Bank had 32 outlets in Poland.

The Bank's Head Office is seated in Warsaw at Postępu 15.

The Bank's organization is structured along business lines that service different customer groups. In particular:

- IPS (Individuals, Professionals and Small Enterprises) servicing its clients through a network of operating branches and personal banking sub-branches,
- MEC (Medium -sized and Large Enterprises), operating through business centers,
- Financial Markets based on the Treasury Department.

The Financial Markets business line which corresponds to a similar unit in Fortis Bank structures, was set up in the second quarter of 2002 to increase the Bank's activity on the money market and acquire new clients, including banks.

In January 2002 Business Center Śląsk was opened in Gliwice.

In view of the need to simplify business line structure in accordance with Fortis Bank standards, the Board of Directors and the Board of Executives decided to modify the Bank's organizational structure by discontinuing the Regions effective January 2002. Relative to the above, the Board of Executives removed the position of a Region Manager. Business Center Managers report now directly to the Vice President of the Board of Executives - Head of the MEC Business Line, while Branch Managers report directly to the Vice President of the Board of Directors - Head of the IPS Business Line.

As of June 30, 2002, the Bank operated the following units:

- 21 (twenty one) full-service Branches (three Branches in Kraków, four Branches in Warsaw, Łódź Branch, Lublin Branch, Częstochowa Branch, Gliwice Branch, Katowice Branch, Poznań Branch, Gdynia Branch, Wrocław Branch, Bydgoszcz Branch, Zakopane Branch, Szczecin Branch, Kielce Branch, Bielsko-Biała Branch and Gdańsk Branch), Agency of Branch III in Kraków,)
- 6 (six) Personal Banking Sub-branches - two in Warsaw, one in Wrocław, Poznań, Katowice and Łódź, and a sub-branch of the Poznań Branch for Mass Transaction Processing (in cooperation with an external company), and
- 5 (five) MEC Business Centers.

[The organizational structure of Fortis Bank Polska SA, as of June 30, 2002, is shown in the chart enclosed to this Board of Executives Report.](#)

IX. BANK AUTHORITIES AND EMPLOYEES

1. Changes in the composition of the Board of Executives and the Board of Directors

As of January 1, 2002, the Board of Directors was composed of 8 persons while the Board of Executives comprised 6 persons.

As of January 1, 2002, the Bank's Board of Directors was composed of:

Board of Directors:

- Sjoerd Van Keulen - Chairman
- Luc Delvaux - Deputy Chairman
- Antoni Potocki - Deputy Chairman
- Zbigniew Dresler
- Kathleen Steel
- Werner Claes
- Paul Dor
- Roland Saintrond

On June 27, 2002 the General Shareholders' Meeting resolved to appoint Mr. Didier Giblet as a member of the Board of Directors, responsible for Fortis Bank activity on the world money and FX markets within Financial Markets Business Line (Global Head of FX&MM).

As of June 30, 2002, the Bank's Board of Directors was composed of:

Board of Directors:

- Sjoerd Van Keulen - Chairman
- Luc Delvaux - Deputy Chairman
- Antoni Potocki - Deputy Chairman
- Zbigniew Dresler
- Kathleen Steel
- Werner Claes
- Paul Dor
- Roland Saintrond
- Didier Giblet

As of January 1, 2002, the Board of Executives was composed of the following members:

Board of Executives:

- Jean-Marie De Baerdemaeker - President
- Andre Van Brussel - Vice President, CFO
- Jean-Luc Deguel - Vice President
- Leszek Niemycki - Vice President
- Gilles Polet - Vice President

On December 20, 2001, the Bank Board of Directors took the decisions regarding the planned change on the position of President of the Bank Board of Executives. The BoD decided to nominate a new President, Ronald Richardson, at that time Managing Director of Fortis Lease NV Belgium and also President of Executive Board of Fortis Lease Polska Sp. z o.o. who will replace the present President, Jean-Marie De Baerdemaeker subject to receiving the approval from the Bank Supervision Commission in the last quarter of 2002. In order to ensure a smooth transition period Mr. Richardson was appointed First Vice President as of February 1, 2002.

As of June 30, 2002, the Board of Executives was composed of the following members:

Board of Executives:

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

2. Remuneration paid to Board of Executives, Board of Directors members and commercial proxies

The total of salaries and bonuses paid to the members of the Board of Executives in the first half of 2002 amounted to PLN 2,596 thousand, as compared to PLN 3,988 thousand in the first half of 2001, while the total amount of remuneration paid to the members of the Board of Directors in the first half of 2002 was PLN 180 thousand as compared to PLN 162 thousand in the corresponding period of 2001. The total amount of salaries paid to commercial proxies from January 1 to June 30, 2002 was PLN 1,784 thousand, whereas from January 1 to June 30, 2001, the amount was PLN 2,288 thousand.

3. Information on outstanding loans, guarantees granted to Board of Executives, Board of Directors members and their relatives

As of June 30, 2002, an outstanding balance of the loan granted to one member of the Board of Directors amounted to PLN 57 thousand, and one guarantee issued for an indefinite period - to USD 10 thousand. The members of the Board of Executives used one guarantee for one year with total exposure amounting to PLN 54 thousand. The interest rate does not differ from market rates.

Information on loans, cash loans and guarantees granted to the Board of Executives and Board of Directors members is presented in the additional explanatory notes - [Item 26](#).

4. Information on the Bank shares held by the Board of Executives and Board of Directors members

As of June 30, 2002 none of the Board of Executives members owned any shares issued by Fortis Bank Polska SA. Mr. Luc Delvaux, the Deputy Chairman of the Board of Directors held 25 of the Bank shares. Other Board of Directors members did not hold any Bank's shares.

5. Employees

Actions initiated in June 2001 by the Board of Executives aimed at staffing optimization due to process streamlining, automation and outsourcing have resulted in the headcount decrease from 989 persons as at the end of June 2001, down to 953 persons at the end of 2001. As a consequence of consistent implementation of process improvement projects and reorganization, as of June 30, 2002, the Bank employed 911 persons.

Out of the total number of staff - 442 persons were university graduates.

Signatures of the Board of Executives members:

Jean-Marie De Baerdemaeker, President

Ronald Richardson, Senior Vice-President

Andre Van Brussel, Vice President

Leszek Niemycki, Vice President

Jean-Luc Deguel, Vice President

Gilles Polet, Vice President

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