

# Semi-annual Report 1996

***Ladies and Gentlemen,***

*It is our pleasure to inform you that the financial performance of First Polish American Bank in the first half of 1996 was very good. This confirms that the overall direction of the Bank's development has been appropriate.*

*Special emphasis should be put on the growth in the volume of net profit which after the first six months of the year almost equaled the total for all of 1995. Achieving such favorable results would not have been possible without your participation. We are proud that the attitude of our customers was so decisive for the good results we can report to you now.*

*As previously declared, we did not introduce any changes into the territorial structure of PPABank, and all our efforts were concentrated on extending the spectrum of the Bank's services as well as on improving their quality. Our customers can now access the latest banking technology adapted to the local needs of the Polish market. All this was made possible by the unique combination of American experience with the in-depth knowledge of the Polish market.*

*We intend to continue the dynamic growth in PPABank's lending activities. However, expanding in this direction requires a sound capital base and therefore we decided to float a new, E Series issue of stock. The success of the previous issue proves that our Stockholders fully accept the direction of the Bank's activities.*

*Marek Kulczycki  
President*

*Benjamin H. Turnbull  
Executive Vice-President*

## Contents

[About the Bank](#)

[Our Strengths](#)

[Successful Issue of D Series](#)

[Shares](#)

[First Six Months of 1996 in](#)

[Figures](#)

[Financial Statements](#)

[do góry](#)

## About the Bank

PPABank was founded in 1990. It is a medium-sized bank with five branch offices and nine credit representative offices operating in major commercial areas of Poland. PPABank's shares have been quoted at the Warsaw Stock Exchange since November 1994, and since 1995 the bank has been fully licensed to render foreign exchange services. PPABank is a dynamically growing financial institution, specializing in services for small and medium-sized companies.

[do góry](#)

## Our Strengths

### We are customer-oriented

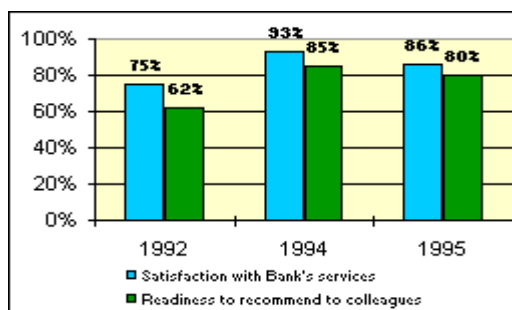
The Bank's activities are aimed at satisfying our customers' needs in the best way. We fulfill their wishes and expectations by assuring that loan applications are processed in the shortest possible time, by providing the possibility of negotiating individual terms and conditions of loan agreements, and by assuring access to our branch offices at very convenient hours. Due to a significant growth of the Bank's network which took place last year, PPABank provided its customers with substantially improved access to the service.

### Safety

Our customers have entrusted their money with professionals, who assure continuous growth in its value, further development of the Bank and improvement of deposit safety. We attach enormous importance to the relation between our capital and the volume of granted loans; new stock issues are organized in order to maintain the capital adequacy ratio at an appropriate level. In the first half of 1996, the ratio stayed at about 16.7 per cent, that is above the level recommended by the National Bank of Poland.

The Bank's credibility is further enhanced by the fact that its stock is listed on the Warsaw Stock Exchange. Thus the Bank is obligated to meet strict requirements applicable to public companies. These requirements are designed to provide all interested parties with equal and extensive access to relevant current information on the Bank.

### Efficiency of service



We focus on the efficiency of our service. As indicated by recent surveys, our customers fully appreciate our efforts aimed at assuring efficiency. Last year, 86 per cent of the customers expressed their satisfaction with the Bank's service, and as many as 80 per cent of customers declared their willingness to recommend PPABank to others. During the first six months of 1996, the Bank organized and carried out an employee training program on customer service.

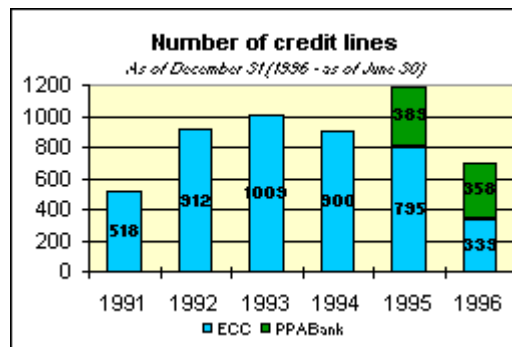
## New services

Bearing in mind the needs of companies which process numerous transactions every day, we developed a new service called Cash Management. The system allows our customers to monitor the financial liquidity of their companies on an on-going basis and manage their cash assets deposited at PPABank directly from their offices. Through a computer equipped with a modem and state-of-the-art software, the customers can make transfers, receive bank statements and monitor their accounts on a real-time basis.

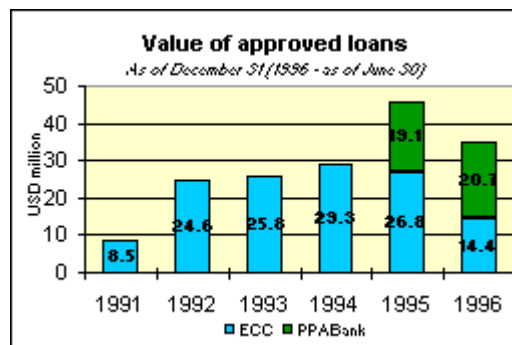
In the first half of 1996, we also extended our services by offering American Express credit cards to the Bank's customers in three variations: Personal, Company and Gold. Settlement of transactions paid for with these cards is effected ex post, on a monthly basis. This means that these cards are true credit cards.

We also service trust investment accounts. This service allows the Bank's customers who have free financial resources to effectively maximize return on the assets.

## Small Business Loan Program



Together with the Enterprise Credit Corporation, the Bank initiated - in April 1995 - the Small Business Loan Program designed for existing and newly-created small and medium-sized enterprises. We reduced all initial formalities to a necessary minimum, and the price of this service is set at a very attractive level.



Due to these factors, the Program has become very popular among our customers. Until June 1996, PPABank granted 747 loans under the Program amounting to USD 39.9 million.

## Successful Issue of D Series Shares

The First Polish American Bank attaches utmost importance to the efficient use of its capital. Therefore, our Stockholders approve small but more frequent capital issues on a regular basis, as required by the expected capital needs of the Bank. This significantly facilitates the management of proceeds and allows PPABank to maintain its capital adequacy ratio at a sufficient level.

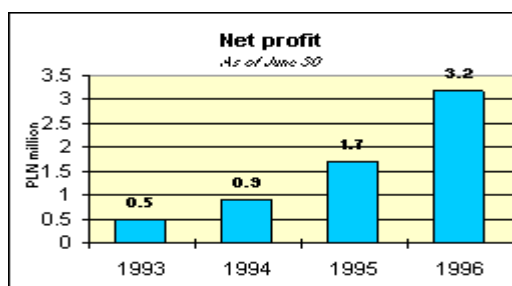
The issue of D Series shares organized in the first six months of 1996 was successfully completed. In fact, the issue was concluded with significant oversubscription. In the second stage of the subscription, investors ordered 279,467 shares, whereas the actual number of shares available after completion of the first stage was only 100,342. As a result of a proportionate reduction, the share allocation rate was 35.9 per cent. Thus all 1,250,000 offered shares were sold.

This is the best evidence of Stockholders' trust in the Bank. We hereby declare that the new capital raised during the issue will be used in the most efficient manner which will facilitate further growth of PPABank as required by our customers and expected by our Stockholders.

[do góry](#)

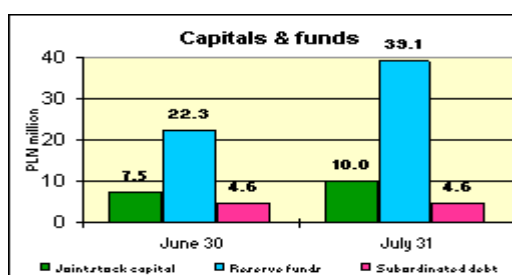
## First Six Months of 1996 in Figures

### Earnings



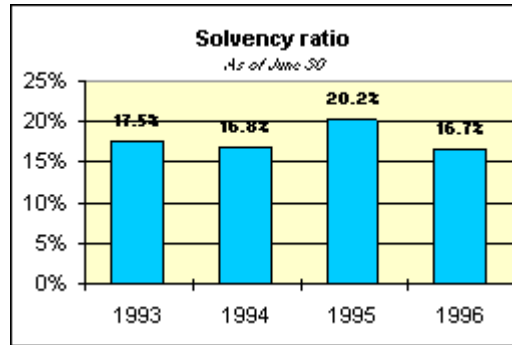
Our financial performance is the best evidence of PPABank's dynamic growth and well-established position in the market. This is confirmed by the rapid increase in the volume of net earnings. During the first six months of 1996, earnings totaled PLN 3.2 million, which represents 92.6 per cent of the entire 1995 profit.

### Capital and funds



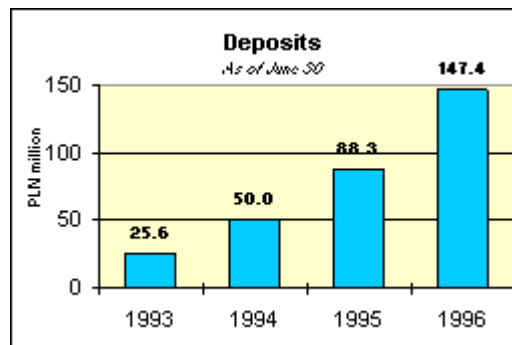
As at the end of June 1996, the Bank's stock capital amounted to PLN 7.5 million. On July 11, capital was increased to the level of PLN 10 million.

## Solvency ratio

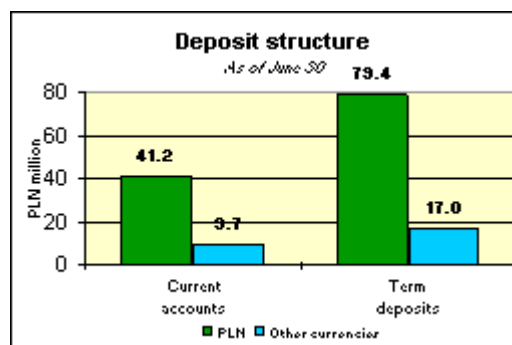


The First Polish American Bank attaches enormous importance to an efficient use of its capital and funds. Maintaining the capital adequacy ratio at an appropriate level allows the Bank to dynamically increase the volume of its investments in financial markets thus assuring the safety of customer's deposits.

## Deposits

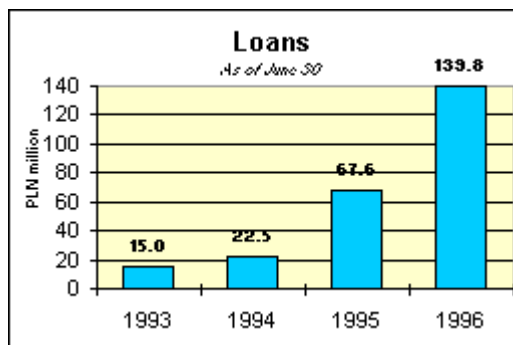


As of the end of June, the total amount of deposits placed at our Bank equaled PLN 147 million. That is 67 per cent more than in June 1995.



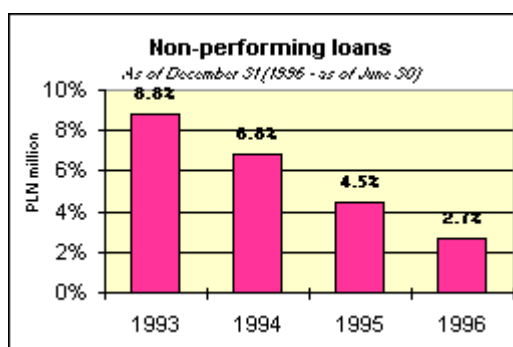
The Bank's deposit base includes primarily corporate clients. Their deposits - denominated both in Polish as well as in foreign currencies - account for approximately 70 per cent of total deposits.

## Loans



As of the end of June 1996, the Bank's loan portfolio increased by 64.5 per cent and it amounted to PLN 140 million as compared with PLN 85 million at the end of 1995.

## Non-performing loans



In addition, the share of non-performing loans in the whole loan portfolio dropped from 4.5 per cent at the end of December 1995 to 2.7 per cent at the end of June 1996. This is the best evidence of the improved management of the Bank's capital.

[do góry](#)

## Financial Statements

### Balance Sheet

	30-Jun-95	30-Jun-96
<b>ASSETS</b>		
Cash and Central Bank balances	34,663.5	27,962.5
Due from financial institutions	47,279.5	5,357.7
<i>including:</i>		

Call	27,096.1	4,261.1
Term	20,183.4	1,096.6
Due from customers	67,550.7	140,031.6
Securities	28,421.4	110,128.8
Intangible assets	1,667.5	3,562.8
Fixed assets	13,185.9	21,015.0
Other assets	2,539.0	1,457.7
<i>including:</i>		
Seized assets	67.8	54.0
Other	2,471.2	1,403.7
Interperiod settlements	4,899.6	16,206.4
<b>Total assets</b>	<b>200,207.1</b>	<b>325,722.5</b>
<b>LIABILITIES</b>		
Due to financial institutions	39,776.3	84,515.3
<i>including:</i>		
Call	7,591.9	10,441.9
Term	32,184.4	74,073.4
Due to other customers	88,277.1	147,377.1
<i>including:</i>		
Call	28,827.0	50,920.7
Term	59,450.1	96,456.4
Special funds and other liabilities	1,155.7	22,534.7
Accrued costs and deferred income	35,586.9	30,717.8
Deferred tax provision	295.6	2,957.2
Subordinated debt	7,620.7	4,572.4
Share capital	7,500.0	7,500.0
Reserve capital	14,055.0	14,075.6
Revaluation reserve	258.4	682.8
Other reserve capital	4,081.1	7,561.1
Net profit	1,600.3	3,228.5
<b>Total liabilities</b>	<b>200,207.1</b>	<b>325,722.5</b>

### Profit and Loss Statement

	<b>30-Jun-95</b>	<b>30-Jun-96</b>
Interest income	15,312.4	24,025.9
Interest expense	8,151.5	12,421.4
<b>Net interest income</b>	<b>7,160.9</b>	<b>11,604.5</b>
Fee and comission income	2,402.2	5,432.2

Fee and comission expense	584.2	522.8
Fee and comission differences	1,818.0	4,909.4
Income on financial transactions	(125.4)	165.1
Foreign exchange differences - net	1,130.8	1,657.7
<b>Profit on banking activities</b>	<b>9,984.3</b>	<b>18,336.7</b>
Other operating income	1,007.4	2,767.6
Other operating expense	858.2	2,446.3
General expenses	6,244.3	10,719.5
Depreciation of fixed and intangible assets	704.2	1,072.8
Write-offs to loan loss provision	(631.9)	(1,811.8)
Release of provision and other deceases	460.5	937.9
<b>Gross profit</b>	<b>3,013.6</b>	<b>5,991.8</b>
Income tax	(1,413.3)	(2,763.3)
Other obligatory profit deduction	-	-
<b>Net profit</b>	<b>1,600.3</b>	<b>3,228.5</b>