contents

To the Shareholders of Fortis Bank Polska SA

Dear Sirs,

The year 2000 was definitely the year of significant changes. With the new owner, we consequently acquired a new brand name. Since July 2000 we operate as Fortis Bank Polska SA, being a full member of Fortis group - a leading European financial institution.
In December 1999, following the purchase of PPABank's shares (58,8%) by Fortis Bank from the Polish-American Enterprise Fund and the Enterprise Credit Corporation, the General Shareholders meeting resolved to change the name and move its official seat from Krakow to Warsaw. The Board of Executives fully supported this decision, proving, that using a former name (First Polish-American Bank SA) in the situation where there is no American shareholder represented in the share capital, would be misleading for the Customers and institutions co-operating with the Bank.
The preparations to change the brand name, logo, all the documentation, promotional and informational materials as well as the signage, took some six months of hard work. Our Customers and the Bank's employees were continuously updated on all the new developments in this area as well as informed of the reasons of behind the decisions, which were taken.
At the same time the internal structure of the Bank was reorganized. The so called business lines were established. These vertical structures are responsible for servicing of particular market segments. This structure was adopted in line with the world wide structure of Fortis Bank. Business lines allow to provide better quality services and will enable us to better match our offer to the requirements and expectations of our customers and, as a result, to better market them.
This extremely important stage for Fortis Bank Polska was successfully completed - the new image was accepted by both the employees and the customers.
We however are fully aware that there is still much to be done.
Our financial targets were achieved with one exception. The Board of Executives was forced to lower the 2000 net profit forecast. It was caused by several factors. After thorough analysis of the Bank's credit portfolio according to Fortis' standards and having considered deteriorating situation of several borrowers, we created additional provisions for loan receivables. The bankruptcy of Bank Staropolski followed by the mandatory contributions to be made for the Bank Guarantee Fund were vital factors impacting the Bank's final result.
The value of specific reserves, as at the end of 2000, amounted to PLN 51.3 million and the net profit reached PLN 21 million, which was lower by 18% compared with the 1999 result.
Our credit activity performance was very satisfying indeed, particularly when considering high interest rates during this period. The value of credit portfolio grew by 31% compared to 1999. In anticipation of individual customers' expectations we introduced four different mortgage products. As far as Small and Medium sized Enterprises sector is concerned we signed a five year credit agreement with the European Bank for Reconstruction and Development for the amount of EUR 10 million. This credit line will enable the Bank to further intensify its credit activity and,

by providing long term financing, will contribute to continuous development of the SME sector in Poland. Additionally, we will be able to take advantage of the EBRD's specialist assistance in the field of long term financing.
Our wise and flexible interest rate policy as well as responsiveness to the changing market conditions resulted in a visible growth of the value of deposit portfolio by 43%, up to PLN 2,377 million.
Return on Equity (ROE) indicator was at a satisfactory, high level.
In the second half of the year the Series I share issue was registered and, as a result, the Bank's share capital increased up to PLN 20.1 million, while the equity went up to PLN 258 million. Resolved by the June's GSM Series J share issue, planned for the first quarter of 2001, will raise the Bank's equity to nearly PLN 500 million. This strengthens our market position and will allow us to engage in serious business projects.
Over the year, as we have done previously, we continued to extend our distribution network. We opened branches in Katowice, Kielce, Kraków, Poznań, Szczecin, Warszawa and Wrocław. Complex information about our offering is however available not only in traditional branch offices but also on the Internet pages, through the call center and mobile phons equipped with WAP.
The Internet is the future. We will support its development, encourage and popularize its use for the business purposes.
In January 2000 Fortis Bank Polska was one of the pioneers in the financial services sector to introduce the Internet banking system called Pl@net. We are also engaged in "e-business Centre" project initiated by Getin Service Provider. The objective of the project is to popularize the use of the Internet as a business tool among small and medium sized companies.

An extremely positive event, which was a symbolic closure of the year, was a "Customer friendly Bank" Award given to Fortis Bank Polska as a distinction for wide range of products and services offered to the SME sector as well as personalized approach to customers.
The Award was given by the National Chamber of Commerce, the Polish-American Fund for Small Enterprises and the Warsaw Banking Institute. Such a distinction imposes on us certain obligations.
With our partner - Fortis Bank - we will continue to build up our competitive position, improve effectiveness and increase our market share.
We shall constantly increase the quality of our services and will extend our offering. Our plans are ambitious and challenging but we have everything we need to believe we will manage to achieve our objectives.
We wish to thank the Members of the Board of Directors for their support and valuable contribution in managing the Bank, the Employees for their good work and efforts and the Shareholders for their confidence and trust in us.

Jean-Marie De Baerdemaeker
President of the Board of Executives

Marek Kulczycki
Senior Vice President

Auditor's opinion to the shareholders of Fortis Bank Polska SA

We have audited the accompanying financial statements of Fortis Bank Polska SA seated in Warsaw. These financial statements consist of: an introduction, the balance sheet as at 31 December 2000 with total assets and total liabilities and equity of PLN 3,447,318 thousand; the statement of contingencies and commitments granted as at 31 December 2000 amounting to PLN 556,620 thousand; the profit and loss account for the year then ended with a net profit of PLN 21,032 thousand; the statement of changes in equity for the year then ended with equity of PLN 278,952 thousand; the cash flows statement for the year then ended with an increase in cash amounting to PLN 68,780 thousand; and notes to the financial statements.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with International Standards on Auditing, as issued by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal no.121, item 591 with subsequent amendments) and the professional norms established by the Polish National Council of Certified Auditors. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements have been prepared from properly maintained accounting books and present fairly, in all material aspects, the financial position of the Bank as at 31 December 2000 and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards applied in Poland as set out in the Polish Accounting Act dated 29 September 1994 (Official Journal no.121, item 591 with subsequent amendments), and the Polish Banking Supervisory Commission Resolution no. 1/98 dated 3 June 1998 on the special rules for bank accounting and the notes to the financial statements (NBP Official Journal no.14, item 27) and regulation of the Council of Ministers dated 22 December 1998 regarding type, form and dates for reporting current periodical information by issuers of securities admitted to public trading (Official Journal no. 163, item 1160), which have been applied on a consistent basis.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the information given in the Directors' Report is consistent with the financial statements.

Signed on the Polish original
Certified Auditor No. 4979/2575
For KPMG Polska Audyt Sp. z o.o.
Hanna Fludra

Signed on the Polish original
Certified Auditor No. 796/1670
Bogdan Dębicki,
Member of the Board of Directors

Signed on the Polish original
For KPMG Polska Audyt Sp. z o.o.
Richard Cysarz, Proxy

Warsaw, 6 April 2001

Introduction to financial statements

1. Fortis Bank Polska SA presents its annual report including financial data as at December 31, 2000 and comparatives as at December 31, 1999.
   On July 3, 2000, the Registry Court registered the change in the Bank's name from Pierwszy Polsko - Amerykański Bank Spółka Akcyjna to Fortis Bank Polska Spółka Akcyjna, and the change of the Bank's registered head office from Krakow to Warsaw.
2. The scope of the activities of Fortis Bank Polska SA covers banking and financial transaction both in Polish zlotys and foreign currencies for domestic and foreign legal entities and individual persons and other organizations including economic organizations with no legal status. The main business activity of the Bank according to European Business Classification is other foreign currency mediation (EKD 6512).
   The scope of the Bank business includes the following:
   - accepting deposits,
   - maintaining bank accounts,
   - granting credits and cash loans,
   - carrying out pecuniary settlements, including use of payment cards,
   - issuing bank guarantees and sureties,
   - issuing securities, including convertible bonds, carrying out commissioned tasks, 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 instrument transactions,
   - conducting check and bill- of-exchange operations,
   - purchasing and selling receivables,
   - conducting foreign exchange transactions,
   - safe-deposit of valuable objects and securities,
   - carrying out the following financial services:
     - financial consulting services,
     - custody services,
     - leasing services,
     - brokerage services.
   - recommending open Pension Funds and keeping their assets,
   - intermediary in the distribution of trust units and investment certificates, intermediary in the sale and purchase of trust units and maintaining assets of investment funds,
   - intermediary in selling property insurance services.

3. In the 2000 Annual Report there has been no need to adjust the Bank's financial statements for the year of 1999 to ensure data comparability.

4. Accounting principles

4.1. Fortis Bank Polska SA maintains its accounting records in accordance with the Accounting Act dated 29 September, 1994 (Official Journal No 121, item 591 with further amendments) and Resolution No 1/98 of the Banking Supervision Commission dated 3 June, 1998 on the special rules of bank accounting and the notes to the financial statements (NBP Official Journal No 14, item 27).

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

- **Consistency principle**
  The Bank applies accounting standards established in a consistent manner, and in subsequent financial years its rules remain consistent as to grouping of economic operations on accounts, valuation of assets, including depreciation (amortization) charges, liabilities, financial result determination and financial statements preparation; the Bank recognizes total assets and liabilities in the closing balance in the same amounts in the opening balance of the next reporting year.
- **Continuity principle**
  In valuation of assets and liabilities and in financial result determination, the Bank assumes that it will continue its economic activity in foreseeable future in non-reduced scope, unless actual or legal circumstances suggest otherwise.
- **Accrual principle**
  The Bank records in the books and in the financial result all income earned and due to the Bank and related costs incurred in a given financial year, irrespective of the date of their payment, excluding Commission and fee income and expense which are recognized on a cash basis according to the rules stipulated under item 4.15
- **Cautious valuation principle**
  The Bank values individual items of assets and liabilities at the actual cost of acquisition with the exception of those items which were subject to periodical revisions to reflect the market value or to the indicators published by the President of Central Office of Statistics (since Dec. 31, 1995, there have been no revision of fixed assets valuation). In the financial result, irrespective of its magnitude, the Bank takes into account the following factors:
  - reduction of useful value of the property assets, including depreciation (amortization) write-offs,
  - reduced value of assets other than fixed assets, capital work in progress or intangible fixed assets, resulting from permanent changes in prices,
  - only unquestionable other operating income and extraordinary profits,
  - all operating costs and extraordinary losses incurred,
  - provisions for risk known to the Bank, impending losses and effects of foreseeable circumstances.

- **Nominalism principle**
  The Bank makes book records and prepares financial statements in Polish and calculates in Polish currency.
- **Materiality principle**
  When applying accounting standards, the Bank may accept certain simplifications, unless they have significant adverse impact on the principle of true and fair view of the Bank's property and financial situation and the financial result.

4.2. The Bank's accounting records are maintained in compliance with Polish law within the computerized system „Equation" developed by the British company Midas-Kapiti International Ltd., London The system maintains a central database with one general ledger for the Head Office and branches.

4.3. For financial reporting the Bank applies a Model Chart of Accounts implemented by way of Resolution No. 2/95 of the NBP President dated February 22, 1995 (NBP Official Journal No 6, item 11, with further amendments). Due to the fact that the Bank's shares are admitted to public trading under the Law on the Public Trading of Securities, the Bank's reporting is prepared according to the Council of Ministers Ordinance dated December 22, 1998 regarding the type, form and scope of current and periodical information and dates of its passing by issuers of securities admitted to public trading (Official Journal No 163, item 1160), and Ministry of Finance Ordinance dated November 19, 1999 on additional financial information to be provided by banks that are issuers of securities admitted to or applying for admission to public trading (Official Journal No 96, item 1128), and the Council of Ministers Ordinance dated December 22, 1998 on detailed conditions to be met by issue prospectus, abbreviated issue prospectus, information memorandum and shortened information memorandum (Official Journal No 163, item 1162).

4.4. The Chart of Accounts includes the General Ledger list of accounts, and the accounting polices as described in the Accounting Policies document.

4.5. Tangible and intangible fixed assets are recorded at their acquisition price less appropriate depreciation write-offs.

4.6. The acquisition price of tangible and intangible assets purchased in foreign currencies are translated into Polish zloty using the NBP mid rate on the day of the transaction.

4.7. Depreciation of fixed assets, , is calculated monthly on a straight line basis in compliance with rates set by the Regulation of Ministry of Finance for tax purposes. The exception to the above rule is the cashier's desk and vault equipment which is depreciated using the reducing balance method. Majority of fixed assets under lease agreement are depreciated using the reducing balance method. Depreciation expenses include PLN 2,716 thousand of fully depreciated tangible and intangible fixed assets, which have not been included in the Bank's fixed assets.
The principal depreciation rates used by Bank are as follows:
- computers - 30 % per year,
- motor vehicles - 25 % per year,
- leasehold improvements - 10 % per year,
- intangible fixed assets - 20% per year.

4.8. Fixed assets whose value exceeds PLN 3,500 (until December 31, 2000) are depreciated according to the rules described in clause 4.7. above. Fixed assets with a value below PLN 3,500 (low-value objects) are fully depreciated in the month they are brought into use or in the following month.

4.9. Intangible fixed assets include costs relating to share issues. These intangible fixed assets are amortized over five years.

4.10. The Bank performs daily valuation of currency positions (with reference to the mid NBP rate), and the result from those operations is recorded on a separate account called „revaluation result." The foreign currency exchange result is calculated daily and recorded on a separate account called „FX result." Both accounts are reported in the profit and loss account in the item: „Net result on FX differences."

Net result on FX differences includes also unrealized foreign exchange differences. They are calculated as follows:

- the result on spot and market swap transactions is calculated by straight-line counting of swap points since the date of concluding the transaction to the balance sheet date and comparing the original spot rate and the NBP mid rate at the balance sheet date. For the purpose of the above calculation it is assumed that market swap transactions hedge the total currency position of the Bank.
- the result on forward transactions is calculated by comparing the original transaction exchange rate with the market exchange rate for the appropriate transactions at the balance sheet date.

Unrealized foreign exchange gains and losses are taken to the profit and loss account. If there are losses, the Bank creates a reserve and includes the cost of its creation into the financial result of the current reporting period. If there are gains, the Bank reports them in the interperiod settlements (accruals) and includes the income to the financial result of the current reporting period.

4.11. Securities

- marketable debt securities are valued at their purchase price adjusted by accrued interest, discount, premium, but not higher than the sale price (e.g. the price at the stock exchange). If such a price is higher than the net sale price, the difference is recognized in the profit and loss account as financial operations costs;
- investment debt securities are valued at their purchase price adjusted by accrued interest, discount, premium and write-offs resulting from permanent diminution, if any;
- marketable equity securities are valued at their purchase price, however not lower than the net sale price. If the net sale price is lower than purchase price the difference is recognized in the profit and loss account as financial operations costs.
- investment equity securities are valued at their purchase price adjusted for write-offs resulting from diminution, if any.

4.12. There were no repossessed assets as of December 31, 2000 in the balance sheet.

4.13. Pursuant to Resolution 1/98 of the Banking Supervision Commission, receivables and payables related to loans, credits and other receivables are disclosed as outstanding principal, capitalized interest and accrued and overdue interest less specific provisions created in accordance with Resolution no. 8/99 of the Banking Supervision Commission dated December 22, 1999 on creating specific provisions for risks associated with banking activities (NBP Official Journal No 26, item 43 with further amendments). Provisions for foreign currency receivables are translated into Polish zloty together with the receivable. When calculating specific provisions appropriate collateral offset is made taking into consideration Resolution no. 8/99 of the Banking Supervision Commission.

4.14. Interest income and interest expense are disclosed together with accrued interest on performing loans at the balance sheet date. Overdue interest and accrued interest on non-performing loans are not booked in the profit and loss account, but are disclosed as interest receivable together with the principal receivable in the balance sheet assets, while as deferred interest income in the balance sheet liabilities.

4.15. Commission and fee income and expense are recognized on a cash basis, with the exception of commission income on the management of the ECC loan portfolio and fees and commissions relating to the EBRD credit line which is accounted for on an accruals basis.

4.16. Tax expense is calculated on profit before tax, adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, arising from items being brought to account in different periods for income tax and accounting purposes, is carried in the balance sheet as a deferred tax asset (debit) or liability (credit). Deferred tax balances are calculated taking into account the estimated tax that will be paid or recovered when the timing differences reverse, on the basis of the corporate income tax rate binding in the following tax period. Deferred tax assets are not brought to account unless it is probable that the asset will be realized. All specific provisions not included in corporate income tax payable were booked as timing differences in the deferred tax calculation.

As at December 31, 2000 deferred tax timing difference related to specific provisions was PLN 43,987 thousand and it decreased the tax amount for the year 2000. The said difference as at December 31, 1999 amounted to PLN 8,358 thousand.

4.17. Purchased fixed assets eligible for investment tax relief may be offset against corporate income tax payable under the Law dated 15 February, 1992 on corporate income tax (Official Journal 106, item 106 as amended) The Bank obtained the following amounts of investment tax relief:

- PLN 440 thousand in 1994
- PLN 3,313 thousand in 1997
- PLN 3,999 thousand in 1998
- PLN 4,970 thousand in 1999
- PLN 2,646 thousand in 2000.

In 2000 the Bank deducted PLN 2,484 thousand as investment tax premium and PLN 2,646 thousand as investment tax relief. Taxable income for 2000 was reduced, and a deferred tax liability established for the timing differences between the accelerated tax benefit of the relief and the depreciation schedule of the associated fixed assets.

Pursuant to Article 18 of the Act dated February 15, 1992, in connection with Article 3 Section 5 of the Act dated November 20, 1999 on amendments to the Corporate Income Tax Act (Dz. U. No. 95, item 1101), the Bank may deduct 50% of relief claimed in the previous year to reduce taxable income in the following fiscal year. The above mentioned Act provides the possibility that the investment tax relief may be lost in specific cases (among others in the case of overdue tax payments). In such a case, tax liabilities for the year in which this case would arise, could increase. However, a taxpayer shall not lose the investment tax relief if he adjusts the tax return and repays the tax liabilities with interest, or settles the overdue tax liability together with the interest within 14 days from the date of receiving the first instance Tax Office decision that details the tax liabilities due.

4.18. In accordance with The Banking Law Act dated August 27, 1997 (Official Journal No 140, item 939) the Bank creates a general risk provision to cover risks associated with banking activities. The general risk provision is expenses in the profit and loss account and the provision is presented in the liability account „other provisions".

4.19. Selected financial data presented of the annual report were recalculated into EUR using the following principles:

- selected assets and liabilities were recalculated into EUR using the NBP mid rate as of December 31, 2000, of 3.8544,
- selected profit and loss items were recalculated into EUR using the average mean of the NBP mid rates at the month end from January up to December 2000, of 4.0046.

4.20. The Bank did not change its accounting principles or valuation methods during 2000.

5. The Bank did not make any adjustment in the presented financial statements and comparatives resulting from the qualification in the prior year opinions issued by the entities entitled to audit financial statements.

6. The Bank's annual financial statements do not include data of any internal organizational units that prepare separate financial statements.

7. There is a difference between the Bank's annual financial statements and the financial statements that would be prepared in accordance with International Accounting Standards (IAS), relating to the expenses of obtaining capital. According to the Accounting Act, expenses of obtaining capital are treated as intangible fixed assets and amortized over 5 years. Under IAS such expenses are decreased against

the gross share issue proceeds. As a consequence, the Bank's financial statements prepared in accordance with IAS would differ in the amount of intangible fixed assets, depreciation costs, net result and equity.

There are no other material differences between the Bank's financial statements prepared in accordance with the Accounting Act and financial statements that would be prepared in accordance with International Accounting Standards.