

1999 Semi-annual Report

9th place among the best Polish banks. Gazeta Bankowa ranked Pierwszy Polsko-Amerykanski Bank SA (PPABank SA) 9th in its May 1999 ranking of the best Polish banks. Such a high ranking reflects our Bank's rapid growth both on the financial services market and on the capital market. This is a great success, especially because the ranking criteria placed emphasis on a bank's financial standing rather than on its size. Attention was paid to growth in equity, loans, deposits and net profit.

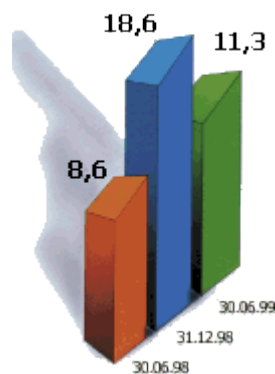
In the same month, PPABank SA was ranked 380th on the list of largest Polish businesses published by Rzeczpospolita, and was in 30th position with respect to banks. A similar ranking published by Gazeta Bankowa placed PPABank SA in 295th position among the largest Polish enterprises and in 22nd place among banks.

Profit

PLN 11.262 million was the net profit earned by PPABank SA in the first half of 1999. This result represents a 31% increase over the net profit generated in the first half of 1998.

PPABank SA remarkable financial results can be primarily attributed to higher interest revenues generated from the development of the loan program as well as increase in commission and fee income.

Net profit in millions PLN



These excellent results were achieved at a time when investments in the expansion of the branch network were high, which itself is accompanied by increased employment and the development of telecommunications network.

Bank equity and funds increased in 1998 as a result of the Series F and G share issues. Then, pursuant to the decision adopted at the General Shareholders Meeting held on June 17, 1999, the entire 1998 profit amounting to PLN 18.6 million was earmarked for the general risk fund.

PPABank SA shareholder's equity increased from PLN 121.6 million on June 30, 1998 to PLN 142.9 million on June 30, 1999 and was sufficient to ensure safe Bank operations.

Shareholders

PPABank SA is a company with mixed ownership. The majority of shares are held by renowned international financial institutions. In 1998, share capital increased to PLN 15.23 million following the registration of the fifth issue of F and G series shares. In the first half of 1999 there was no change in the Bank's shareholder structure.

On June 30, 1999 the ownership structure was as follows:

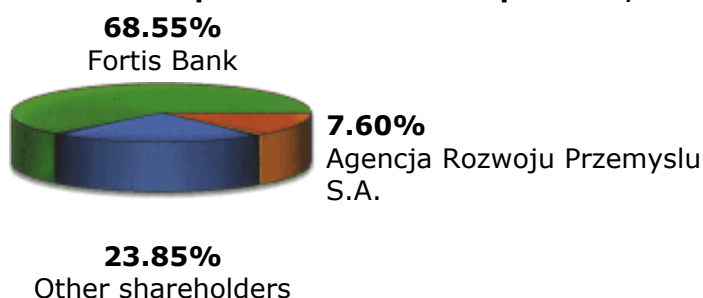
Polish-American Enterprise Fund (PAEF)	34.73% shares
Enterprise Credit Corporation (ECC)	24.10% shares
Fortis Bank (former Generale Bank)	9.72% shares
Agencja Rozwoju Przemyslu S.A.	7.80% shares
Other shareholders	23.65% shares

As of June 30, 1999 share capital amounts to PLN 15.23 million and is divided into 7,615,000 shares.

On June 17, 1999 the General Shareholders Meeting decided to increase the Bank's capital through two successive share issues (Series H and I).

- As a result of the Series H share issue, the Bank's share capital will be increased by PLN 1.5 million to PLN 16.8 million. Moreover, the Bank's shareholder's equity will increase by over PLN 30 million.
- Another share capital increase is planned at the end of 1999 or the beginning of the year 2000 when the Bank will issue Series I shares. The result will be an increase of over PLN 3 million in share capital and will bring the total share capital to PLN 20.1 million. The resulting increase in PPABank's shareholder's equity is estimated at PLN 70 million.

Ownership structure on 30 September, 1999



In February 1999, the Polish-American Enterprise Fund (PAEF) and the Enterprise Credit Corporation signed a Share Purchase Agreement with Fortis Bank under which Fortis Bank committed to purchase all PPABank shares held by the PAEF and ECC (i.e., 58.8%). In August 1999, Fortis Bank received the required permits from the Polish authorities in order to increase its stake in PPABank, i.e.:

- The Bank Supervisory Commission approved Fortis Bank's purchase of shares increasing Fortis' control over votes from over 66% up to 75% of votes at the PPABank SA General Shareholders Meeting,
- The Antimonopoly Office had no objections to the Fortis takeover of majority stake in PPABank SA,
- The Securities Exchange Commission (SEC) approved Fortis Bank's purchase of the share block ensuring over 50% of votes at the PPABank SA General Shareholders Meeting. The SEC accepted Fortis Bank's declaration that it intends to hold enough shares in order for Fortis to exercise control over 75% of all votes at the PPABank SA General Shareholders Meeting. The declaration went on to state that Fortis Bank would not apply for the removal of PPABank SA shares from the stock exchange until Poland joins the European Union.

On 29 September 1999 Fortis Bank has acquired the majority ownership position in PPABank S.A. by purchasing shares from the PAEF and ECC. As a result of the transaction, Fortis Bank increased its holdings to 68.5%.

Fortis Bank

Fortis Bank is a member of the international Fortis Group that provides insurance, banking and investment services. The Group's market capitalization is EURO 38 billion which makes it first among financial institutions in Belgium, second in the Benelux and tenth in Europe. Since June 1999, Fortis Bank forms a new integrated banking group, comprising Generale Bank, which has been Belgium's leading private financial institution for more than 175 years, and ASLK-CGER in Belgium, MeesPierson, VSB Bank and Generale Bank Nederland in the Netherlands. Present in 60 countries, Fortis Bank has a staff of 40,000 worldwide, 3,000 offices and 7 million customers in the Benelux. On June 30, 1999, Fortis Bank had assets of EUR 301 billion.

In recognition of the strong position of PPABank SA on the Polish market, Fortis Bank intends to fully support the existing PPABank strategy which is specifically addressed to the Polish SME market. The financial and organizational investment of Fortis Bank should result in an increase in Bank capital, strengthen credit procedures, introduce modern standards of operations and result in the development of a computer network and should increase the number of banking products offered to clients. Due to the fact that Fortis Bank is the dominating entity of one of the largest banking groups in Belgium, it is expected that PPABank SA will also acquire new clients, both from Benelux companies investing in Poland and from Polish companies operating and investing on international markets.

New Products and Services

Services introduced in 1998:

- One-month fixed-interest deposit in PLN;
- Three-month fixed-interest deposit in USD and EURO;
- PPABoom money market deposit;
- A packet of financial products and services for individual customers;
 - Silver Package,
- Gold Package;
- Foreign currency Forward Contracts;
- VISA Classic and VISA Gold cards;
- BANK-O-PHONE telephone information service.

PPABank S.A. specializes in servicing businesses, drawing from the best models in the world. A priority for the Bank is to offer high quality customer oriented service using state-of-the art technology that ensures safe and speedy transactions. This is why the Bank is primarily investing into the development of a telecommunications network and into broadening the range of products and services offered. In the first half of 1999, PPABank SA launched the following products and services:

Overnight Deposits

These are overnight deposits placed on the interbank market for individual clients and businesses. The deposit starts on the day the transaction is made and matures on the following business day. This product is an automatic deposit, which comes into effect when a specific account balance has been exceeded.

Fixed interest rate term deposits in PLN

These are rollover deposits with interest capitalization at the rollover. The deposit agreement cannot be broken during the declared deposit maturity. The deposit principal and interest accrued are paid to the depositor at maturity. These deposits are offered both to businesses and to private individuals.

Bank-o-phone Telephone Information Service

In the first half of 1999, the existing Bank-o-phone service was supplemented with the option of placing money transfer orders and opening term deposit accounts.

Gold VIP Package

It is a very special and highly individualized offer. It is available to clients who hold balances of PLN 500,000 or more with PPABank SA. Similarly as the Gold Package, the Gold VIP Package is based on a savings and checking account, with a wide range of services including payment cards, automatic overnight deposits, term deposits in foreign currencies and stock investor's account, plus very high overdraft and card limits.

Insurance policy for VISA GOLD cards

Insurance policies are automatically granted to every VISA GOLD cardholder without any additional charges. The insurance is valid as long as the card is valid and covers casualty, travel assistance and additional insurance.

TEMPO ATM cards

These cards enable their holders to safely and conveniently withdraw cash from nearly 1,600 ATMs in the PolCard network. The daily limit of withdrawals is PLN 2,000 and cannot exceed the available account balance.

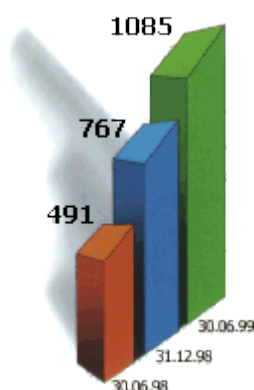
Loans

PLN 1,085 million is PPABank SA net loan exposure balance as of June 30, 1999. This is 42% higher than the balance on December 31, 1998 and 121% higher than the same period in the previous year.

One of the main sources of profit is loans. From the beginning, PPABank SA has been geared towards offering the best possible loans to its clients based on their needs and their creditworthiness. This is why PPABank offers loans mainly addressed to small and medium size businesses, taking into consideration the fact that about 40% of the loan portfolio is for trade, 30% is for industry and about 20% is for services.

PLN and foreign currency working capital loans, investment loans and overdraft facilities are especially popular. Other forms of financing offered to businesses include loans for the purchase of securities, factoring loans and guarantees. Individual clients are offered loans within savings/checking accounts (called RORs) and loans for the purchase of securities. When the new European currency was introduced, the Bank started offering clients loans denominated in EURO.

Net loan exposure balance, in millions PLN



The Bank's loan portfolio is of high quality. There are a relatively small number of non-performing loans in the total loan portfolio. In the first half of 1999, non-performing loans constituted only 2% of the total loan portfolio.

This is a result of introduction of clear and consistent credit procedures, under which a potential borrower's financial standing and ability to repay the debt are very scrupulously

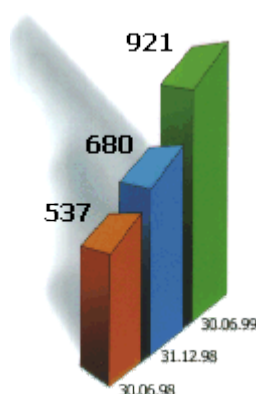
checked. Also, the structure of the loans offered has limited the number of non-performing loans. Preference is given to investment loans and a significant portion of capital is invested into short-term loans.

Deposits

Deposits from both individual and institutional clients are the most important source of financing for the loans the Bank offers. The maturity of most deposits is less than one year. PPABank has a substantial number of stable PLN core deposits.

The balance of deposits held by Clients in PPABank SA has experienced dynamic growth. In December 1997, the PLN equivalent of Bank deposits (excluding deposits of financial institutions) amounted to PLN 384 million, at the end of 1998 this number reached PLN 680 million and as of June 30, 1999 these deposits amounted to PLN 921 million.

Gross deposit balance, in millions PLN



Deposits are accepted in all of Bank branches. The products and services offered to clients include current accounts and term deposits, negotiated deposits and dynamic deposits, fixed interest rate one-month deposits in PLN (starting from PLN 10,000) and fixed interest rate three-month deposits in USD, DEM and EURO, deposits placed on the interbank market (Overnight, Tomorrow/Next and Spot/next) and rollover term deposits in PLN at fixed interest rates.

Ready for the Year 2000

The approaching year 2000 is a challenge for all kinds of financial institutions, industrial enterprises as well as public and state administrations. The problem is in the adjustment of existing computer systems to the change of date format in computer processors.

We are fully aware of the possible risk to banking systems and as a result we have taken all the necessary steps to guarantee the stability of Bank operations in the year 2000. PPABank SA has tested all types of transactions and these tests have shown that all of the software and hardware in use conform to Y2K standards. Moreover, a Data Recovery Center has been established and employees have been accordingly trained.

These steps were taken under the supervision of, and in compliance with, recommendations of the NBP General Inspectorate for Banking Supervision. All adjustments were completed by June 30, 1999.

Now the Bank can assure its clients that all necessary steps have been taken to ensure that there will be no disruptions or complications connected with the year 2000.

Plans for the Year 1999

Branches opened in 1998:

- June - Gdynia Branch
- August - Sub-branch no.2 of the Warsaw Branch
- November - Lodz Branch
- December - Wroclaw Branch

The plan assumes that in 1999 net profit will amount to PLN 26 million (i.e., it will be 39% higher than in 1998). The loan portfolio is projected to increase to PLN 1,353 million (76%), and shareholder's equity - to PLN 163 million (24%a). This means that at the end of 1999, the balance sheet total will be 58% higher than at the end of 1998.

For PPABank SA, the most important objectives are to continue expansion and to broaden the range of products and services on offer. Plans have been made for the completion of expansion of the branch network to a nationwide scale by opening new branches and representative offices. Already in 1999, new branch offices will be opened in Gliwice and Bydgoszcz and another sub-branch of the Warsaw Branch in the vicinity of Praska Gielda Spozywcza in Zabki. At the beginning of 2000, plans are for the opening of new locations in Szczecin, Bielsko-Biala, Kielce and in Cracow. Moreover, the current seat of Bank Headquarters in Cracow will be moved to a new location already selected.

The Bank plans to expand its operations on the capital market through cooperation with Pioneer Polski Dom Maklerski (PPDM), where the Bank owns shares (19.2% of votes at the General Shareholders Meeting). Thanks to this, the Bank will offer asset management and investment banking services, provide IPO services and offer brokerage products rendered by PPDM for individual clients of PPABank SA.

PPABank SA intends to continue investing in the development of information technology infrastructure and the automation of transaction processing. With existing technology it is possible to open new locations in a timely manner and offer a full range of the Bank's products and services from the commencement of operations. Special attention is paid to the development of electronic banking and a client service system via Internet.

Balance Sheet

	As of:	06/30/1998 PLN (000)	06/30/1999 PLN (000)
ASSETS			
I. Cash and National Bank of Poland balances		97 310	120 746
II. Securities refinanced with the Central Bank		-	-
III. Due from financial institutions		85 588	137 985
1. Call		4 905	6 223
2. Term		80 683	131 762
IV. Due from customers and the public sector		490 476	1 085 420
1. Call		117 777	185 488
2. Term		372 699	899 932
V. Receivables subject to securities sale and repurchase agreement		-	-
VI. Debt securities		78 939	73 611
VII. Shares and investments in subsidiary		-	-
VIII. Shares and investments in affiliated entities		-	-

IX. Other fixed-income investments and shares	77	2 425
X. Other securities and property rights	-	-
XI. Intangible assets	9 108	11 119
XII. Fixed assets	26 544	34 265
XIII. Own shares for sale or liquidation	-	-
XIV. Other assets	3 085	12 337
1. Seized assets	38	0
2. Other	3 047	12 337
XV. Interperiod settlements	3 712	4 919
1. Deferred income tax	-	-
2. Other interperiod settlements	3 712	4 919
Total assets	794 839	1 482 827
LIABILITIES		
I. Due to the Central Bank	-	-
II. Due to other financial institutions	89 118	338 090
1. Call	7 572	5 455
2. Term	81 546	332 635
III. Due to customers and the public sector	537 111	921 085
1. Savings:	-	-
a) Call	-	-
b) Term	-	-
2. Others:	537 111	921 085
a) Call	114 643	170 016
b) Term	422 468	751 069
IV. Liabilities related to securities subject to sale and repurchase agreement	-	-
V. Due to own securities issued	-	-
VI. Special funds and other liabilities	29 634	61 283
VII. Accrued costs and deferred income	6 733	8 584
VIII. Provisions	3 165	7 160
- Provisions for deferred tax	1 995	1 071
- Other provisions	1 170	6 089
IX. Subordinated debt	7 491	3 745
X. Share capital	15 230	15 230
XI. Unpaid capital	-	-

XII. Reserve capital	66 458	66 480
XIII. Revaluation reserve	570	548
XIV. Other reserve capital	30 732	49 374
XV. FX differences from recalculation of foreign branches	-	-
XVI. Retained earnings	-	-
XVII. Net profit (loss)	8 597	11 248
Total liabilities	794 839	1 482 827
OFF-BALANCE SHEET ITEMS		
I. Contingent liabilities	314 385	520 403
1. Granted:	270 118	369 226
a) related to financing	126 834	195 521
b) guarantees and sureties	143 284	173 705
2. Received:	44 267	151 177
a) related to financing	43 416	141 775
b) guarantees and sureties	851	9 402
II. Liabilities related to sale/purchase transactions	186 456	375 502
III. Other, of which:	17 552	18 374
- transactions in securities	8 295	9 038
- forward foreign currency transactions	9 257	9 336
Total off-balance sheet items	518 393	914 279

Profit and loss statement

	As of:	06/30/1998 PLN (000)	06/30/1999 PLN (000)
I. Interest income		58 296	74 257
II. Interest expense		32 764	42 040
III. Net interest income		25 532	32 217
IV. Commission and fee income		11 763	17 192
V. Commission and fee expense		743	624
VI. Net commission and fee income		11 020	16 568
VII. Income on shares, investments and securities		-	-
VIII. Income on financial transactions		(215)	32
IX. Foreign exchange differences - net		4 103	7 066
X. Profit on banking activities		40 440	55 883
XI. Other operating income		2 652	2 738
XII. Other operating expense		1 489	1 391

XIII. General expenses	23 087	33 659
XIV. Depreciation of fixed and intangible assets	4 545	5 716
XV. Charges to loan loss provisions	2 046	5 893
XVI. Release of provisions and other decreases	1 231	1 719
XVII. Net release of provision	(815)	(4 174)
XVIII. Profit on operating activities	13 156	13 681
XIX. Profit (loss) on extraordinary operations	-	-
XX. Gross profit (loss)	13 156	13 681
XXI. Income tax	4 559	2 433
XXII. Other obligatory profit deductions	-	-
XXIII. Net profit (loss)	8 597	11 248
Net profit (loss) for 12 months	16 156	21 293
Weighted average number of common shares	7 615 000	7 615 000
Net profit (loss) per one common share (in PLN)	2,12	2,80