

Annual Report



Rada Nadzorcza

Supervisory Board

Tessen von Heydebreck

Przewodniczący
Członek Zarządu
Chairman
Member of the Group Board
Deutsche Bank AG
Frankfurt/Main
(od 29 kwietnia 1998)
(from April 29, 1998)

Hubert Pandza

Deutsche Bank AG
Frankfurt/Main

Peter Thelen

Deutsche Bank AG
Frankfurt/Main

Edgar Most

Deutsche Bank AG
Oddział w Berlinie
Berlin Branch

Peter Tils

Frankfurt

Janusz Reiter

Warsaw

Zarząd

Management Board

Rainer Müller

Prezes
Organizacja i zarządzanie
Prawo
Księgowość/Podatki
Zarządzanie ryzykiem kredytowym
Kontrola wewnętrzna
Informatyka
Dział personalny
Treasury

Chairman
Organisation and management
Law, Compliance
Controlling/Tax
Credit Risk Management
Internal Audit
EDP
Personnel
Treasury

Krzysztof Kalicki

Banki
Rozwój sieci oddziałów
Firmy i instytucje
Usługi powiernicze

Banks
Branch Development
Corporates and Institutions
Custody

Norbert Czypionka

Klienci prywatni
(do 31.12.1999)

Retail customers
(until 31.12.1999)

Hubert Andrzej Janiszewski

Bankowość inwestycyjna
(od 19.07.1999)

Investment Banking
(since 19.07.1999)

Report of the Management Board

1. Main Events and Achievements

1999 was our bank's fourth year of operations in Poland. It reflects a successful continuation of our strategy to position the bank as a leading provider of high-quality-financial services, mainly to corporate customers with international business links.

We managed to notably expand our customer portfolio and to simultaneously increase both our deposit base and our loan book. Emphasis was given on quality, with the effect that practically no loan-loss provisions were required.

Our marketing drive gets increasing support from our branch network; after Kraków, Wrocław, Poznań and Gdańsk, 3 new branches were officially opened in 1999, namely Szczecin, Katowice and Łódź. Furthermore, Lublin Branch was operational by year-end. With its Head-Office in Warsaw the branch network of Deutsche Bank Polska SA now covers all major Polish cities.

Organisationally, we established a dedicated structure for Trade and Payment Services (TPS). TPS is responsible for

documentary business, guarantees, interest and currency management and electronic services. The more structured market approach has shown already heartening results. Efforts are on the way to further strengthen this business, which is in essence not capital binding and which helps improve the quality of our earnings.

Our Structured-Finance Group looks back at a successful year as co-arranger of a number of large syndications, AMICA Wronki SA, ANWIL SA and Polski Koncern Naftowy SA being the most prominent ones. The newly established Debt-Capital-Market Group issued its first CP program and continued the largest CD program on Polish market.

Custody and Financial Institutions Services experienced an outstanding increase in their activities. With a broader client base and increased scope of services their financial results were very satisfactory.

In order to complement our Private-Banking capabilities we bought 100% shares in Pro Capital brokerage house. The transaction was completed with 80% of value

in March 1999 and with the remaining 20% in March 2000.

In November 1999 Deutsche Bank Polska SA started a new activity, namely Mortgage Lending for retail customers. Supported by a highly visible marketing campaign this product is distributed through exclusive agents and a state-of-the-art Call Center. First market reactions show that our product, through its easy-to-handle, customer friendly features, meets with great interest.

2. Financial and personnel situation

Given the fact that the build-up of our branch network and, above all, the investment in our new Retail Banking mean a considerable cost burden, the achieved net profit of PLN 33 million can be considered a good result for the year under review. It is proposed that a resolution will be passed at the General Meeting of Shareholders to increase our equity reserves by this amount.

The bank's capital-adequacy ratio stands at 32% at the end of 1999, thus by far exceeding the minimum level of 8%.

The broadened scope of services of our bank resulted in increased employment levels. By year-end 1999 256 persons were on our payroll. This compares with 164 persons the year before.

3. Main Events since Year End

In March 2000 Deutsche Bank Polska SA purchased a majority stake in the Kraków based Bank Współpracy Regionalnej SA for PLN 235 million. This investment is intended to support National Bank of Poland's strategy of restructuring ailing banks and may give us in the future a regional basis for our retail-banking activities.

4. Perspectives for the Year 2000

Our strategic aim for the business with corporates is to strengthen our market position in value-added financial services for the most demanding customers. With this in mind, we are undertaking efforts in broadening our range of products in the areas of Interest and Currency Management, Global Trade Management and Electronic Services. We are investing in new EDP applications,

i.a. for bulk payments, including direct debit, cash management, fixed income and derivatives. In order to deliver these products more efficiently we are reorganizing our Corporate Banking Division along industry lines.

In our Mortgage – Banking initiative we expect to build up an interesting client portfolio that will make us an important player in this market.

Irrespective of the outcome of our parent company's acquisition efforts in the Polish banking industry, we expect the year 2000 to become another successful year for Deutsche Bank Polska SA.



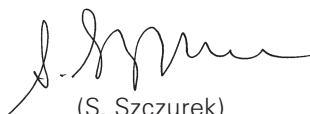
(R. Müller)



(K. Kalicki)



(F. Herb)



(S. Szczurek)

Warsaw, April 14, 2000

Balance sheet

Assets			
PLN	Notes	31.12.1998	31.12.1999
Cash and amounts due from NBP demand (a'vista)	(1)	120,979,222.00	15,868,582.81
obligatory reserve		–	–
other monetary assets		–	–
Due from other financial institutions demand (a'vista)	(2)	470,614,194.22	562,651,093.07
term		28,838,468.38	15,196,314.83
		441,775,725.84	547,454,778.24
Due from clients and the budget sector, net	(3)	654,783,061.64	868,231,293.96
Debt securities	(4)	37,320,195.10	84,231,235.20
issued by the state entities		37,320,195.10	75,375,329.85
issued by others		–	8,855,905.35
Shares in subsidiaries	(5)	–	5,506,000.00
in financial institutions		–	5,506,000.00
in others institutions		–	–
Intangibles assets	(6)	4,735,736.29	10,418,291.48
start-up expenses or organizational expenses of raising additional capital			
in company		29,742.17	17,293.17
other intangible assets		4,705,994.12	10,400,998.31
Tangible fixed assets	(7)	21,262,603.59	26,051,540.06
other fixed assets		21,083,926.05	26,025,346.47
assets under construction		178,677.54	26,193.59
Other assets	(8)	1,712,733.35	5,523,315.07
received for resale		–	–
others		1,712,733.35	5,523,315.07
Prepayments	(9)	71,189.02	5,881,140.76
Total assets		1,311,478,935.21	1,584,362,492.41

Liabilities and equity			
PLN	Notes	31.12.1998	31.12.1999
Due to other financial institutions	(10)	186,776,350.00	231,956,372.28
current		5,838,002.00	21,472,068.67
term		180,938,348.00	210,484,303.61
Due to clients and the budget sector	(11)	635,097,345.98	808,157,495.68
Other		635,097,345.98	808,157,495.68
current		132,407,289.98	271,762,048.57
term		502,690,056.00	536,395,447.11
Special funds and other liabilities	(12)	18,521,030.56	35,895,005.22
special funds		121,513.66	88,374.57
other liabilities		18,399,516.90	35,806,630.65
Accrued costs and deferred income	(13)	847,354.93	5,093,070.98
accrued costs		558,387.60	3,656,135.01
deferred income		288,967.33	1,436,935.97
Provisions		932,425.65	–
deferred income tax provisions		932,425.65	–
Subordinated debt	(14)	29,675,290.00	30,198,380.40
Share capital	(15)	230,000,000.00	230,000,000.00
Capital reserve	(16)	195,000,000.00	195,000,000.00
share premium		195,000,000.00	195,000,000.00
Retained earnings	(17)	–	14,629,138.09
from revaluation of assets		–	–
for general banking risk		–	–
others		–	14,629,138.09
Accumulated result from previous years		(4,596,131.98)	–
net loss		(4,596,131.98)	–
Net result for current financial year		19,225,270.07	33,433,029.76
net profit		19,225,270.07	33,433,029.76
Total liabilities and equity		1,311,478,935.21	1,584,362,492.41

Off balance sheet items			
PLN	Notes	31.12.1998	31.12.1999
Conditional liabilities, including	(24)	383,416,428.87	984,441,691.32
Acceptance and endorsement of bills of exchange, letter of credit etc		984,932.20	11,373,688.52
Guarantees		85,407,764.56	281,010,128.88
Credit facilities		297,023,732.11	692,057,873.92
Liabilities arising from purchase/sale currency transaction	(24)	1,740,913,784.14	2,619,789,952.26
Contingent assets received	(24)	385,098,776.68	949,802,018.95
Liabilities due to securities turnover	(24)	12,520,000.00	35,450,000.00

Profit and loss statement

PLN	Notes	Period ended 31.12.1998	Period ended 31.12.1999
Interest income	(18)	115,726,819.26	145,458,061.29
from financial institutions		43,221,644.80	58,774,502.54
from clients and budget sector		59,874,747.08	81,830,341.74
from securities:		12,630,427.38	4,853,217.01
fixed income		12,630,427.38	4,853,217.01
Interest expense	(19)	(65,108,139.98)	(66,275,445.46)
from financial institutions		(21,895,935.70)	(24,298,786.45)
from clients and budget sector		(42,813,174.94)	(40,837,580.02)
other		(399,029.34)	(1,139,078.99)
Net interest income		50,618,679.28	79,182,615.83
Fee and commission income		7,552,449.83	13,251,708.20
Fee and commission expense		(1,273,291.31)	(2,050,116.70)
Net fee and commission income		6,279,158.52	11,201,591.50
Financial profit/(loss)	(20)	221,100.00	111,635.20
from securities		–	–
others		221,100.00	111,635.20
Profit/(loss) on foreign exchange position		18,491,378.29	29,904,605.13
Gross banking profit		75,610,316.09	120,400,447.66
Other operating income		1,312,839.79	2,286,655.09
Other operating expenses		(791,485.57)	(361,706.42)
General expenses	(21)	(40,381,389.03)	(66,213,358.14)
payroll		(13,680,051.64)	(23,893,305.47)
social security costs and other			
payroll-related charges		(5,844,301.53)	(6,104,222.64)
other		(20,857,035.86)	(36,215,830.03)
Depreciation of fixed assets and intangible assets		(4,334,649.50)	(5,633,250.36)
Increases of provisions and deficit on revaluation		(3,765,608.67)	(164,089.88)
provisions on receivables and off balance sheet			
subordinated liabilities and general risk		(3,765,608.67)	(164,089.88)
revaluation of financial assets		–	–
Release of provisions and deficit on revaluation		1,758,871.29	27,876.05
on receivables and off balance sheet			
subordinated liabilities and others		1,758,871.29	27,876.05
revaluation of financial assets		–	–
Net provisions increase/decrease and revaluation	(22)	(2,006,737.38)	(136,213.83)
Operating profit/(loss)		29,408,894.40	50,342,574.00
Result before corporate income taxation		29,408,894.40	50,342,574.00
Corporate income tax	(23)	(10,183,624.33)	(16,909,544.24)
Net result after taxation		19,225,270.07	33,433,029.76

Cash flow statement

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Cash flow from operating activities		
Net profit	19,225,270.07	33,433,029.76
Adjusted for:		
Depreciation	4,334,649.50	5,633,250.36
Foreign exchange gain/loss	1,792,000.00	523,090.40
Interest and dividends received and paid	1,097,502.85	782,044.72
Debtors-related provisions	2,006,737.38	136,213.45
Other provisions	932,425.65	–
Corporate income tax charge	9,251,198.68	16,909,544.24
Corporate income tax paid	(10,008,161.00)	(24,485,345.00)
Gain/loss on sales related to investment activity item	(221,000.00)	167,050.26
(Increase)/decrease in debt securities	3,781,280.49	(19,836,240.10)
(Increase)/decrease in receivables from other financial institutions-term	(122,206,742.45)	(100,347,974.95)
(Increase)/decrease in receivables from clients and the budget sector	(427,142,003.67)	(213,584,445.77)
(Increase)/decrease in liabilities to financial institutions	(101,604,833.12)	45,180,022.28
(Increase)/decrease in liabilities to clients and budget sector	403,693,504.86	173,060,149.70
(Increase)/decrease in other creditors	(1,324,400.24)	17,373,974.66
(Increase)/decrease in prepayment and accruals	462,810.55	3,146,433.78
(Increase)/decrease in deferred income	(574,071.87)	1,147,968.64
Other items	(428,734.47)	(3,025,844.72)
Net cash (outflow)/inflow from operating activities	(216,932,566.79)	(63,787,078.29)
Cash flow from investing activities		
Purchase/Sale of intangible assets	(879,904.02)	(6,420,728.84)
Purchase/Sale of fixed assets	(8,419,746.95)	(9,851,063.44)
Purchase/Sale of shares and stocks in subsidiaries	–	(5,506,000.00)
Purchase/Sale of other shares and securities	2,421,000.00	(27,074,800.00)
Other items	(178,677.54)	–
Net cash (outflow)/inflow from investing activities	(7,057,328.51)	(48,852,592.28)
Cash flow from financing activities		
Increase/decrease in subordinated creditors	614.01	–
Inflow from issue of own shares and additional capital payments	315,000,000.00	–
Other items	(1,097,502.85)	(782,044.72)
Net cash inflow from financing activities	313,903,111.16	(782,044.72)
Net cash flow	89,913,215.86	(113,421,715.29)
Monetary assets at the beginning of the financial year	53,998,149.39	143,911,365.25
Monetary assets at the end of the financial year	143,911,365.25	30,489,649.96

Supplementary information to the financial statements of Deutsche Bank Polska as at 31 December 1999

General information

1. Activities

Deutsche Bank Polska SA (The Bank) was established based on a resolution of the President of the NBP dated 30 June 1995. The Bank became a legal entity on 9 August 1995 and was registered in the Local Court for Warsaw. The Bank began its commercial activity on 11 October 1995.

The Bank's primary activities comprise of commercial lending, investing and trading in debt securities, taking deposits, effecting customer payments and trading in foreign currencies.

2. Principle accounting policies

2.1. Basis for the preparation of the financial statements

The financial statements of Deutsche Bank Polska SA were prepared in accordance with the following:

- The Accounting Act dated 29 September 1994 (Dz.U. of 1994 no. 121, item 591 and amendments).
- The Banking Law dated 29 August 1997 (Dz.U. of 1997 no. 140, item 939 and amendments).
- Banking Supervisory

Commission Resolution dated 3 June 1998 (Dz.Urz. NBP of 1998 no. 14, item 27 and amendments), outlining principles applying to accounting in banks and preparation of financial statements.

– Banking Supervisory Commission Resolution dated 22 December 1998 (Dz.Urz. NBP of 1998 no. 29, item 65), outlining principles of establishing provisions against banking risks.

The financial statements have been prepared under the historical cost convention, unless otherwise noted and in accordance with Polish accounting standards.

2.2. Cash and cash equivalents

For the purpose of the cash flow statement the balance of cash and cash equivalents comprises cash in vaults, on hand and balance of nostro accounts with other banks and the NBP.

2.3. Loans and advances

Placements with, and loans and advances to, other banks as well as loans and advances to customers are reported at their nominal amount plus accrued and/or capitalised interest less provision for loan loss reserves.

2.4. Loan loss provisions

Specific loan loss provisions are created in accordance with Banking Supervisory Commission Resolution number 13/98 dated 22 December 1998, outlining principles of establishing provisions against banking risks.

Loans classified under this regulation are provided for using the following rates (less specific allowance for collateral as detailed in the regulation):

Loan classification	Rate
Normal	0%
Under observation	0.5%
Substandard	20%
Doubtful	50%
Loss	100%

Specific loan loss reserves are shown net of gross loans and advances.

2.5. Securities

The Bank classifies its securities portfolio as trading and investment. The revaluation methodologies for each portfolio is as follows:

Trading portfolio:

Debt securities in the trading portfolio consist of short-term Polish government treasury bills, treasury bonds issued by Polish

Government and certificates of deposit issued by Polish banks.

Treasury bills portfolio and certificates of deposit are carried at purchase price and discount adjusted. The discount is amortised on a straight-line basis over the securities life and are carried at the lower of cost and market.

The Treasury bonds portfolio is carried at the lower of cost and market.

Investment portfolio:

On 30 September 2000 Deutsche Bank Polska SA purchased bonds issued by National Bank of Poland of value PLN 27,074 ths. The issue was assigned exclusively for banks in consequence of interest rate reduction of obligatory reserves placed by banks in NBP. The coupon is paid yearly on basis of inflation rate for particular months of year. The bonds can not be resold or be subject of pledge. The bonds are carried at cost plus accrued interest.

2.6. Intangible and fixed assets

Intangible and fixed assets are stated at acquisition cost less provision for depreciation. The

cost of the intangible and fixed assets is depreciated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10%
EDP equipment	30%
Office furniture and equipment	20%
Motor vehicles and telecommunication equipment	17%
Software	10-20%

The depreciation rates applied are based on prescribed rates as determined by the Ministry of Finance for taxation purposes and approximate the assets useful life.

Intangible and fixed assets under construction are depreciated from moment the investment activity has been completed and the asset is installed and ready for use.

2.7. Deferred interest

Accrued interest and overdue and unpaid interest on loans classified as irregular (based on debt service) are shown as liabilities under deferred income. Interest income on these loans is recognised on a cash basis.

2.8. Income and expense recognition

All items of interest income and expenditure are accounted for on an accrual basis. Fee and commission income and expenses are recorded on a cash basis.

2.9. Foreign currencies

Foreign currency transactions are recorded in PLN at the NBP fixing rate at day's end. Foreign currency assets and liabilities at the balance sheet date are translated at the NBP year-end fixing rate of exchange. Both realised and unrealised foreign exchange differences resulting from the revaluation of foreign currency balances are recognised in the profit and loss account.

2.10. Income taxes

Income tax is calculated on the basis of gross accounting profit adjusted for items of income or expenditure deductible or non deductible in accordance with Polish taxation regulations. Deferred taxes are formed for timing differences using the liability method to the extent that

such differences are expected to reverse in the future.

Deferred taxes are recorded at the anticipated rate of tax at the date the timing difference is expected to reverse.

A deferred tax asset is only recognised if it is certain that there will be taxable income in the period the deferred tax asset is realised.

2.11. Valuation of off balance sheet foreign currency transaction

At the balance sheet date the Bank applies the following methodologies in respect to the valuation of off balance sheet foreign currency transactions:

The remaining maturity of foreign exchange contracts are compared with market rates of transactions with similar maturity. The contracted rate is compared with the market rate with negative differences between contracted rates and market rates taken to the profit and loss account as unrealised losses on foreign exchange transactions. Positive differences between contracted and market rates are not recorded until realised.

Revaluation of off balance sheet foreign currency transactions is done on a global currency basis.

2.12. Changes in the financial statements disclosure

The following changes in the presentation of the 1999 financial statements compared with 1998 occurred:

- In 1999, fixed assets less than PLN 2,500 were expensed in general expenses.

- Current position in Cash and amounts due from NBP includes due from NBP as well as cash in hand. In the previous year cash in hand was disclosed as a separate line item.

- In the off balance sheet items schedule position named Currency transaction presents total of Buy side and total of Sale side. In the previous only the Buy side of PLN 866,528,620 was disclosed.

2.13. Change in accounting policies

There were no changes in the Bank's accounting policies during the year.

3. Transactions with related parties

During the normal course of business the Bank purchases goods and services from Deutsche Bank AG Group entities. During the year the Bank purchased the following goods and services from Group entities.

Information technology related products and services expenses amounted to PLN 7,125.4 ths., and expenses for other services were PLN 163,2 ths.

Deutsche Bank Polska SA was also a provider of some services to local related parties. One of them was DWS. Services rendered for DWS Polska TFI SA and its employees invoiced in 1999 for 332,6 ths. PLN.

The Bank also effects foreign currency transaction, places money and takes money from Deutsche Bank AG Group entities.

As of December 31st 1999 Deutsche Bank Polska SA accepted from Deutsche Bank AG Group entities amount of deposits of PLN 112,270.8 ths.

At the same time Bank was also placing interbank deposits in related entities for amount PLN 127,533 ths.

As at 30 December 1999 the Bank entered into Cross currency Interest Rate Swap contracts with Deutsche Financial Services Polska Sp. z o.o. for amount equivalent of PLN 46,038 ths.

Long-term subordinated loan from Deutsche Bank Luxembourg of 14,000 ths. DEM started on 28 August 1996. The payback date is 26 February 2002. The interest is paid every six months. Further details are included in Note 14.

All transactions made with Group entities are made on an arms length basis at normal market rates.

4. Subsequent events

The following events took place subsequent to 31 December 1999.

On 1 January 2000 Mr Friedhelm Herb and on 20 March 2000 Mr Stan Szczurek were appointed for the position of Management Board members. In January 2000 Mr Hubert Janiszewski resigned from the Bank's Management Board.

On 11 February 2000 the bankruptcy of Bank Staropolski in Poznań was announced.

Consequently, in the second quarter of 2000 the Bank will be obliged to pay a contribution to the Banking Guarantee Fund amounting to approximately PLN 2 million. This amount has not been provided in the Bank's Financial Statements as at 31 December 1999.

On 22 December 1999 the Banking Supervisory Commission granted permission for the Bank to execute up to 75% of voting rights at the General Meeting of Shareholders of Bank Współpracy Regionalnej SA (BWR SA). On 18 February 2000 the Securities Commission issued permission to execute up to 50% of voting rights at the General Meeting of Shareholders of BWR SA. On 15 March 2000 the Bank purchased 235 million of BWR SA shares for the amount of PLN 235 million which represents 89.12% of the issued share capital and voting rights in BWR SA.

Notes to the Financial Statements

1. Cash and amounts due from NBP

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Demand deposits (a'vista)	120,979,222.00	15,868,582.81
Obligatory reserve account	–	–
Other monetary assets	–	–
Total	120,979,222.00	15,868,582.81

Demand deposits (a'vista) represents the balance of the NBP Nostro account and cash balance held in the Bank's vault, which includes PLN 700,000.00 of the minimum declared amount of cash treated as part of the Obligatory reserve.

2. Due from other financial institutions

Due from other financial institutions		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Current	28,838,468.38	15,196,314.83
Term	439,601,048.98	541,886,244.48
Less than 3 months	439,601,048.98	512,353,345.68
More than 3 months but less than 1 year		20,000,000.00
More than 1 but less than 5 years		9,532,898.80
More than 5 years		–
Accrued interest	2,174,676.86	5,568,533.76
Total	470,614,194.22	562,651,093.07

Due from other financial institutions by currency exposure		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
In PLN	417,224,403.20	285,820,885.85
In convertible currencies	53,389,791.02	228,158,202.29
In unconvertible currencies	–	48,672,004.93
Total	470,614,194.22	562,651,093.07

Due from other financial institutions by type of clients		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Domestic banks	404,549,913.42	214,069,216.98
Foreign banks	22,385,297.46	167,453,326.40
Other financial institutions	41,504,306.48	175,560,015.93
Accrued interest	2,174,676.86	5,568,533.76
Total	470,614,194.22	562,651,093.07

3. Due from clients and the budget sector

Due from clients, net		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Due from clients and the budget sector, gross	656,832,454.64	870,416,900.41
Less: Specific provisions	(2,049,393.00)	(2,185,606.45)
Total net	654,783,061.64	868,231,293.96

The majority of loans are granted in the Warsaw region. Loans granted to employees as of 31 December 1999 amounted to PLN 4,796,297.23. There were no loans granted to members of the Bank's Management Board or Supervisory Board.

Due from customers and the budget sector shown by risk category		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Regular	598,512,122.52	751,769,193.40
Substandard	21,683,448.56	72,355,113.67
Doubtful	36,620,103.56	46,154,306.89
Lost	16,780.00	138,286.45
Total	656,832,454.64	870,416,900.41

Specific provisions for due from customers and the budget sector – by risk category

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Regular	–	47,320.00
Substandard	11,096.05	–
Doubtful	2,021,516.95	2,000,000.00
Lost	16,780.00	138,286.45
Total	2,049,393.00	2,185,606.45

Due from clients and the budget sector by currency exposure

PLN	Year ended 31.12.1998	Year ended 31.12.1999
In PLN	410,429,391.80	542,672,297.22
In convertible currencies	246,403,062.84	327,744,603.19
Total	656,832,454.64	870,416,900.41

Due from clients and the budget sector – split by principal and accrued interest

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Principal due	653,635,104.64	863,009,161.94
Accrued interest receivable	3,197,350.00	7,407,738.47
Total	656,832,454.64	870,416,900.41

Due from clients and the budget sector – by maturity

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Less than 3 months	568,931,595.54	709,349,327.16
More than 3 months but less than 1 year	31,999,555.60	77,555,828.74
More than 1 but less than 5 years	36,932,264.53	38,087,831.80
More than 5 years	15,771,688.97	38,016,174.24
Accrued interest	3,197,350.00	7,407,738.47
Total	656,832,454.64	870,416,900.41

Due from clients and the budget sector – by type of clients		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Private individuals	5,765,451.72	10,987,897.34
Corporate customers	647,869,652.92	852,021,264.60
Accrued interest	3,197,350.00	7,407,738.47
Total	656,832,454.64	870,416,900.41

Due from the largest customers (including non-bank financial institutions) shown by the main industry type			
Type of industry PLN	Total facilities as of 31.12.1999	Total facilities to share capital	Total facilities to own funds
Production and sale of fast moving goods	675,255.75	294%	145%
Leasing and other financial services	296,539.60	129%	64%
Car manufacturing	202,550.39	88%	44%
Building and construction	202,335.11	88%	43%
Services	178,909.81	78%	38%
Electronics	135,818.39	59%	29%
Chemical	102,379.85	45%	22%
Telecommunication	50,100.71	22%	11%
Machinery and energy	47,867.15	21%	10%
Total	1,891,756.76	823%	406%

Credit facilities includes loans, unused credit lines, guarantees, letters of credit.

Bank's facilities exposures to customers in relation to own funds

As of 31 December, 1999.8 customer facilities exceeded 10% of own funds and amounted to PLN 546,176.57 ths (both on and off balance sheet).

7 of the customers are classified in the standard loan category as at 31 December 1999 and 1 is classified as irregular primarily due to financial position classification criteria. This loan is serviced regularly.

There are no cases of customer facilities exceeding the concentration limits set out in Article 71 of the Banking Law.

4. Debt securities

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Treasury bills	31,716,924.54	27,599,012.52
Accrued discount on Treasury bills	359,570.46	633,090.85
Treasury bonds	5,000,000.00	19,215,740.00
Accrued interest on Treasury bonds	243,700.10	–
NBP Bonds	–	27,074,800.00
Accrued interest on NBP bonds	–	852,686.48
CD's	–	8,853,362.70
Accrued interest on CD's	–	2,542.65
Total	37,320,195.10	84,231,235.20

The balance of debt securities include treasury bonds with a nominal value of PLN 1,005,000.00 held to secure future contributions to the Banking Guarantee Fund as required by the resolution of the Board of the Banking Guarantee Fund.

Treasury Bonds, Treasury Bills and CDs are held by the Bank in the Trading portfolio.

NBP bonds are held in the Investment portfolio.

5. Shares in subsidiaries – financial institution

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Shares in subsidiaries	–	5,506,000.00

Deutsche Bank Polska S.A. purchased 22,700 shares in Pro Capital SA and received permission for the acquisition from the KPWiG on 26 March 1999.

The Bank acquired 100% of the issued shares in Pro Capital which entitles the Bank to 100% of voting rights at the company's General Shareholders Meeting.

During 1999 the Bank increased the share capital of Pro Capital to PLN 5,000 ths. As at the end of 1999 the total investment in Pro Capital amounted to PLN 5,506 ths. 20% of the initial purchase price amounting to PLN 694,ths. still remains unpaid.

The audited results of Pro Capital for the year ended 30 September 1999 showed a net loss amounting to PLN 911.7 ths.

Based on a decision of the General Shareholders Meeting of Pro Capital the losses will be covered from next years profits.

6. Intangible assets

PLN	Cost at 01.01.1999	Increase Purchase	Decrease Sales	Cost at 31.12.1999
Formation costs	62,245.00			62,245.00
Licences	5,992,682.77	246,763.24	–	6,239,446.01
Software	274,017.54	6,177,027.96	–	6,451,045.50
Total at cost	6,328,945.31	6,423,791.20	–	12,752,736.51

PLN	Accumulated depreciation at 01.01.1999	Increase	Decrease	Accumulated depreciation at 31.12.1999
Formation costs	32,502.83	12,449.00	–	44,951.83
Licences	1,525,103.25	661,908.67	–	2,187,011.92
Software	35,602.94	66,878.34	–	102,481.28
Total accumulated depreciation	1,593,209.02	741,236.01	–	2,334,445.03

PLN	Net book value at 01.01.1999	Increase	Decrease	Net book value at 31.12.1999
Intangible assets, net	4,735,736.29	5,682,555.19	–	10,418,291.48

7. Tangible fixed assets

PLN	Cost at 01.01.1999	Increase Purchase	Decrease Sales	Cost at 31.12.1999
Motor vehicles	1,178,912.82	900,393.62	–	2,079,306.44
Other fixed assets	14,969,817.83	7,735,813.25	717,016.53	21,988,614.55
Leasehold improvements	13,629,738.75	1,473,116.88	2.15	15,102,853.48
Assets under construction	178,677.54	64,749.01	217,232.96	26,193.59
Tangible fixed assets at cost	29,957,146.94	10,174,072.76	934,251.64	39,196,968.06

PLN	Accumulated depreciation at 01.01.1999	Increase	Decrease	Accumulated depreciation at 31.12.1999
Motor vehicles	290,977.28	254,396.29	–	545,373.57
Other fixed assets	5,066,448.02	3,210,547.24	441,129.70	7,835,865.56
Leasehold improvements	3,337,118.05	1,427,070.82	–	4,764,188.87
Assets under construction	–	–	–	–
Total accumulated depreciation	8,694,543.35	4,892,014.35	441,129.70	13,145,428.00

PLN	Net book value at 01.01.1999	Increase	Decrease	Net book value at 31.12.1999
Tangible assets, net	21,262,603.59	5,282,058.41	493,121.94	26,051,540.06

During 1999 there were no unplanned depreciation.

Future capital expenditures

List of planned investments in tangible and intangible assets in 2000 year.

Branches development and additional investments	1,370,000.00 PLN
Refurnishment of existing leasehold and new office adaptation	2,935,000.00 PLN
Purchase of new IT equipment, software and other IT projects	5,630,000.00 PLN
Others	1,065,000.00 PLN
Total	11,000,000.00 PLN

8. Other assets

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Interbank clearing accounts	484,369.29	104,625.94
Cheques settlement	281,479.54	2,811,476.15
Cash deposit - collateral	545,746.25	674,724.63
Receivables from suppliers	104,137.89	1,124,441.79
Receivables from Tax Office	292,345.51	784,737.00
Other	4,654.87	23,309.56
Total	1,712,733.35	5,523,315.07

9. Prepayments

Prepayments		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Prepayments	71,189.02	22,502.65
Deferred tax assets	–	5,858,638.11
Total	71,189.02	5,881,140.76

Calculation of Deferred Tax Assets as per 31.12.1999

PLN	Amount	Tax rate for 2000	Timing differences commencing in 31.12.99
accrued interest income from loans - financial institution	5,568,533.76	30%	1,670,560.13
accrued interest income from loans - non-financial institution	7,275,486.85	30%	2,182,646.06
accrued interest income - Treasury Bills	635,633.50	30%	190,690.05
accrued interest income - NBP bonds	852,686.48	30%	255,805.94
I. Positive differences	14,332,340.59		4,299,702.18

PLN	Amount	Tax rate for 2000	Timing differences commencing in 31.12.99
accrued interest payable - financial inst.	2,295,082.31	30%	688,524.69
accrued interest payable - non-financial inst.	2,969,449.60	30%	890,834.88
accrued interest payable - subordinated loan	357,034.27	30%	107,110.28
predicted costs accrued	3,656,135.01	30%	1,096,840.50
unrealised foreign exchange negative differences	24,583,433.09	30%	7,375,029.93
II. Negative differences	33,861,134.28		10,158,340.28
Net (II - I)	19,528,793.69	30%	5,858,638.11

The bank has capitalised temporary timing differences.

Deferred taxes are established based on the tax rate which are expected to apply at the time of crystallisation of the deferred tax asset and liability.

10. Due to other financial institutions

Due to other financial institutions by maturity		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Current	5,838,002.00	21,472,068.67
Term	180,938,348.00	210,484,303.61
less than 3 months	140,788,450.00	158,388,075.27
more than 3 months but less than 1 year	–	4,628,301.43
more than 1 but less than 5 years	24,701,308.85	32,030,186.37
more than 5 years	14,086,121.07	13,142,658.23
Accrued interest	1,362,468.08	2,295,082.31
Total	186,776,350.00	231,956,372.28

As of 31.12.1999 Due to other financial institutions include balances due to Deutsche Bank A.G. group companies of PLN 112,270,816.19.

Due to other financial institutions by currencies		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
In PLN	78,723,150.31	65,133,876.00
In convertible/ foreign currencies	108,053,199.69	118,150,491.35
In unconvertible currencies	–	48,672,004.93
Total	186,776,350.00	231,956,372.28

Due from other financial institutions by type of clients		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Domestic banks	69,194,865.67	82,123,630.35
Foreign banks	111,988,019.04	124,137,598.25
Other financial institution	4,230,997.21	23,400,061.37
Accrued interest	1,362,468.08	2,295,082.31
Total	186,776,350.00	231,956,372.28

11. Due to customers and the budget sector

Due to customers and the budget sector by type of customers		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Private individuals	158,863,172.01	141,390,963.63
Other non-financial customers	476,034,576.94	666,567,998.49
Budget sector	199,597.03	198,533.56
Total	635,097,345.98	808,157,495.68

Due to customers and the budget sector by currencies		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
In PLN	410,897,450.83	390,714,823.77
In convertible/ foreign currencies	224,199,895.15	417,442,671.91
Total	635,097,345.98	808,157,495.68

Due to customers and the budget sector - by maturity		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Current	132,407,289.98	271,762,048.57
Term	502,690,056.00	536,395,447.11
less than 3 months	498,036,122.98	521,889,927.96
more than 3 months but less than 1 year	3,052,700.02	11,536,069.55
more than 1 but less than 5 years	140,160.00	–
Accrued interest	1,461,073.00	2,969,449.60
Total	635,097,345.98	808,157,495.68

12. Special funds and other liabilities

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Interbank clearing accounts	14,735,335.10	20,033,496.09
Money transfers to be allocated to the customers accounts	281,479.54	2,808,876.15
Employee Social Fund	121,513.66	88,374.57
Amounts due to suppliers	3,239,257.88	12,615,641.83
Taxes payable	4,913.00	75,344.88
Other	138,531.38	273,271.70
Total	18,521,030.56	35,895,005.22

13. Accrued costs and deferred income

Deferred income		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Factoring discount	284,835.76	1,276,777.29
Bills discount	4,131.57	27,907.06
Suspended interest	–	132,251.62
Total	288,967.33	1,436,935.97

Accrued costs		
PLN	Year ended 31.12.1998	Year ended 31.12.1999
Audit fee accrual	298,387.60	403,253.92
Employee holiday pay accrual	260,000.00	733,035.71
Accrued costs for services of Deutsche Bank AG	–	2,074,845.38
Accrued bonuses to employees	–	445,000.00
Total	558,387.60	3,656,135.01

14. Subordinated liabilities

Subordinated liabilities – principal plus interest accrued	
PLN	
Principal	29,841,346.13
Interest accrued	357,034.27
Total	30,198,380.40

On 28 August 1996 Deutsche Bank Polska S.A. received from Deutsche Bank Luxembourg S.A. a long term loan amounting to 14,000,000 DEM. The interest rate is equal to 6 months LIBOR rate for DEM plus a margin 0.7%. The loan is repayable on 26 February 2002. Interest is paid semi annually. According to an NBP decision the Bank may include a part of the loan as tier III capital (that part is equal to the PLN equivalent of the loan translated at a rate of PLN/DEM 1.8425).

The amount presented in the financial statements includes the amount of interest payable and equals the PLN equivalent of the loan at the NBP mid rate PLN/DEM at the balance sheet date.

Subordinated liabilities included within the capital adequacy ratio calculation

According to a NBP decision the Bank has to exclude from its own funds 1/3 part of original PLN denominated loan every year commencing from 27 February 1999 which approximates PLN 8,598,333.33 as at 31 December 1999. The balance of PLN 17,196,666.66 was included in the capital adequacy equity base as at 31 December 1999.

15. Share capital

Changes in Share Capital				
Date	Shares Series	Description	Change in the share capital PLN	Cumulative share capital PLN
21.07.1995	A	Establishment of the Bank	20,000,000.00	20,000,000.00
20.11.1995	B	Increase of share capital	10,000,000.00	30,000,000.00
21.08.1996	C	Increase of share capital	40,000,000.00	70,000,000.00
07.07.1998	D	Increase of share capital	80,000,000.00	150,000,000.00
16.10.1998	E	Increase of share capital	80,000,000.00	230,000,000.00

The Bank is wholly owned by Deutsche Bank A.G. As a result of the share capital increases

Deutsche Bank A.G. holds 230 shares with a nominal value per share of PLN 1 million.

Deutsche Bank AG holds 100% of the voting rights of the Bank's General Meeting of Shareholders.

There were no new shares issues in 1999.

16. Reserve capital

The balance of reserve capital represents the balance of share premiums from share issues. The changes in reserve capital since the Bank's incorporation were as follows.

Date PLN	Description	Change in the share capital	Cumulative share capital
21.07.1995	First issue of shares	5,000,000.00	5,000,000.00
20.11.1995	Second issue of shares	10,000,000.00	15,000,000.00
21.08.1996	Third issue of shares	25,000,000.00	40,000,000.00
07.07.1998	Fourth issue of shares	80,000,000.00	120,000,000.00
16.10.1998	Fifth issue of shares	75,000,000.00	195,000,000.00

17. Retained earnings

Cumulative net loss from previous years	(4,596,131.98)
Net profit in 1998	19,225,270.07
Total	14,629,138.09

Based on a resolution of the General Shareholders Meeting of the Bank on 25.05.1999 the net profit of 1998 was allocated as follows: PLN 4,596 ths. to cover net losses from previous years and PLN 14,629 ths. to retained earnings.

The Bank plans to allocate 1999 profit of PLN 33,433 ths. to retained earnings.

18. Interest income

PLN	For the year ended 31.12.1998	For the year ended 31.12.1999
Received from:		
Financial Institutions	43,221,644.80	58,774,502.54
Clients and the budget sector	59,874,747.08	81,830,341.74
Securities		
fixed income	12,630,427.38	4,853,217.01
floating income		
Interest income	115,726,819.26	145,458,061.29

19. Interest expense

PLN	For the year ended 31.12.1998	For the year ended 31.12.1999
Financial Institutions	21,895,935.70	24,298,786.45
Clients and the budget sector	42,813,174.94	40,837,580.02
Other	399,029.34	1,139,078.99
Interest expense	65,108,139.98	66,275,445.46

20. Income on financial transactions

	For the year ended	For the year ended
PLN	31.12.1998	31.12.1999
Net profit/(loss) on trading securities	221,100.00	111,635.20
Income on financial transactions	221,100.00	111,635.20

21. General expenses

	For the year ended	For the year ended
PLN	31.12.1998	31.12.1999
Payroll	13,680,051.64	23,893,305.47
Surcharges on payroll	5,844,301.53	6,104,222.64
Other, including:	20,857,035.86	36,215,830.03
services	7,188,890.00	26,802,368.45
leashold expenses	4,782,260.00	7,905,076.81
members fees/participation fees	645,400.00	1,508,384.77
Total	40,381,389.03	66,213,358.14

Payroll for Management Board in 1999 amounted to PLN 1,824,263.00. During 1999 there were no payments for members of the Supervisory Board. The number of employees increased from 164 at the beginning of January to 256 at the end of 1999.

22. Charge and release of provisions

	For the year ended	For the year ended
PLN	31.12.1998	31.12.1999
Charge of provisions	(3,765,608.67)	(164,089.88)
Provisions release	1,758,871.29	27,876.05
Net charge to provisions	(2,006,737.38)	(136,213.83)

23. Corporate income tax

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Revenues reported by the Bank	144,842,358.46	191,040,540.96
Decreased by:		
accrued interest receivable	6,161,039.35	14,355,650.15
unrealised foreign exchange income	1,779,554.33	–
other	–	27,876.05
Increased by		
realised foreign exchange income, accrued in previous years	–	1,779,554.33
interest received in 1998/1999, accrued in previous years	5,982,078.16	6,161,039.93
Income for tax	142,883,842.94	184,597,609.02
Expenses reported by the Bank	114,997,778.95	140,697,966.96
Decreased by:		
accrued interest payable	3,232,827.71	5,621,566.18
unrealised foreign exchange losses	–	24,583,433.09
depreciation of items over 10,000 ECU	81,359.45	133,641.86
other items	3,323,542.42	4,823,044.73
Increased by		
interest paid in 1998/1999, accrued in previous years	4,948,982.63	3,232,828.13
realised foreign exchange loss, accrued in previous years	–	4,144,142.51
other items	393,802.60	729,715.84
Expenses for tax	113,702,834.60	113,642,967.58
Taxable income	29,181,008.34	70,954,641.44
Profit deductions	2,192,632.03	1,246,969.97
tax loss from previous period	2,177,466.24	1,221,207.47
donations	15,165.79	25,762.50
Income subject to tax	26,988,376.31	69,707,671.47
Tax charge for 1998 (36%) and 1999 (34%)	9,715,815.47	23,700,608.00
Overprovision of Income Tax from prior year	(464,616.79)	–
Deferred Income Tax Provision	932,425.65	–
Release of deferred tax provision from 1998	–	(932,425.65)
Deferred tax assets for 1999	–	(5,858,638.11)
Corporate Income Tax	10,183,624.33	16,909,544.24

24. Off balance sheet items

PLN	Year ended 31.12.1998	Year ended 31.12.1999
Contingent liabilities granted to financial institutions	58,474,068.63	202,903,581.67
credit facilities	31,578,128.63	130,254,973.62
letters of credit	379,310.00	–
guarantees	26,516,630.00	72,648,608.05
Contingent liabilities granted to non financial institutions	324,942,360.24	781,538,109.65
credit facilities	265,445,603.48	561,802,900.31
letters of credit	605,622.20	11,373,688.52
guarantees	58,891,134.56	208,361,520.82
Total contingent liabilities granted	383,416,428.87	984,441,691.32
Contingent assets received from financial institutions	385,098,776.68	949,802,018.95
from non financial institutions	328,149,302.50	447,704,289.88
from non financial institutions	56,949,474.18	502,097,729.07
Currency transactions	1,740,913,784.14	2,619,789,952.27
FX sale transactions	870,456,892.07	1,309,244,680.10
FX purchase transactions	870,456,892.07	1,310,545,272.17
Liabilities due to securities turnover	12,520,000.00	35,450,000.00
liabilities to customers	12,520,000.00	35,450,000.00

25. Currency structure of Assets and Liabilities and Off-Balance Sheet Transactions

Currency	Balance sheet and off balance sheet Assets	Balance sheet and off balance sheet Liabilities	Long position (+)/ Short position (-)
ATS	87,548.10	861,638.74	(774,090.64)
AUD	79,648.72	0.00	79,648.72
BEF	26.97	699.12	(672.15)
CAD	155,734.50	0.00	155,734.50
CHF	2,085,193.52	1,967,533.60	117,659.92
DEM	316,928,687.09	167,043,561.30	149,885,125.79
DKK	437,432.06	315,331.41	122,100.65
ESP	0.00	266.22	(266.22)
EUR	151,238,789.60	264,512,095.40	(113,273,305.80)
FRF	52,300.77	1,655,580.76	(1,603,279.99)
GBP	3,146,054.45	1,887,135.23	1,258,919.22
ITL	0.00	79,985.72	(79,985.72)
JPY	136,999.11	2,025.43	134,973.68
NLG	18,865,635.71	207,406.59	18,658,229.12
NOK	951,618.28	154,980.01	796,638.27
RUR	48,672,004.93	48,672,004.93	–
SEK	53,045.32	3,235.31	49,810.01
USD	817,419,630.54	805,574,393.31	11,845,237.23
Total	1,360,310,349.67	1,292,937,873.08	67,372,476.59

Auditor's Report to the Shareholders of Deutsche Bank Polska SA

We have audited the accompanying financial statements of Deutsche Bank Polska SA ("The Bank") which is located at Plac Grzybowski 12/14/16 in Warsaw. These financial statements consist of: the balance sheet as at 31 December 1999 with total assets of and total liabilities and equity of PLN 1,584,362,492.41; the profit and loss account for the year then ended with a net profit of PLN 33,433,029.76; the cash flow statement for the year then ended with an decrease in cash amounting to PLN 113,421,715.29; the statement of contingencies and commitments granted amounting to PLN 984,441,691.32 and the 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, 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 the 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 respects, the financial position of the Bank as of 31 December 1999 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) 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.



Certified Auditor no. 4979/2575
Hanna Fludra



for KPMG Polska Audyt Sp. z o.o.
Richard Cysarz , Proxy

April 14, 2000