annual report

2001

Bank Zachodni WBK

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Letter *of the Supervisory Board Chairman*

President's *Statement*

Letter of the Supervisory Board Chairman

Ladies and Gentlemen,

Year 2001 in the banking sector was the merger year. The merger of Bank Zachodni and Wielkopolski Bank Kredytowy, one of the largest operations of that type, was conducted in the most effective manner. The success of the merger is also proven by the fact that its costs turned out to be lower than previously planned. It was achieved owing to the people involved in the banks' amalgamation process, their managerial skills as well as their ability to arrive at compromises and deliver on ambitious objectives. However, the smooth merger of both banks was also thanks to our shareholders and customers.

In these difficult circumstances we also managed to achieve sound financial results. Bank Zachodni WBK ranked third in the banking sector in terms of after-tax profit and the tendencies which surfaced toward the year end offer good prospects for the nearest future. It is noteworthy that the good results were achieved by Bank Zachodni WBK despite an unfavourable macroeconomic environment. The slowdown in the Polish economy, to a large degree influenced by the slowing world economy, growing unemployment as well as the economic slump in numerous industries, made the achievement of our objectives ever more difficult. All the more, as in 2001 the competition on the banking services market grew, which forced banks to continuously increase the quality of their services. Bank Zachodni WBK, despite the considerable involvement of a large number of its staff in the merger process, managed to successfully attract new customers.

In 2001 Bank Zachodni WBK focused on building sound foundations for the future, the most spectacular example of which was the commencement of the implementation of the new centralised IT system in our branches.

I am positive – as are all other Supervisory Board members – that despite difficult operating conditions last year, we lived up to the expectations of Bank Zachodni WBK shareholders. I would like to thank the Management Board and all staff of Bank Zachodni WBK for their good and efficient work.

Marian Górski

Supervisory Board Chairman

President's *Statement*

Last year was one of the most challenging ones in the history of Bank Zachodni and Wielkopolski Bank Kredytowy and our subsidiary companies. It was a year when two large businesses merged and the intensity of that process required a great deal of our time and efforts.

The merger of two such large businesses, operating in a very sensitive industry called for special skills and abilities. All those involved in the process had to demonstrate not only proper prudence, but also excellent business knowledge, professionalism, commitment and a lot of courage. As a result of the employees of both banks, brokerage houses, asset management companies and other entities of both banks having these skills, the merger process progressed very efficiently and smoothly and was very well received by all our customers. Analysts and investors also voiced a good assessment of the merger. The best evidence of this is the fact that as early as three weeks after the merger we presented our customers with a harmonized product offering. We also implemented identical procedures across the Bank, started to roll-out a new state-of-the-art IT system and rationalized our headcount. Last year we consolidated our position as a leading issuer of payment and credit cards. We significantly increased our electronic banking customer base and proved effective in fighting the competitors not only for the numbers of customers but also for the quality of our services in that sector. Toward the end of 2001, with the involvement of a great many employees, we began to develop the new corporate strategy of Bank Zachodni WBK. This strategy will also incorporate the products and services of our subsidiaries.

The merger of subsidiaries of two former banks last year led to a substantial growth in their potential and customer number. Special words of recognition should be addressed to employees of BZWBK Brokerage House which ranked third by turnover in the futures market in the 2001 ranking of brokerages. Another great success was the signing by WBK AIB Towarzystwo Funduszy Inwestycyjnych (Investment Fund Corporation) of an agreement on the management of funds of Staff Pension Schemes operated by one of Poland's largest enterprises – Polskie Sieci Energetyczne S.A.

Although the merger process absorbed the attention of all our Bank's units in 2001, we still demonstrated that Bank Zachodni WBK is an organization capable of facing change. It is a creative, and caring company, which satisfies the needs of its customers while responding quickly to market challenges. This provides a solid foundation on which to build a strong bank.

In fact, that has already happened, which is best reflected by very good sales results in the last quarter of 2001. Sales growth was recorded for a number of products, including those of strategic importance, which will drive the Bank's financial performance in the future – amongst others, mortgage loans, investment funds and loans for small and medium-sized enterprises.

I would like to thank all employees of Bank Zachodni WBK for their hard and effective work and the Bank's Supervisory Board for their continuous and enthusiastic support to our efforts in 2001. I would also like to thank our shareholders and customers for their confidence in Bank Zachodni WBK.

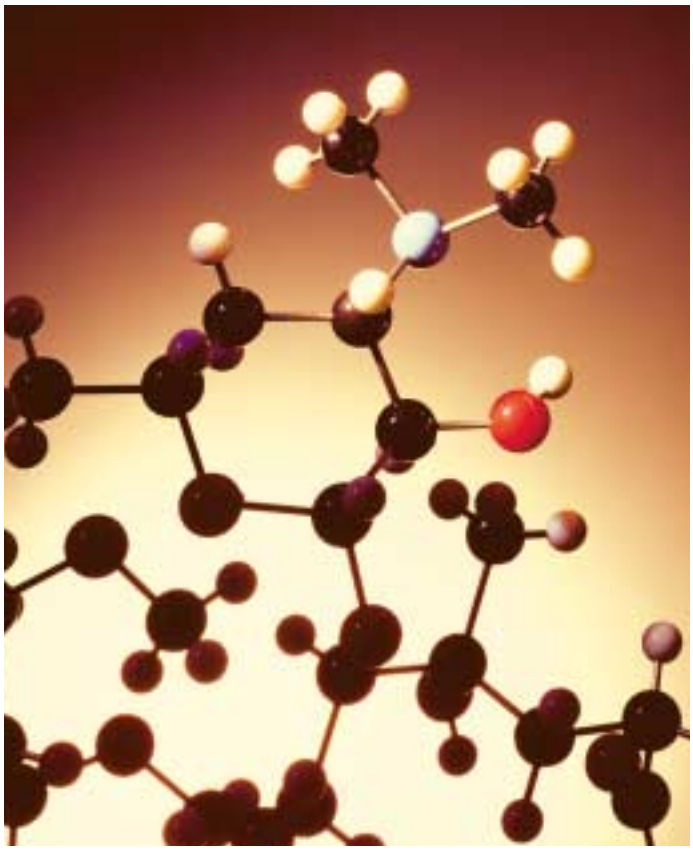
Jacek Kseń

President of The Management Board

Bank Zachodni WBK S.A.

Capital Group

External
Environment



External *Environment*

of BZWBK Capital Group

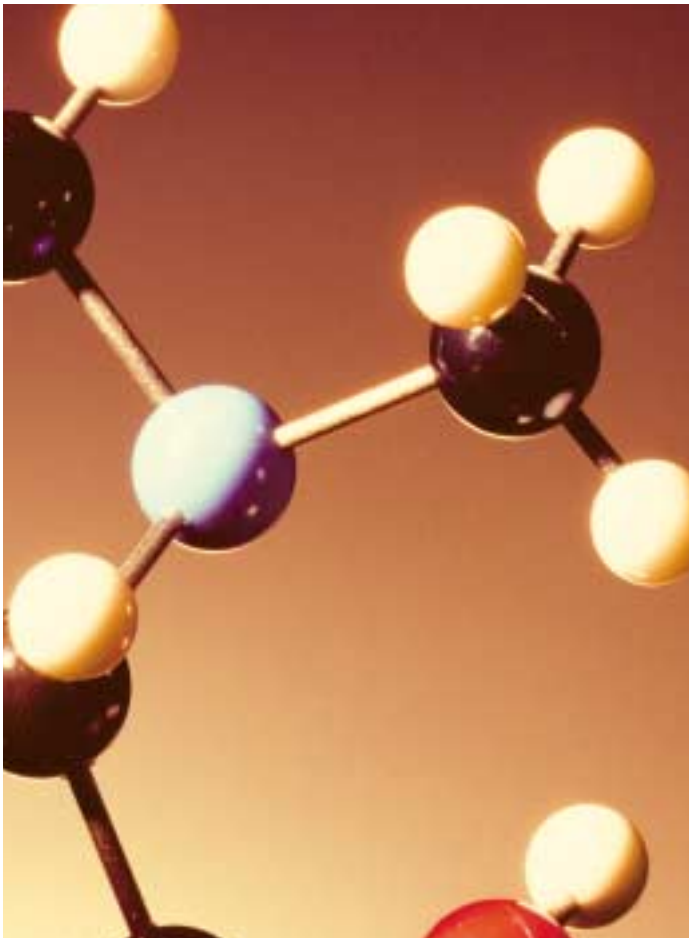
In 2001, the economy slowed down significantly with GDP growth of approx. 1.3% y/y (i.e. the lowest since 1991). This downturn was caused primarily by the sharp decline in domestic demand due to profound decrease in gross accumulation, both in terms of stock which throughout the year decreased by half as well as investments in fixed assets.

Last year, a number of negative factors coincided to affect the economic growth in Poland: firstly, the three largest world economies went into recession or found themselves at its verge: the U.S., Japan and Euroland. With a certain delay, global economic slowdown became perceptible in Poland in two ways: decreased dynamics and consequent exports downturn, and slower pace of foreign investments. 2001 was the first year since the beginning of transformation in which direct investments were lower than in the previous year. Also, slowdown in privatisation processes played a role here.

2001 saw a significant decline in domestic demand due to delayed effects of hard-line monetary policy and lack of reforms in relation to the economy's supply side. In particular, inflexible labour market and high employment costs combined with the decrease in internal and external demand resulted in considerably reduced demand for labour. In December 2001 employment in the business sector was lower by 4.7% than the year before.

In 2001 the inflation rate plummeted from 8.5% in December 2000 down to 3.6% in December 2001. Three factors supported the process here: deep deflation of petroleum prices, low food prices and very strong zloty. Increasing unemployment rates, which curbed salary requirements and cooled off inflationary expectations, also played a role. After two years of overstating the inflation target, the Monetary Policy Council finally reduced inflation much below the bottom line of the target set at 6-8%.

External *Environment*



Basic macroeconimic ratios

		1997	1998	1999	2000	2001e	2002f
GDP	% y/y	6.8	4.8	4.1	4.0	1.3	2.0
GDP	USD million	143.9	158.4	155	157.6	178.3	185.3
Industrial output	% y/y	11.5	3.5	3.6	6.8	0.5	2.4
Real retail sales	% y/y	6.8	2.6	4.0	1.0	0.4	x
Unemployment rate ◆	%	10.3	10.4	13.1	15.1	17.4	18.5
Real gross salaries	% y/y	5.9	3.3	4.7	1.0	2.5	0.5
Current account	USD million	-4,309	-6,862	-11,558	-9,946	-6,900	-8,000
Current account	% GDP	-3.0	-4.3	-7.4	-6.3	-3.9	-4.5
Budget deficit ◆	PLN billion	-5.9	-13.2	-12.5	-15.4	-33.0	-40.0
Economic deficit	% GDP	-3.3	-3.4	-2.8	-2.3	-5.5	-5.0
Poland's foreign liabilities ▼	USD billion	62.4	80.2	89.3	99.3	106	x
Inflation rate ◆	% y/y	13.2	8.6	9.8	8.5	3.6	5.0
Inflation rate	% y/y	14.9	11.8	7.3	10.1	5.5	4.1
Industrial producer prices	% y/y	12.2	7.3	5.7	7.8	1.7	1.8
USD/PLN	PLN	3.2808	3.4937	3.9675	4.3465	4.0939	4.2
EUR/PLN	PLN	3.7055	3.9231	4.2270	4.0110	3.6685	3.8
NBP intervention rate ◆	%	23.50	15.50	16.50	19.00	11.50	9.0
Real interest rate ❖	%	9.0	9.5	7.4	8.7	10.5	6.3
WIBOR 3M	%	23.93	21.34	14.73	18.78	16.04	10.4

▼ based on the international investment position
◆ as of the period end
❖ annual average 3M WIBOR minus annual average inflation rate
e estimate
f forecast

Monetary policy in 2001 was very restrictive - annual average short-term real interest rate rose up to 10.5% from 8.7% in 2000. Additionally, there was a strong nominal appreciation of the foreign exchange rate, which further tightened the impact of the restrictive monetary policy. Combination of monetary and fiscal policies worsened as increase in real interest rates was accompanied by sudden deterioration of economic deficit of the public finance sector from 2.3% up to 5.5%.

In 2001, the central bank cut interest rates six times, in total by 750 bps. However, due to the deteriorating loan books of banks (share of non-performing receivables rose from 14.4% in December 2000 up to 16.6% in November 2001 upon increase of loss loans), credit interest rates were lower than official interest rate reductions.

In November 2001, before the introduction of the savings tax, approx. PLN 2 bn worth of deposits were transferred from banks to bond funds. Also, the deposit structure changed significantly from below six months to over six months, which applied to 10+ percent of total deposits.

Financial

Performance

Financial *Performance*

Profit and Loss Account

Overview

The table below presents major developments in the basic categories of the balance sheet and profit and loss account.

PLN million	31-12-2001	31-12-2000	Change %
Total assets	24,788.3	22,748.0	+ 9.0%
Deposits	18,847.0	17,503.4	+ 7.7%
Credits	10,630.4	10,029.2	+ 6.0%
Net interest income◆	1,044.5	1,131.9	- 7.7%
Non-interest income	529.0	490.5	+ 7.8%
Total income	1,573.4	1,622.5	- 3.0%
Profit after tax	148.5	138.6	+ 7.1%

◆ adjusted for income on SWAP and FRA transactions (2001: PLN 422.7 m, 2000: PLN 248.5 m)

The performance of Bank Zachodni WBK S.A. Capital Group reflects the impact of the challenging economic environment and the costs associated with the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. but also positive effects of various initiatives designed to constrain the cost base. Substantial investment in the IT system, training and development of distribution channels depressed somewhat 2001 results, yet their positive impact should be seen in 2002 and beyond.

Profit generated by the Capital Group in 2001 does not markedly vary from the projection announced on August 1, 2001.

Income

Total income fell down by 2.7 % from the last year. Serious economic slowdown subdued demand for bank loans while hefty cuts in NBP official interest rates brought down deposit and loan interest rates. This in turn increased pressure on interest margins. Interest rates applied by the bank to standard business loans and term deposits are bound to the market rates (WIBOR and WIMEAN) and set accordingly. However, interests applicable to current deposits and personal loans are determined by the Asset and Liability Management Committee (ALCO). An adequate product strategy combined with a rise in volume of loans and deposits should effectively increase profitability of Bank Zachodni WBK S.A. Capital Group in the changing interest environment.

Non-interest income makes up approx. 34% of total income and is clearly on the rise, mainly due to income on FX transactions, business account maintenance fees and card fees. In 2001, it grew by 9% compared to the previous year.

Costs

Total operating costs grew by 16.8 % in 2001. It was mostly driven by general cost increase associated with development of distribution channels (68 new outlets opened) and IT infrastructure, and with costs related to the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. The merger costs of the whole Capital Group were lower than expected and reached PLN 147.9 m.

Irrespective of the costs incurred in connection with the merger, 2001 results show first cost savings. Underlying staff costs went down by 4.1% upon reduction of jobs from 11,258 at end-2000 to 9,764 at end-2001 in Bank Zachodni WBK S.A. and from 412 to 256 in the merged brokerage house. Implementation of the new IT system across the branch network can result in laying off additional 2,150 persons (incompliance with Group Employement Reductions Regulations), which will reduce costs even further in the years to come.

Financial *Performance*

Balance sheet structure

Customer deposits remain the prevailing item of the balance sheet, making up 76% of total liabilities at end-2001. They come mostly from households (70% of total deposits), the remaining portion being of business origin. Over the past few years, the proportion of current deposits have been gradually decreasing in favour of term deposits, which is attributable to more efficient cash management by the Capital Group's customers.

Introduction of regulation on savings interest taxation is a notable change in the legal environment since it may have a long–term influence on the development of the Capital Group's deposit base. Towards the end of 2001, the bank put forth an offer of long term deposit products that enabled the customers to avoid taxation ("Impet Plus"). Customers responded to this offer quite favourably and these deposits amounted to PLN 2.8 bn at the end of the year.

On the asset side, loans are the most significant item (43% of total assets). The loan book was very well diversified with the largest exposure to retail and wholesale trade (17% of total book). Exposures to other industries did not exceed 7% of the book each. The split between corporate, SME and retail customers was roughly 44% - 42% - 14%. The biggest exposures are to corporate customers of sound financial standing with whom the Capital Group has a longstanding banking relationship.

In 2001 the Capital Group's loan book grew by 6% in spite of a significantly subdued demand for loans. Furthermore, the challenging environment brought the Capital Group to take a deliberate decision to curtail lending to certain industries and the personal sector. Under these circumstances, the 6% increase in lending represents a real growth, well-rooted in the medium- and long-term development needs of the commercial and corporate customers.

Loans graded as "sub-standard", "doubtful" and "loss" had a 19.5% share in the total loan book in 2001 and loan loss reserves coverage ratio was 46%. In 2001, the Capital Group launched debt collection procedures in 27,430 cases and the total amount of these receivables was PLN 690.2 m.

translation only

Geographical structure of the bank's receivables and liabilities

Province	Liabilities due to customers and budget sector %		Net receivables due to customers and budget sector %	
	31-12-2000	31-12-2001	31-12-2000	31-12-2001
dolnośląskie	31.7	30.7	26.6	26.3
kujawsko-pomorskie	2.5	3.1	3.9	3.8
lubelskie	0.0	0.2	0.7	1.1
lubuskie	5.8	4.5	7.2	6.6
łódzkie	1.4	3.3	1.9	1.5
małopolskie	0.5	0.9	1.5	2.0
mazowieckie	7.0	8.3	11.3	11.7
opolskie	4.9	5.1	4.1	4.0
podkarpackie	0.1	0.1	0.6	0.2
podlaskie	0.3	0.3	0.8	0.7
pomorskie	3.6	4.4	3.5	2.4
śląskie	6.5	5.2	5.4	5.2
świętokrzyskie	0.7	0.7	0.9	0.9
warmińsko-mazurskie	0.2	0.3	0.5	0.7
wielkopolskie	33.9	31.8	28.2	31.1
zachodniopomorskie	0.9	1.2	2.9	1.9
total	100	100	100	100

Key Business
Developments

Development
of the Organization and Infrastructure

Key Business *Developments*

Bank Zachodni WBK S.A.

Retail Banking

Bank Zachodni WBK S.A. offers a wide range of products to its 1.6 m Polish personal customers, including items provided by its subsidiaries and affiliates such as brokerage services, leasing, investment funds and alternative savings products. Its flexibile and innovative solutions meet the needs of the market and evoke its favourable response. In 2001, for the second consecutive year the bank was very successful in sales of the tracker deposit "Euro Index". A newly introduced "Impet Plus" deposit and another version of the long-term savings programme "Pewny Start Dziecka" (Secure Start for Your Child) proved very popular as well. Customers were also more and more appreciative of the competitive parameters and construction of Bank Zachodni WBK S.A. mortgage loans and credit cards, which resulted in significant sales growth in respective areas last year.

To be able to deliver added value to individuals with higher than average income and potential, the bank took a number of initiatives to simplify procedures, curb bureaucracy and accelerate credit decisions for this customer segment. The rising tendency for differentiating the bank's services also permeated the bank's offer of personal accounts. Last year they became available in a number of varieties adjusted to particular segments' needs.

In 2001, Bank Zachodni WBK S.A. launched 68 new branches. Most of the newly opened outlets were small units with the target segments being personal customers and small- and medium-sized enterprises. In a strive to increase profitability of the network and to rationalise the use of available resources, our branches underwent a restucturing process. Based on the outcome of a comprehensive diagnosis of the general condition and performance of the branch infrastructure, 12 outlets were relocated and the least effective 34 were closed down. As a result, at the end of 2001 the bank operated through 441 branches. Last year a two tiered management structure was implemented in the branch network in line with a new administrative division. The three macroregions based in Poznań, Wrocław and Warsaw were split into 17 reporting regions.

In pursuit of the finest service quality, Bank Zachodni WBK S.A. devoted a lot of attention to the cause of increasing functionality of its distribution channels. With this purpose in mind, the bank continued preparations for ICBS implementation, which ended up with successful pilots in two branches. The project involved redefining the branch model, which among other things resulted in changed work processes and roles. Customer service became much improved due to introduction of an area for cash transaction processing and universal sales points for credit and deposit products. Separate sales points were also assigned for individuals with over-average income and proportionately higher demand for products and advice.

Concurrently, the bank developed and promoted the use of alternative distribution channels, including the most advanced technologies (the Internet, WAP, etc.). Modern distribution channels provided customers with a convenient, quick and inexpensive access to their accounts, and at the same time limited the labour consuming processing at the bank's end. The advantages of these channels are widely recognized, which is reflected in the increasing number of every-day transactions concluded by their means. Last year the number of telephone transactions increased sevenfold and the internet was used twelve times more often than the year before.

In order to build universal sales skills and ensure the highest quality service standards, throughout 2001 the branch staff servicing invidual customers underwent a series of intensive training sessions on products and advanced sales techniques.

Key Business *Developments*

Commercial and Corporate Banking

Last year's developments in commercial and corporate banking were strongly influenced by macroeconomic environment. Despite diminishing demand for loans and more rigid criteria of potential borrowers' assessment, the overall loan book grew by 6%.

Services to corporate customers are rendered through three centres: Poznań, Wrocław and Warsaw. Commercial loans (i.e. for small- and medium-sized companies) are sanctioned in these centres as well. The vast majority of personal loans are sanctioned by the Poznań-based Personal Credit Centre with the exception of student loans and loans for heat-insulating purposes ("thermoloans") which remain at branch directors' discretion.

In 2001, the bank launched several major initiatives to make the offer for small- and medium-sized businesses more attractive. One of them was the creation of a fund in conjunction with the Canadian-Polish Entrepreneurs Foundation, designed to guarantee loans for micro companies (with staff of up to 5 persons). The bank also established co-operation with European Bank for Reconstruction and Development for delivery of low interest bearing loans for commercial customers.

In the future, the bank will focus on enhancing effectiveness and quality of credit delivery processes through further centralisation. The main projects in this area will involve centralisation of vindication functions and extending the centralised loan sanctioning mechanism to cover loans for commercial customers up to PLN 500,000.

Investment Banking

Last year, Bank Zachodni WBK S.A. was successful on the local capital market. In a consortium the bank won a tender for advising the Ministry of Treasury in the process of preparing a prestigious public offer on behalf of Telekomunikacja Polska S.A. It also carried out an issue of municipal bonds for the city of Wrocław, acted as an advisor to The Ministry of Treasury in the privatisation in Dolna Odra, Kozienice and Ostrołęka power stations, designed the process of going public for two companies and prepared a number of analyses, strategies and reports for its customers. The bank also developed activities in the area of arranging and financing management buy-outs.

One of the most important lines of activity in the investment banking was development of new products and services to be included in the bank's offer and sales plans for this year.

In 2001, the bank created a subsidiary – BZ WBK Investment Sp. z o.o. – designed to trade in stakeholdings of commercial law companies and in other securities, search for investors for companies and provide councelling. Upon its foundation, the company's portfolio was composed of stakeholdings of more than 20 companies totalling approx. PLN 24.5 m.

Mortgage Banking

As expected, in 2001 mortgage banking business developed fast in Bank Zachodni WBK S.A. Throughout the year, the number of mortgage loans in the bank's portfolio doubled. High growth dynamics were likewise recorded in terms of value. At the end of 2001, the value of mortgage loan book amounted to PLN 632.6 m, increasing 113% on the previous year. Due to high sales results, the share of Bank Zachodni WBK S.A. in the growth of Polish banking system mortgage loan book reached about 5.7% last year.

Dynamic development of the bank's mortgage business can be ascribed to extended sales infrastructure as a result of the merger, wider use of external distribution channels and merits of a highly competitive offer. In 2001, the bank's offer was enhanced by various innovative solutions, many of which are pioneering on the Polish housing loan market, for example "Business Locum" loans for independent professionals, loans with fixed interest rate within 5 years, loans with combined fixed/floating interest rate, PLN/FX loans, etc.

The high quality of Bank Zachodni WBK S.A. mortgage loans portfolio is ensured due to the continuously improving credit risk management. The centralisation of the sanctioning process which was introduced last year for all the mortgage loans generated in the bank enhanced the quality even further.

We expect that the demand for mortgage loans will soar as a result of the commonly anticipated interest rate fall and the growing significance of this facility as a source of financing the housing needs.

Electronic Banking

In spite of strong competition, Bank Zachodni WBK S.A. remains one of the leaders in electronic banking. Last year, it strengthened its position through further infrastructure development, service processes improvement, offer enrichment and promotion campaigns.

The bank continues to set standards in the area of internet banking. Its share in this market segment reaches 31%. Out of 201,600 customers who had access to BZWBK24 electronic services as of the end of 2001 (61,300 customers at end of 2000) as many as 130,600 were registered as Internet banking users. The potential and high banking activity of this group was confirmed by the enormous increase in the number of transactions made through the Internet in 2001 – it was twelve times as large as in the previous year.

As a card issuer, Bank Zachodni WBK S.A. acquired 10% of the market. At the end of 2001 the number of valid cards held by the bank's customers exceeded 1,087,000 which represents a 9% increase on the previous year. The growth in the area of credit cards is particularly satisfactory. The number of credit cards increased three times and so did - at even greater rate - the volume and value of credit card-related transactions. In 2001, the bank's offer was enlarged with VISA Business Electron Card for small- and medium-sized enterprises and the Poland's first affinity card issued in co-operation with the University of Wrocław.

The bank continues to invest in the infrastructure, which makes the basis for further card business growth. At end of 2001 the bank had 557 ATMs (14% more than in 2000) and 6500 POS terminals (55% more than in 2000).

In September 2001, the Communication Centre was launched in Środa Wielkopolska. It performs operational functions on behalf of electronic banking, runs the help desk and info-line for the customers of electronic services. The plans for 2002 stipulate for further development of the centre's functionality by expanding information and sales services for customers.

Key Business *Developments*

Selected subsidiaries and affiliated companies

Dom Maklerski BZ WBK S.A. (brokerage house – consolidated company)

The merger of Dom Maklerski WBK S.A. and Dom Maklerski BZ S.A. was successfully accomplished on May 11, 2001. The merged entity is better positioned on the market and enjoys bigger competitive strengths. In 2001, the share turnover of Dom Maklerski BZ WBK S.A. on the Warsaw Stock Exchange amounted to PLN 2.4 bn which represents 3.9% of the market. Last year, Dom Maklerski BZ WBK S.A. turnover in futures contracts increased greatly and exceeded the pace of the futures market growth. Throughout 2001, the brokerage house managed to increase its respective market share from 6.9% to 8% and was consequently ranked the third in Poland, which earned it the award of the President of the Warsaw Stock Exchange. An increased turnover was also registered on the secondary bond market (19,6%) and totalled PLN 384.7 m. Bonds were in demand on the primary market as well, offering more attractive interest compared to alternative capital investment products and additional advantages under the anticipated tax law amendments. In 2001, Dom Maklerski BZ WBK S.A. sold PLN 604.7 m worth of bonds, i.e. 69% more than the previous year. The brokerage house was also very efficacious in collecting funds for ARKA investment funds and the amount of payments acquired through this channel totalled PLN 92 m. Despite the deteriorating conditions on the primary market, the brokerage house was quite active in the area of the capital market services. It handled 7 issues of shares with pre-emption rights on behalf of public companies and 5 issues without such rights. It also acted as an issuing house for several big Polish companies, arranged a couple of share sales offers and handled the allocation of the premium shares for PKN Orlen S.A.

WBK AIB S.A. Asset Management

At the end of 2001, the value of assets entrusted by customers to WBK AIB Asset Management totalled PLN 291m. Thanks to the top quality management, the long-term rates of return on the company's investment portfolios were one of the best on the market. As a party involved in development of the guaranteed "Euro Index" deposit, WBK AIB Asset Management contributed to the success of four issues of that product last year, gathering a total of PLN 306 m.

WBK AIB Towarzystwo Funduszy Inwestycyjnych (Investment Funds Corporation)

In 2001, assets of most investment funds went up. The largest growth was reported by retail funds, especially by "Arka Ochrona Kapitału" (Capital Protection) which increased its assets by PLN 120.4 m on the previous year. Systematic savings programs were the most popular with customers, in particular "Pewny Start Dziecka" (Secure Start for Your Child) within "Ochrona Kapitału" fund. One of the major achievements of the Investment Funds Corporation in 2001 was the successful tender for operating the General Pension Programme for one of the largest Polish companies and the signing of new asset management agreements with insurance companies. As of the end of 2001, total value of investment fund assets equalled PLN 153.6 m.

BZ WBK Finanse & Leasing S.A.

Due to the fast growing portfolio of leasing agreements, BZ WBK Finanse & Leasing S.A. reported profit after tax of PLN 1.5 m in 2001. As of the end of the previous year, the company leased PLN 286.6 m worth of assets and the value of its leasing agreements portfolio reached PLN 310.4 m. Balance sheet total of BZ WBK Finanse & Leasing S.A. increased by 108% (up to PLN 368,1 m) and sales revenues by nearly 157% (up to PLN 100.8 m) over 2001. Dynamic growth of the company is consequent upon a number of factors, the most important being enhanced effectiveness of the sales structures, product modifications and more efficient procedural solutions.

Main assumptions of Bank Zachodni WBK S.A.'s strategy

The authorities of Bank Zachodni WBK S.A. approved the strategy for 2002–2005. Its implementation should position the bank among the top banking institutions on the Polish market and produce added value for the shareholders. The strategy puts the customer at the heart of the bank's business and makes his needs the main driver of development projects. With the customer's interest and convenience in mind, bureaucratic procedures will be further curbed, credit decisions will be accelerated, more efficient process of issuing credit cards will be introduced, innovative products will be designed and launched, roles and responsibilities of sales staff will be redefined. Concurrently, the bank will heavily invest in training and professional advancement of the staff involved in building relations with customers. This is only a handful of initiatives, which are meant to distinguish Bank Zachodni WBK S.A. on the market by means of a highly professional service. The bank's services will stand out as unique due to skilful recognition of the customers' needs, maximum effort to fully satisfy them, utmost care about their financial interests, and cultivation of lasting relationship with customers.

In line with the new approach, the bank will focus on the upper mass retail segment and SME customers, yet it will not lose sight of the remaining customers. The new strategic orientation will allow rendering the highest possible quality of service to the target customers, as most of the endeavours and energy of the staff will be channelled into meeting their particular needs and expectations.

Excellent product offering, though very important, will merely make a supporting tool in realising the strategic objectives. It will be constantly upgraded with an emphasis on the selected product areas: mortgage loans, credit cards, leasing, investment funds and products for businesses. As a result of the strategic pursuit, towards the end of 2005 the bank should acquire 10% of the financial services market and secure a leading position in all the key product areas.

Development *of the Organization and Infrastructure*

Merger

The merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. was registered on June 13, 2001 and since June 25, 2001 Bank Zachodni WBK S.A. shares have been traded on the Warsaw Stock Exchange. Owing to a timely commencement of the integration process and a carefully designed plan, Bank Zachodni WBK S.A. began to operate as one organisation offering uniform range of products and services under the standardized terms and conditionspricing almost immediately after registration of the new bank. One of the most important integration projects - apart from the product offer harmonisation - was implementation of a single Head Office structure and its division into three centres: Wrocław, Poznań and Warsaw. The integration will be fully accomplished with the implementation of a new branch IT platform across the bank network.

General Shareholders' Meetings

Bank Zachodni S.A.: On April 3, 2001, the General Shareholders' Meeting of Bank Zachodni SA was held which approved the bank's financial statements for 2000 and the report of the Management Board on the bank's performance in 2000 along with Bank Zachodni S.A. Capital Group's consolidated financial statements and performance report for the same period. It also acknowledged the fulfilment of duties and responsibilities by the Supervisory Board and the Management Board in 2000, passed resolutions on changes to the composition of the Supervisory Board and on amendments to the Bank's Statutes.

Wielkopolski Bank Kredytowy S.A.: General Shareholders' Meeting of Wielkopolski Bank Kredytowy S.A. was held on April 4, 2001. The AGM accepted the bank's financial statements for 2000 and the report on its performance in 2000 along with Wielkopolski Bank Kredytowy S.A. Capital Group's consolidated financial statements and performance report for the same period, approved the 2000 profit distribution proposed by the Management Board, granted the Bank Council and the Management Board acknowledgement for fulfilling their duties and responsibilities in 2000 and endorsed amendments to the Bank's Statutes.

Extraordinary General Shareholders' Meeting

The Extraordinary General Shareholders' Meeting of Bank Zachodni WBK S.A. was convened on July 26, 2001. It passed amendments to the Bank's Statutes and changed the composition of the Supervisory Board.

On August 20, 2001, another Extraordinary General Shareholders' Meeting of Bank Zachodni WBK S.A. was held which passed a resolution on exchanging registered shares held by the State Treasury and former and present employees of Bank Zachodni WBK S.A. for bearer shares.

Supervisory Board of the bank

The Bank Council of **Wielkopolski Bank Kredytowy S.A.** consisted of the following members:

Marian Górski	Chairman of the Bank Council
David McCrossan	Deputy Chairman of the Bank Council
Michael Buckley	Member of the Bank Council
Waldemar Frąckowiak	Member of the Bank Council
Gary Kennedy	Member of the Bank Council
Franciszek Pospiech	Member of the Bank Council
Aleksander Szwarc	Member of the Bank Council
Andrzej Wierciński	Member of the Bank Council

Mandates of the Bank Council expired on June 13, 2001.

The supervisory Board of **Bank Zachodni S.A.** consisted of the following members:

Gary Kennedy	Chairman of the Supervisory Board
David McCrossan	Deputy Chairman of the Supervisory Board
Michael Buckley	Board Member
Gerry Byrne	Board Member
Józef Frąckowiak	Board Member
Marek Grzegorzewicz	Board Member
Robert Wrzesiński	Board Member

By force of resolutions passed by the General Meeting of Bank Zachodni S.A. Shareholders on April 3, 2001, Michael Buckley was recalled from his function as Supervisory Board Member and was replaced by Gerry Byrne. On July 26, 2001, the Extraordinary General Meeting of Bank Zachodni WBK S.A. Shareholders recalled Chairman Gary Kennedy and Deputy Chairman David McCrossan. The following p ns were then appointed to the Supervisory Board: Billy Andrews, Waldemar Frąckowiak, Marian Górski, Thomas P. Mulcahy, Aleksander Szwarc. Marian Górski was also elected Chairman.

Consequently, the composition of the Supervisory Board of **Bank Zachodni WBK S.A.** was as follows:

Marian Górski	Chairman of the Supervisory Board
Józef Frąckowiak	Deputy Chairman of the Supervisory Board
Billy Andrews	Board Member
Gerry Byrne	Board Member
Waldemar Frąckowiak	Board Member
Marek Grzegorzewicz	Board Member
Thomas P. Mulcahy	Board Member
Aleksander Szwarc	Board Member
Robert Wrzesiński	Board Member

Development *of the Organization and Infrastructure*

Managment Board

Management Board of Wielkopolski Bank Kredytowy S.A. consisted of the following persons:

Jacek Kseń	President
Cornelius O'Sullivan	First Vice President
Romuald Szeliga	Vice President
Declan Flynn	Board Member
Joanna Oświecimska	Board Member
Marcin Prell	Board Member

Term of office of the Management Board of Wielkopolski Bank Kredytowy S.A. expired on June 13, 2001.

Management Board of Bank Zachodni S.A. was composed of the following persons until June 13, 2001:

Aleksander Kompf	President
Richard William Horgan	First Vice President
Janusz Krawczyk	Board Member
Mateusz Morawiecki	Board Member
Jacek Sieniawski	Board Member

Management Board of Bank Zachodni WBK S.A.: Following the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A., the Supervisory Board with a permission from the Banking Supervision Commission, appointed Jacek Kseń to the position of President of Bank Zachodni WBK S.A. Management Board.

On the President's motion, the Supervisory Board appointed the following persons to the Bank's Management Board:

Richard William Horgan	First Vice President
Aleksander Kompf	Vice President
Tadeusz Figiel	Board Member
Declan Flynn	Board Member
Michael Keegan	Board Member
Janusz Krawczyk	Board Member
Justyn Konieczny	Board Member
Jędrzej Marciniak	Board Member
Mateusz Morawiecki	Board Member
John Moyney	Board Member
Dorota Poniatowska–Mańczak	Board Member
Jacek Sieniawski	Board Member
Romuald Szeliga	Board Member

On July 25, 2001, the Supervisory Board of Bank Zachodni WBK S.A. accepted resignation of John Moyney and recalled him from the Management Board of Bank Zachodni WBK S.A. The Supervisory Board also appointed Maciej Węgrzyński Member of the Bank's Management Board.

Shares held by the Management Board and Supervisory Board of Bank Zachodni WBK S.A.:

	As at 25-06-2001	Face value in PLN	As at 31-12-2001	Face value in PLN
Managment Board of Bank Zachodni WBK S.A.				
Tadeusz Figiel	–	–	–	–
Declan Flynn	–	–	–	–
Richard William Horgan	–	–	–	–
Michael Keegan	–	–	–	–
Aleksander Kompf	3 107	31 070	3 107	31 070
Justyn Konieczny	–	–	–	–
Janusz Krawczyk	–	–	–	–
Jacek Kseń	232	2 320	232	2 320
Jędrzej Marciniak	108	1 080	108	1 080
Mateusz Morawiecki	–	–	–	–
Dorota Poniatowska-Mańczak	–	–	–	–
Jacek Sieniawski	1 160	11 600	1 160	11 600
Romuald Szeliga	–	–	–	–
Maciej Węgrzyński	–	–	–	–
Supervisory Board of Bank Zachodni WBK S.A.				
Billy Andrews	–	–	–	–
Gerry Byrne	–	–	–	–
Józef Frąckowiak	–	–	–	–
Waldemar Frąckowiak	–	–	278	2 780
Marian Górski	–	–	52	520
Marek Grzegorzewicz	–	–	–	–
Thomas P. Mulcahy	–	–	–	–
Aleksander Szwarc	–	–	–	–
Robert Wrzesiński	–	–	–	–

Development of the Organization and Infrastructure

Human Resources

Employment level and structure

The changes effected last year as part of the merger and development projects were closely co-ordinated with the HR and training initiatives. Parallel to the merger of both banks and preparation of the branches to operate within the new, ICBS-compliant branch model, the employment restructuring was carried out. As a result of the process, a considerable number of employees took up other roles or were re-deployed in other units of the Capital Group. In the areas where the excessive manpower could not be fully utilised, staff reductions took place. At the end of 2001, the number of positions filled in Bank Zachodni WBK S.A. Capital Group stood at the level of 10 020, i.e. by 1,650 less than in the corresponding period of the previous year. Out of that number, over 200 posts were allocated to the B1 Programme (dealing with ICBS implementation), which was expanding its headcount throughout 2001, and almost 90 posts were occupied at the Communication Centre established in Środa Wielkopolska last September.

Training

In 2001, Bank Zachodni WBK intensively invested in training, regarding professional staff development as one of the most important methods of improving the bank's service level and an effective incentive for the staff. During 2001, the bank organized training courses for over 10,000 participants, which entailed costs approx. of PLN 14 m. An overwhelming majority of these training initiatives were addressed at the branch employees. They were developing their knowledge of the harmonised offering and procedures, specialist products, credit analysis, sales techniques and other areas. Particular emphasis was put on development of the employees' sales skills. In order to increase effectiveness of respective training courses, they were run for individual groups of salesforce, i.e. for personal, business and corporate sales representatives, which allowed to adjust the content and sales techniques to the needs of each audience.

2001 was the first year when the bank's internal resources were used for training purposes on such a large scale. Under the "Internal Trainer" project, employees from the branches and the Head Office were identified, who besides their usual roles, declared readiness to train other employees and improve their trainer skills in terms of expertise and educational technology.

Capital Expenditure

Level and structure of investments

In 2001, capital expenditure of Bank Zachodni WBK S.A. totalled PLN 451.0 m. The major element of that figure was IT spend which amounted to PLN 327.8 m. PLN 211.5 m was expended on the B1 Programme, i.e. investments connected with implementation of a centralised branch system (New Branch Model, IT audit in the branch network, etc.). Significant portion of IT funds was allocated to development of electronic banking, particularly to the projects of harmonisation and expansion of services, and to the launching of the Communication Centre in Środa Wielkopolska.

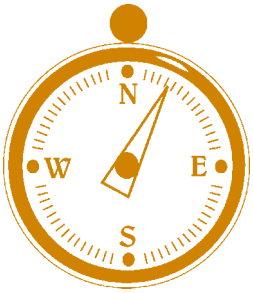
Investments in real estate and fixed assets absorbed PLN 123.2 m. Most of contributors here involved development of the branch network, construction of the Data Centre in Wrocław and adaptation of the new Bank Zachodni WBK S.A. Head Office premises in the Poznań Financial Centre as well as the Królewska Centre offices accommodating the bank's Warsaw-based units.

Capital expenditure of Dom Maklerski BZ WBK S.A. amounted to PLN 2.8 m.

B1 Programme

2001 was another year of intensive work for the B1 Programme whose purpose is to deliver a centralised branch system (ICBS) across the Bank Zachodni WBK S.A. network. The year ended in a major B1 success: two pilot branches were successfully converted to the new system. After successful conversion of the subsequent pilots, the system will be rolled out across the network. The roll-out is scheduled to begin in the second quarter of this year and will continue through the first half of 2003. Owing to the conscientious preparatory work, the rollout will not cause any inconvenience for the branch customers.

The new system is not only an effective IT tool, it implies new processes and procedures as well as different job roles and scope of responsibilities in the branches. The system will introduce and maintain a customer and sales-oriented culture in the bank, and will rationalise branch business activities. The modern, ICBS operating branches of Bank Zachodni WBK S.A. will be able to meet the growing customer needs now and in the future, and will have a potential for further development.



Management

of Key Risk Areas

Management *of Key Risk Areas*

Capital Management

Bank Zachodni WBK S.A.'s policy is to maintain strong capital base and to utilise it effectively for the benefit of its shareholders. At end of December 2001, the bank's capital resources amounted to PLN 2,159.5 m. Assuming further stable development of its activities, Bank Zachodni WBK S.A. plans to maintain the existing proportion of earnings allocated for capital increases (i.e. c. 80% of profit after tax). As of the end of 2001, the bank's capital adequacy ratio was 13.14 %.

Asset and Liability Management

The main objective of asset and liability management is the profitable development of the bank's risk-taking activities within prudential parameters. Risk management in the bank is conducted within the boundaries set by AIB Group and covers three major risk areas: market risk, credit risk, liquidity risk.

The bank's Management Board is ultimately responsible for risk management and has delegated authority to two high level committees: the Asset and Liability Committee and the Credit Committee. The two committees manage their relevant risk areas, monitor the bank's risk profile on an on-going basis and map out current policies within the framework set by the Management Board.

Credit Risk Management

The lending activity of Bank Zachodni WBK S.A. was focused on growing its portfolio in a way which would ensure high quality, good profitability and customer satisfaction.

Key sources of credit risk

The bank's credit risk stems primarily from its lending activities on retail, corporate and interbank markets. It is managed within the lending policy framework set by the Management Board through a system of delegated discretionary limits which reflect the knowledge and experience of individual managers. The bank operates an internal credit grading system which provides easy warning of emerging threats to the loan portfolio quality.

Market Risk

Both the policy and practice of Bank Zachodni WBK S.A.'s market risk management is in line with the following three rules:

- key issues related to market risk management have to be approved by the Management Board
- the market risk management function is centralised in the Bank's Treasury
- market risk is measured and monitored by people other than those who conduct relevant transactions.

Liquidity Risk

Bank Zachodni WBK S.A.'s liquidity policy defines the minimum percentage of liquid assets (both zloty and foreign exchange-denominated) in total assets. The responsibility for ongoing compliance with the policy resides with the Bank's Treasury. The bank's Asset and Liability Management Committee (ALCO) monitors the Bank's performance at monthly meetings. All deviations and their reasons are presented to the Management Board.

Operational Risk

Adhering to respective AIB principles, Bank Zachodni WBK S.A. put in place a clear-cut system of identifying, monitoring and reporting operational risk. The main tool used for preventing potential threats and alleviating the effects of their occurrence is a self-assessment procedure which aims to identify and evaluate the risks involved in all the banking processes as performed across the organisation. Owing to this procedure, the Management is well-positioned to focus attention on the most important risks.

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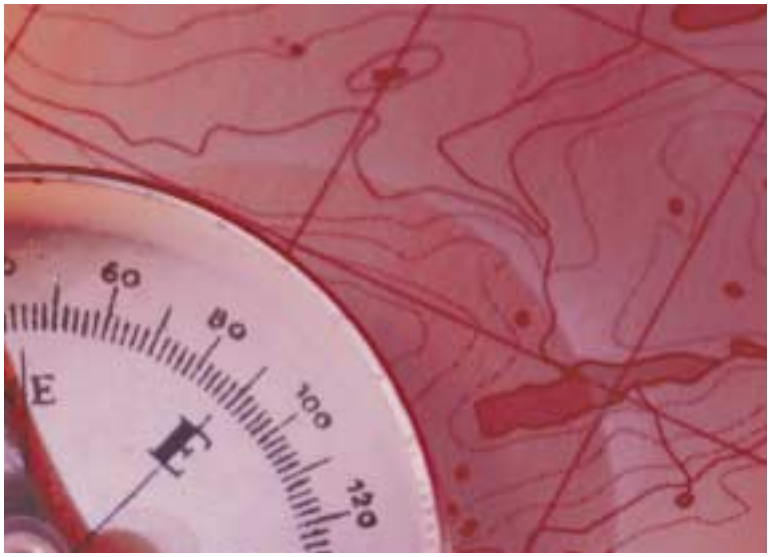
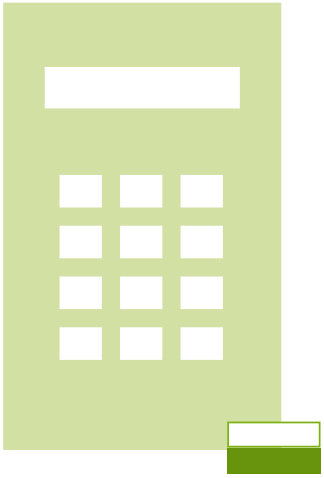




Consolidated

Financial Statements

in accordance with Polish Accounting Standards

Registered auditor's opinion to the Shareholders of Bank Zachodni WBK S.A.

We have audited the consolidated financial statements of Bank Zachodni WBK S.A. Group (hereinafter called "the Group"), which are attached to this opinion and comprise:

- the introduction;
- the consolidated balance sheet as at 31 December 2001, showing total assets and total liabilities and equity of PLN 24,788,308 thousand;
- the consolidated income statement for the year ended 31 December 2001, showing a net profit of PLN 148,509 thousand;
- the cash flow statement for the year ended 31 December 2001, showing an increase in cash and cash equivalents of PLN 476,384 thousand;
- the schedule of changes in equity showing as at 31 December 2001 equity of PLN 2,154,432 thousand;
- the schedule of off-balance sheet items totalling PLN 58,870,475 thousand;
- the notes to the financial statements;

and the consolidation schedules forming the basis of their preparation.

The preparation of the consolidated financial statements and the Directors' Report in compliance with binding regulations is the responsibility of the Management Board of the parent company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the following regulations applicable in the Republic of Poland:

- the provisions of the Accounting Act of 29 September 1994 (Journal of Laws No. 121/591 with subsequent amendments);
- auditing standards issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the consolidated financial statements are free of material misstatements or omissions. The audit included examining, on a test basis, accounting documents and entries, confirming the amounts and disclosures in the consolidated financial statements. The audit also included an assessment of the accounting policies employed by the Group and consideration of significant estimates made during the preparation of the consolidated financial statements. Our audit also included a review of the overall presentation of the consolidated financial statements. We believe that our audit provided a reasonable basis for our audit opinion.

The consolidation schedules and consolidated financial statements were prepared on the basis of the financial statements of the entities forming the Group, with the application of uniform accounting policies and valuation methods. The accounting period of the consolidated subsidiary company is coterminous with the accounting period of the parent entity Bank Zachodni WBK S.A.

The information presented in the Directors' Report for the year ended 31 December 2001 is consistent with the information presented in the audited consolidated financial statements.

The consolidated financial statements as at 31 December 2001 are the first annual financial statements to have been prepared by the Group after the merger of Bank Zachodni S.A. (BZ S.A.) and Wielkopolski Bank Kredytowy S.A. (WBK S.A.) and the merger of Dom Maklerski BZ S.A. (DM BZ) and Dom Maklerski WBK SA (DM WBK). The 6th Business Department of the National Court Register at the District Court for Wrocław-Fabryczna registered the merger of BZ S.A. and WBK S.A. on 13 June 2001. The 21st Business Department of the National Court Register at the District Court for Poznań, registered the merger of DM BZ and DM WBK on 11 May 2001.

Therefore, the comparative data for the period to 31 December 2000, presented in the consolidated financial statements of Bank Zachodni WBK S.A. for the period to 31 December 2001, have been prepared on the basis of the consolidated financial statements of both merged Banks for the period to 31 December 2000. On 19 February 2001 we issued registered auditor's opinions on the consolidated financial statements of WBK S.A. for the period to 31 December 2000 and the consolidated financial statements of BZ S.A. for the period to 31 December 2000.

In our opinion the attached consolidated financial statements in all material respects:

- have been prepared on the basis of properly maintained consolidation schedules and in accordance with the consistently applied provisions of the Accounting Act, Resolution No. 1/98 of the Banking Supervision Committee on specific accounting policies for banks and the preparation of notes to financial statements, Resolution No. 2/98 of the Banking Supervision Committee on specific principles for the preparation of consolidated financial statements by banks, the Decree of the Council of Ministers of 16 October 2001 on the type, format, scope and timing of current and periodical information published by issuers of securities admitted to public trading and the relevant interpretations of the said Decree made by the Polish Securities Commission,

- comply in their form and contents with the relevant laws binding the Group,

- give a true, fair and clear view, of the Group's financial position as at 31 December 2001 and the results of its operations for the year then ended.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Adam Celiński
Member of the Management Board
Registered Auditor
No. 90033/7039

PricewaterhouseCoopers Sp. z o.o.
Registered Audit Company
No. 144

Warsaw, 5 March 2002

Introduction

Operations of Bank Zachodni WBK S.A. Group

Bank Zachodni WBK S.A. is the dominant entity of the Bank Zachodni WBK Group. In the consolidated financial statements, Dom Maklerski BZ WBK S.A. is consolidated under an acquisition accounting method. Other BZ WBK Group companies, which were not consolidated in the presented financial statements, are listed in the further part of Introduction.

Operations of the dominant entity - Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. was established following the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy on 13 June 2001.

On that day, the District Court for Wrocław – Fabryczna, the 6th Economic Unit of the Domestic Court Registry registered the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A., and the District Court in Poznań, the Economic Unit of the Domestic Court Registry deleted Wielkopolski Bank Kredytowy S.A from the Domestic Court Registry.

Bank Zachodni WBK S.A. was registered by the District Court for Wrocław – Fabryczna, the 6th Economic Unit of the Domestic Court Registry in the register of business entities under no. KRS 8723 run in w Domestic Court Registry.

The Bank's registered office is in Wrocław and the Bank's name reads "Bank Zachodni WBK Spółka Akcyjna".

Bank Zachodni WBK S.A. was assigned the identification number REGON 930041341, which, amongst other, implies the following information: Specific legal form: 16 Joint Stock Companies, Type of business according to Polish Business Classification (PKD) 6512A - "Other banking operations", industry: banking.

The share capital of Bank Zachodni WBK S.A. totals PLN 729.603k.

Bank Zachodni WBK S.A. is a universal commercial bank offering a wide range of bank services nationally as well as internationally for private individuals and businesses.

The business of Bank Zachodni WBK S.A., in line with the Statutes, comprises the following bank activities:

- accepting money deposits payable on demand or at a due date as well as operating accounts for these deposits, including accepting and depositing cash in domestic and foreign banks,
- operating other bank accounts,
- granting loans,
- granting bank guarantees,
- issuing banking securities,
- performing of financial settlements,
- granting cash advances,
- performing cheque and bill of exchange operations,
- issuing payment cards and processing card operations,
- performing term financial operations,
- trading in receivables,
- safekeeping of objects and securities as well as providing access to safe deposit-boxes,
- foreign currency operations,
- granting guarantees,
- performing operations related to the issue of securities,
- acting as the representative of bond holders.

Other operations of the Bank, which are non-banking activities, include:

- taking up or acquiring shares and units in funds in accordance with the principles specified by the Banking Law act,
- incurring liabilities related to the issue of securities,
- trading in securities,
- performing swaps of debts into other elements of the debtor's assets,
- acquiring and disposing real estates and debts secured by a mortgage,
- providing consultancy and advisory services in relation to financial matters,
- providing other financial services including:
  - operating securities accounts,
  - providing agency and co-operation in receiving loans and advances,
  - performing collection activities on the basis of documents confirming the existence of cash receivables,
  - concluding and delivering agreements with businesses, including foreign ones, on agency on lodgements to bank accounts,
  - financial and operational participation in international projects and undertakings,
  - performing trust activities,
  - providing leasing, factoring, forfeiting, franchising services as well stand-by and firm commitment underwriting,
  - trading in transferable property rights from securities and in transferable property rights, the price of which directly or indirectly depends on the price of securities (derivative rights),
  - performing activities, as requested by the Minister of Treasury and set forth in the Act of 30.08.1996 on commercialisation and privatisation of state-owned enterprises,
  - accepting the management of shares held by the Treasury of State,
- providing sales-related services for pension funds,
- performing the function of a custodian as specified in regulations on organisation and functioning of pensions funds,
- performing the function of a custodian as specified in regulations on organisation and functioning of investment funds,
- agency in selling insurance, lease and pension products, units in funds and certificates of investment funds.

The Bank can also perform, upon the request of other banks, the specific operations, mentioned above, when these operations fall within the scope of activities of those banks. In the course of its operations, Bank Zachodni WBK S.A. can co-operate with domestic, foreign and international banks and financial institutions as well as provide services in the area of cash transportation.

The Bank may establish or join clearing chambers in the form of commercial law companies with a view to exchanging payment orders and defining mutual receivables arising from these orders. If a specific regulation requires that a relevant consent needs to be obtained to perform these activities, it must be obtained prior to performing these activities.

Operations of Dom Maklerski WBK S.A.

Dom Maklerski WBK S.A. was established following the merger of Dom Maklerski WBK S.A. and Dom Maklerski BZ S.A. on 11 May 2001. On the same day, it was registered in the Domestic Court Registry by the District Court in Poznań under no. KRS 6408 in the 21 Economic Unit of the Domestic Court Registry and Dom Maklerski Bank Zachodni S.A. was deleted from Businesses Register on 12 September 2001.

On 10 August 2001, the merged Dom Maklerski WBK SA was registered as Dom Maklerski BZ WBK S.A.

The share capital of Dom Maklerski BZ WBK S.A. in Poznań totals PLN 66.681k.

Dom Maklerski BZ WBK S.A. was assigned the identification no. REGON: 639631042. Its specific legal form is: 16 Joint Stock Companies, Type of business according to Polish Business Classification (PKD) 6712Z - "Brokerage activity and fund management".

According to the decision of the Securities and Exchanges Commission (KPWiG – 4021-9/2001), the Management Board of Centralna Tabela Ofert S.A. and Statutes, Dom Maklerski BZ WBK S.A. performs the following services:

- offering securities in primary trading or initial public offer (IPO);
- buying or selling securities on behalf of customers (brokerage services);
- proprietary trading in securities in order progress tasks related to the organization of the regulated market;
- operating securities accounts and securities-related accounts;
- undertaking actual and legal actions aimed at the take or purchase by a customer of securities which are not admitted to the public trading;
- undertaking actions related to servicing trust funds, pension funds as well as investment funds;
- undertaking actions in the CTO market – regulated off stock exchange trading.

Description of accounting principles adopted for preparation of Financial Statements of Bank Zachodni WBK Group

Legal basis underlying the consolidated financial statements of Bank Zachodni WBK

The Bank operates in line with the Banking Law Act, Commercial Companies Code, Accounting Act and other regulations of Polish law. The Bank Statutes provide the basis for internal regulations.

The consolidated financial statements for 2001 were prepared based on consistently maintained documentation, application of accounting principles and policies, relating to the valuation of assets and liabilities and the determination of the financial result, as defined in the following legal acts:

- Accounting Act, dated 29 September 1994 (Journal of Laws no. 121, item 591 with subsequent amendments),
- Banking Law Act, dated 29 August 1997 (Journal of Laws no. 140, item 939 with subsequent amendments),
- Corporate Income Tax Act, dated 15 February 1992 (Journal of Laws no. 106, item 482 with subsequent amendments),
- Ordinance of the Cabinet, dated 16 October 2001, with regard to current and periodic reports submitted by the issuers of quoted securities (Journal of Laws No. 139 item 1569),
- Ordinance of the Minister of Finance, dated 15 June 1999, on special accounting principles to be applied by brokerages and organisational units of banks in which the brokerage activity is conducted.
- Ordinance of the Minister of Finance, dated 19 November 1999, on defining more rigid criteria than those specified in the Accounting act in relation to issuers of quoted securities and issuers of securities applying for their admission to public trading,
- Ordinance of the Minister of Finance, dated 19 November 1999, on additional information in financial statements of banks and in consolidated financial statements of banks with regard to entities which are issuers of securities admitted to public trading or issuers of securities applying for admitting to public trading,
- Resolution of the Banking Supervision Commission no. 1/98, dated 3 June 1998, on special accounting principles to be applied in banks and on the preparation of notes to the financial statements (Journal of the NBP no. 14, item 27),
- Resolution no. 8/99 of the Banking Supervision Commission, dated 22 December 1999, on principles for the creation of provisions for banking risk (Journal of the NBP no. 26, item 43).

Consolidated *Financial Statements*

in accordance with Polish Accounting Standards

The consolidated financial statements of Bank Zachodni WBK S.A. for 2001 represent the first consolidated annual report for the Bank published after the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. on 13 June 2001 and following the combination of DM BZ S.A. and DM WBK S.A. on 11 May 2001. The merger was conducted in accordance with the British GAAP rules, particularly with FRS 6 and reflected in the financial statements of Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A. for the year ended 31 December 2001.

Financial statements of Bank Zachodni WBK are based on the going concern i.e. the assumption that the bank will continue its business operations and there are no circumstances which would indicate a threat to their continuation.

The presented comparative figures for 2000 are „pro forma" figures determined in line with the principles set out in item 19 and 22 of Additional Notes to the SAB-RS 2001 Report.

Principles of asset and liability valuation as well as determination of the financial result in Bank Zachodni WBK S.A. Group

Pursuant to the above regulations, Bank Zachodni WBK Group applies the following principles for asset and liability valuation as well as determination of the financial result:

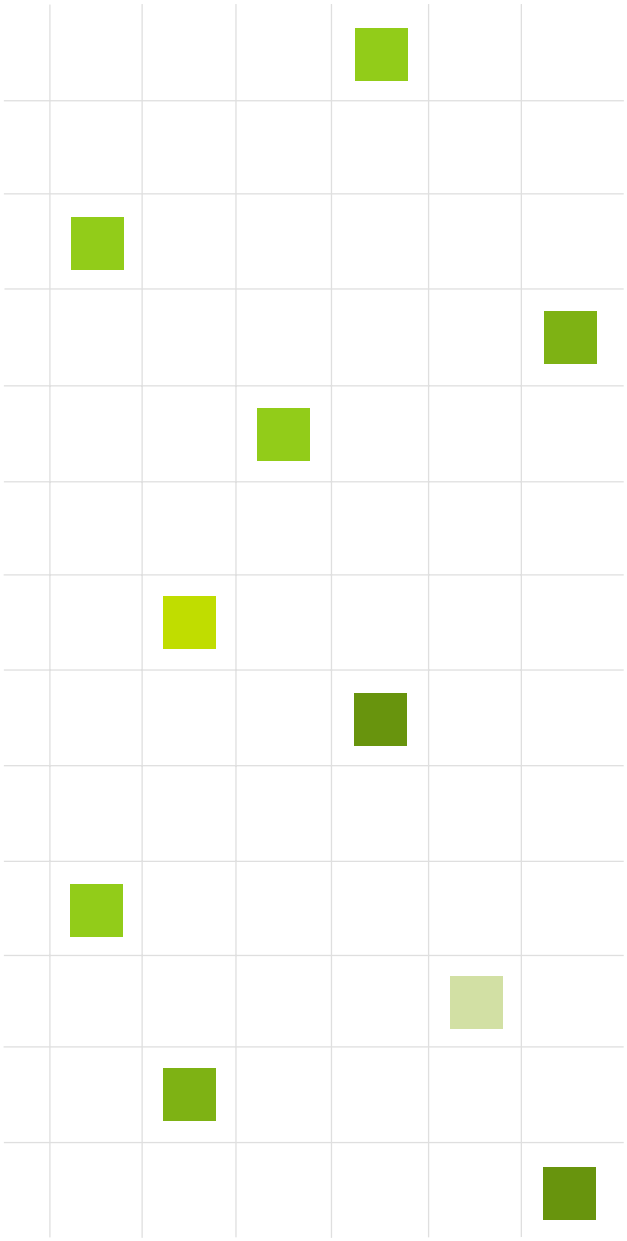
- Amounts due from financial, non financial and public sectors are presented in the financial statements at their net value, i.e. in the nominal value increased by due and accrued interest and decreased by specific provisions raised for receivables.
- Debt securities held for trading are shown in the balance sheet according to their purchase price adjusted by accrued interest, the discount and the premium, however, not higher than the net sale price. When the value determined in such a way is higher than the net sale price, the difference is taken to the costs of financial operations. Debt securities held for investment are shown in the Bank's accounting records according to their purchase price adjusted by accrued interest, the discount and the premium, and net of provisions for permanent loss of value.

  Equity shares held for trading, are shown in the balance sheet at their purchase price, however not higher than their net sale price. In case the net sale price is lower than the purchase price, the difference is incorporated into costs of financial operations.

  Equity shares purchased and classified as investments are shown according to their purchase price and net of provisions for permanent loss of their value.

  Shares and interests with unlimited marketability, unlisted and not being subject to regulated off-stock exchange trading were valued according to the purchase value less created provisions.

  In Dom Maklerski BZ WBK S.A., transactions in securities are presented using a method of profit or loss on sale.
- Units in trust funds are disclosed at their purchase price adjusted for provisions due to permanent loss of value.
- Fixed and intangible assets are shown at their purchase price, which comprises the amount due to the vendor and other costs directly related to the purchase, after adjustments of depreciation charges calculated under a straight line method according to rates defined in the Bank Zachodni WBK depreciation plan for 2001. The rates take account of the planned economic life and technological wear and tear. Depreciation/amortisation relating to liquidated, sold or donated fixed and intangible assets is disclosed as other operating costs.
- Goodwill represents the difference between the purchase price and the market value of purchased banking enterprise and the bank's branches. In line with PAR, goodwill is taken to intangibles, and amortised over the period of five years according to a straight line method.
- Debt / assets swaps are disclosed at the value of the debt for which the assets were taken over. Some of the items are valued in line with § 28 sec. 1 point 5 of Resolution no. 1 of the Banking Supervision Commission, dated 3 June 1998. A specific provision is raised for the difference between the amount of the debt and the value set in line with the regulations referred to above.
- Liabilities, including funds in banking accounts, are shown in the amount due to be paid, including accrued interest.



- Assets and liabilities representing balance sheet and off balance sheet f/x items are shown in PLN, translated according to the average exchange rate for each currency set by the Governor of the National Bank of Poland, (NBP) applicable on the last business day of the accounting period.
- Interest income and expense are presented in the P&L Account on an accrual basis, i.e. showing all income (except for interest due and accrued on problem receivables, capitalised interest and interest received in advance) and incurred costs (interest due and accrued in the period to which they relate), irrespective of their payment date.
- Commissions comprising income on granting loans, advances and guarantees are taken to profit of the accounting period when that loan or a guarantee was granted, except for loans fulfilling the following conditions: the minimum loan amount is PLN 1 million and the repayment period is longer than 12 months. The commission on these loans is taken to the financial result over the period of the actual loan.
- The result on f/x SWAPs is disclosed in the item 'Profit on financial operations', however, the result from zloty operations is shown under 'Net interest income'. F/X SWAPS were valued in such a way that their forward leg reflects the market value, while the spot leg is revalued in line with the fixing rate as at 31 December 2001; the value shown in the profit and loss account is the total of these revaluations less accrued SWAP points.
- Specific provisions for receivables categorised as regular - in respect of personal consumer loans (except for home loans), as 'watch' and problem ones, as well as for off balance sheet liabilities committed, are created in line with the Resolution of the Banking Supervision Commission no. 8/99, dated 22 December 1999.
- Provision for general risk is charged to costs of the current year in order to cover risks related to the banking operations, pursuant to art. 130 of the Banking Law, dated 29 August 1997.
- The provision for corporate income tax is created for timing tax differences related to the recognition of income and cost in different periods in line with the Accounting Act and the binding tax regulations.
- The taxation charge represents corporate income tax liability arising from the CIT declaration and adjusted by and by the provision for deferred tax (asset).

  As regards the calculation of deferred tax provision and assets, the Bank applies the following policy:

  provision for deferred tax comprises all revenues which will be subject to tax in the future and which, in compliance with the binding accounting principles, have been taken to the financial result of the current accounting period, including in the financial statements deferred tax assets only in relation to those P&L items, which most likely will be subject to tax in the future.
- Merger costs of WBK S.A. and BZ S.A. were shown in the books of the merged Bank Zachodni WBK S.A. at historical value and they were all charged to costs of banking operations.

  Similarly to this, merger costs of brokerage houses were charged to profit and loss account of merged Dom Maklerski WBK S.A.

Information, which is included in the consolidated annual report for 2001, was prepared in compliance with the Group principles of asset and liability valuation and determination of the financial result as at the day of producing the statements. It also takes account of adjustments relating to provisions, a temporary provision for deferred tax and revaluation charges.

In 2001, Bank Zachodni WBK Group earned the profit of PLN 148,509k. The difference between the profit earned by the Group and Bank Zachodni WBK S.A. in the amount of PLN 2,889k results from:
adjustment of the net profit of Dom Maklerski BZ WBK S.A. by the elimination of goodwill presented in the balance sheet of Dom Maklerski BZ WBK S.A. (which arose at the moment of selling the Central Brokerage Office by WBK S.A. to Dom Maklerski WBK S.A. company) – PLN 4,664k.

Consolidation adjustments in amount PLN (3,357)k, which aimed to:

- elimination of dividend received from Dom Maklerski BZ WBK S.A. – PLN (2,842)k,
- total write-off of goodwill arising on consolidation – PLN (1,959)k,
- adjustment of intangible assets due to purchase of GBH S.A. – PLN 1,444k.

The annual consolidated financial statements present data of Bank Zachodni WBK Group, which includes: Bank Zachodni WBK S.A. – the dominant entity and Dom Maklerski BZ WBK S.A. – an entity consolidated under the acquisition accounting method.

Financial figures presented in non-consolidated balance sheet and income statement of Bank Zachodni WBK S.A. for the audited period arose from combining the balance sheets of Wielkopolski Bank Kredytowy S.A. and Bank Zachodni S.A. as at 13 June 2001, adding data included in the income statement of Wielkopolski Bank Kredytowy S.A. for the period from 1 January to 13 June 2001 to the data included in the income statement of Bank Zachodni S.A. and making necessary adjustments aimed at excluding inter-company transactions and standarizing the manner of presenting financial statements. Financial figures presented in non-consolidated balance sheet and income statement of Dom Maklerski BZ WBK S.A. for the audited period arose from combining the balance sheets of Dom Maklerski BZ S.A. and Dom Maklerski WBK S.A. as at 11 May 2001, adding the data included in the income statement of Dom Maklerski BZ S.A. for the period from 1 January to 11 May 2001 to the data included in the income statement of Dom Maklerski WBK S.A. and making necessary adjustments aimed at excluding inter-company transactions and standarizing the manner of presenting financial statements.

Comparative data for the accounting year beginning from 1 January and ending 31 December 2000 (in the further part of the report referred to as pro forma data) arose from combining the data included the balance sheets of Wielkopolski Bank Kredytowy Group and Bank Zachodni Group produced as at 31 December 2000 and data included in the income statements of these Groups for the period of 12 months ended 31 December 2000. Then, the necessary adjustments were made aimed at excluding inter-company transactions and standarizing the manner of presenting financial statements.

In 2000 Gliwicki Bank Handlowy S.A. was consolidated under the acquisition accounting method. The banking enterprise of GBH S.A. was bought in the second half of 2000 by Wielkopolski Bank Kredytowy S.A. Including a group of assets and liabilities of a banking enterprise acquired from GBH S.A. accounts for the fact that the financial data presented in the 2001 consolidated financial statements for Bank Zachodni WBK are fully comparative with the previous period.

On the basis of Accounting Act dated 29 September 1994, Resolution of the Banking Supervision Commission no. 2/98 dated 3 June 1998 and Ordinance of the Minister of Finance dated 19 November 1999, in the consolidated financial statements the following subsidiaries and affiliates are not included due to the not significant individual financial data, resulting from financial statements of the subsidiaries and affiliates in comparison to the values achieved by Bank Zachodni WBK S.A. in year 2001:

total assets as at 31.12.2001	PLN	24 829 405k,
interest income for the period 1.01-31.12.2001	PLN	2 649 628k.

Detailed information on companies excluded from consolidation is presented in the table below:

in PLNk	Percentage of owned share capital	Total Assets	Share in the total assets of Bank Zachodni WBK S.A.	Income from sale of services and financial income	Share in the income of the Bank Zachodni WBK S.A.
Subsidiaries of Bank Zachodni WBK S.A.					
WBK Finanse & Leasing S.A.❖	99.99	369 875	1.490%	100 752	0.040%
WBK Nieruchomości S.A.	99.99	298	0.001%	1 068	0.040%
Gliwicki Bank Handlowy S.A.	97.29	24 081	0.097%	2 815	0.106%
Brytyjsko-Polskie Towarzystwo Finansowe WBK - CU Sp. z o.o.	60.00	1 354	0.005%	7 324	0.276%
AIB WBK Fund Management Sp. z o.o	54.00	9 952	0.040%	16 925	0.639%
Projekty Bankowe Polsoft Sp. z o.o.	51.00	7 313	0.029%	26 050	0.983%
WBK Nieruchomości i Wspólnicy Sp. Komandytowa	99.99	158 033	0.636%	19 110	0.721%
Gospodarstwo Rolne Cisy Sp. z o.o. in liquidation	100.00	60	0.000%	–	–
BZ WBK Inwestycje Sp. z o.o.◆	100.00	5 322	0.021%	–	–
Associates of Bank Zachodni WBK S.A.					
WBK AIB Asset Management S.A.	50.00	14 351	0.058%	5 525	0.209%
eCard S.A.	28.57	4 307	0.017%	1 777	0.067%
NIF Magna Polonia S.A.●	21.57	212 109	0.854%	-7	0.000%
WESTFUND Ltd.■	33.70	8 153	0.033%	645	0.024%
Kanwig Trading Żurawica Sp. z o.o. in liquidation*	77.00	–	–	–	–
Kanwig Agencja Celna Sp. z o.o. in liquidation*	49.00	–	–	–	–
POLFUND – Loan Guarantee Fund▼	50.00	–	–	–	–
LZPS PROTEKTOR S.A.●	21.80	31 877	0.128%	35 142	1.326%

■ data according to the average rate of the National Bank of Poland; GBP as at 29 June 2001- 5.6062PLN.
▼ data for the above-mentioned company for 2001 will be shown jointly with data for 2002
◆ the company was established in October 2001, there was no financial income and income from sales.
● data as at the end of September 2001.
* data as at the end of 1999.
❖ data as at the end of November 2001.

The total of assets, income from sale of products and financial operations of non consolidated units does not exceed 20% of individual values of financial statement which are: total assets in amount PLN 25,676,490k and total income from sale and income on financial operations in the amount PLN 2 866 754k, calculated at the assumption that all subsidiaries and associates are included without any eliminations.

Principles of PLN conversion into EURO

Financial data in relation to individual items of the consolidated financial statements of Bank Zachodni WBK for 2001 were converted into EURO according to the following rules:

Selected balance sheet data and the book value per share – according to the EURO average rate translated into zloty and announced by the NBP as on the balance sheet date – 3.5219.

Selected P&L account data for 2001 - according to the exchange rate calculated as the arithmetic mean of exchange rates on the days at the end of each month in 2001 – 3.6509.

The EURO rate on the days at the end of each month in 2001 and 2000 was as follows:

Month	Rate of EURO in PLN		Month	Rate of EURO in PLN	
	2001	2000		2001	2000
January	3.8015	4.1250	July	3.7110	4.0108
February	3.7535	4.0514	August	3.8843	3.9157
March	3.6170	3.9167	September	3.8810	3.9960
April	3.5364	4.0226	October	3.7069	3.9325
May	3.3969	4.0894	November	3.6223	3.8824
June	3.3783	4.2075	December	3.5219	3.8544

In individual months, the average EURO rates according to the NBP were as follows:

Month	Highest EURO rate in PLN		Lowest EURO rate in PLN	
	2001	2000	2001	2000
January	3.9189	4.2797	3.7854	4.1034
February	3.8336	4.1357	3.7342	4.0430
March	3.7435	4.0259	3.6170	3.8961
April	3.6563	4.1017	3.5302	3.9275
May	3.5313	4.1797	3.3969	3.9972
June	3.4190	4.2389	3.3564	4.0799
July	3.8702	4.1533	3.3798	4.0050
August	3.9455	4.0291	3.6912	3.8806
September	3.9569	4.0355	3.7682	3.8193
October	3.8704	4.0573	3.6664	3.8565
November	3.7069	3.9635	3.5916	3.8229
December	3.6374	3.9414	3.4963	3.8379

Key items of the consolidated financial statements converted into EURO

Selected financial figures in EURO'000	**2001**	**2000**
Interest income	725 938	694 234
Commission income	131 838	107 488
Profit on banking operations	433 370	397 174
Operating profit	34 104	59 633
Gross profit (loss)	33 498	58 764
Net profit (loss)	40 677	34 600
Total assets	7 038 334	5 901 820
Deposits of the Central Bank	–	–
Deposits of financial sector	567 507	455 185
Deposits of non-financial and public sector	5 351 381	4 541 151
Equity	611 724	532 458
Capital adequacy	13,14	13,09
Change in the balance of cash and cash equivalents	130 484	(173 099)

Selected balance sheet items for 2000 were converted according to the average EURO rate as announced by the NBP applicable on 31.12.2000 – 3.8544, whereas selected P&L items for 2000 – according to the exchange rate calculated as the arithmetic mean of exchange rates on the days at the end of each month in 2000 – 4.0046.

Auditor's statement on the consolidated financial statements for 2001

The auditor, PricewaterhouseCoopers Sp. z o.o, after auditing the consolidated financial statements of Bank Zachodni WBK S.A. for 2001 issued an unqualified audit opinion.

The auditor, PricewaterhouseCoopers Sp. z o.o , did not raise any qualifications in their audit opinions to the financial statements of Bank Zachodni Group and for Wielkopolski Bank Kredytowy Group for 2000.

Internal organizational units

There are no internal organizational units in the dominant entity - Bank Zachodni WBK S.A. structure and in Dom Maklerski BZ WBK S.A. structure which would prepare separate financial statements.

Differences in relation to preparation of statements in line with Polish Accounting Regulations and International Accounting Standards

The key differences between financial statements prepared according to the Polish Accounting Regulations and International Accounting Standards comprise different classification of items presented in the balance sheet, profit and loss account and cash flow statement.

IAS 39 is effective for periods commencing 1 January 2001. It defines the rules of valuation and recognition of financial instruments in financial statements of companies as well as principles behind the disclosure of information on financial instruments. This standard was applied for the first time when preparing financial statements for the accounting year beginning 1 January 2001.

IAS 39 sets out requirements for the recognition of all financial assets and liabilities, including derivatives in a company's balance sheet.

All financial instruments should be classified at the date of their purchase or origination as one of the four categories:

- Financial assets and liabilities held for trading – financial instruments purchased with a view to obtaining economic benefits as a result of short-term changes in prices, fluctuations in other market elements, or short time frame of the purchased instrument, as well as other financial instruments, regardless of the intentions when concluding a contract, if they are a component of a portfolio of similar financial instruments in respect of which there is high probability that assumed economic gains will be realized within a short time frame,
- Granted loans, borrowings and a company's own debt – this item includes financial assets, regardless of their maturity, which originated as a result of releasing cash directly to the other party to the contract, provided that the concluded contract clearly generates economic effects, regardless of whether the execution of rights or obligations is of unconditional or conditional nature,
- Financial assets and liabilities held-to-maturity – this item includes financial instruments with defined or likely to be defined payments or a set maturity date, which the bank intends and is capable to hold-to-maturity, except for loans granted by the bank and its own debt,
- Financial assets available-for-sale – include all other instruments.

In line with the standard, financial instruments should be valued in the following way:

- Financial assets and liabilities held for trading – are measured at fair value,
- Granted loans, borrowings and a company's own debt – are measured at their amortized cost while using an effective interest rate method,
- Financial assets and liabilities held-to-maturity – are measured at amortised cost,
- Financial assets available-for-sale – are measured at fair value,

Under IAS 39, all financial instruments of a derivative nature should be recognized in the financial statements.

Derivatives should be categorized as financial assets or liabilities held for trading and measured at fair value. Gains and losses arising from changes in fair values of derivatives are recognized in the income statement.

In line with the standard, the use of hedge accounting is allowed only under specific circumstances, provided that the relation setting the hedge mechanism has been clearly defined, is measurable and effective. Hedging transactions should be classified as one of the following three categories:

- cash flow hedge,
- fair value hedge,
- hedge of net investment in a foreign entity

All financial instruments of a derivative nature are measured at fair value.

Additionally the main differences identified by the Group when producing the consolidated financial statements according to IAS are:

- suspended interest is not included in the balance sheet,
- the discount on purchased receivables is not included in the balance sheet,
- reducing the balance sheet items by the settlements of loans granted from the Company's Social Fund,
- different presentation of operating leases in the balance sheet, which according to IAS are presented as finance leases and inclusion of land held on perpetual usufruct (long leasehold) by Bank Zachodni WBK S.A. into fixed assets.
- different calculation of general risk reserve in the balance sheet,
- intangible assets are not shown in the separate items and are included in the fixed assets.

Comparing consolidated financial statements of Bank Zachodni WBK S.A. prepared according to IAS and PAR, the following differences can be recorded:

Item	Value according to PAR in PLNk	Value according to IAS in PLNk
Own funds as at 31.12.2001	2 154 432	2 640 837
Net Profit for the period to 31.12.2001	148 509	162 084

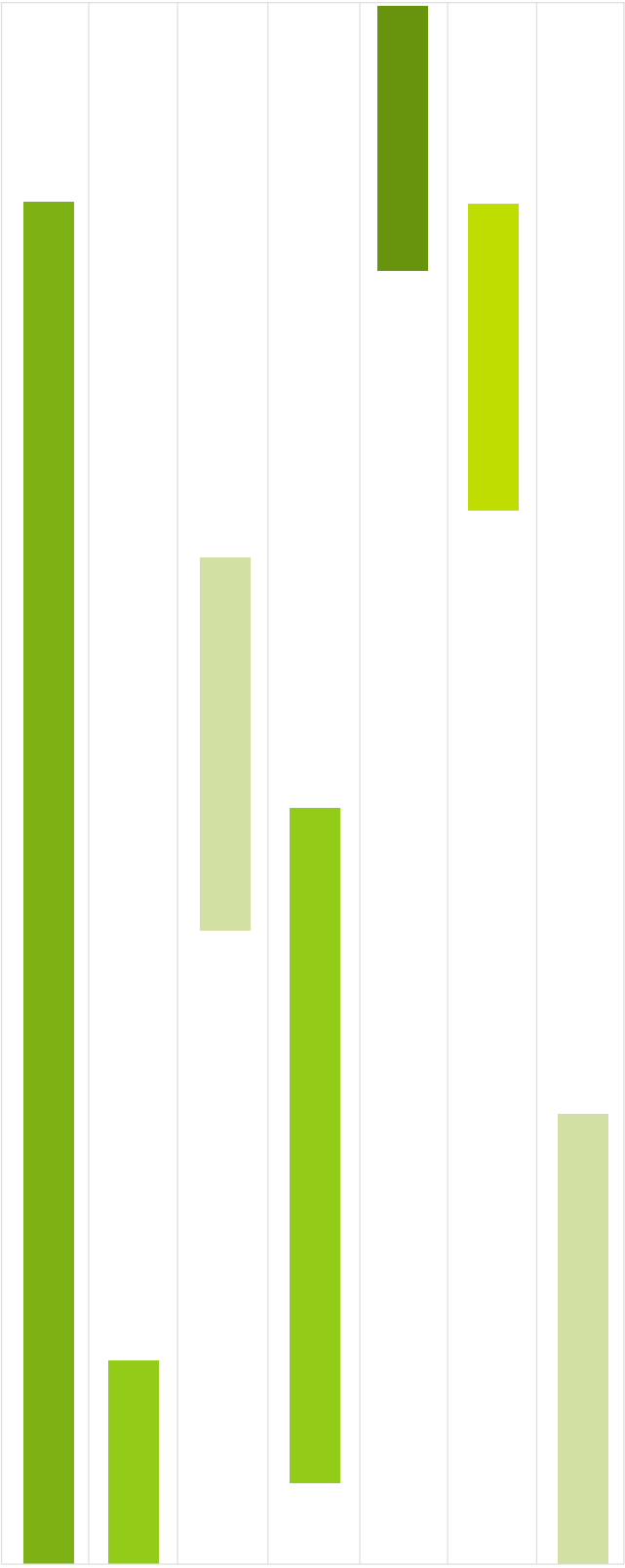
Description of the main differences highlighted above:

Valuation of derivative instruments

In the consolidated financial statements, i.e. a balance sheet and an income statement, prepared according to the Polish Accounting Regulations (PAR), the Bank disclosed a result on valuation of derivatives and forward transactions according to their market value only in reference to a selected types of instruments and transactions. With a view to preparing the statements according to IAS, the result on valuation of all derivatives and forward transactions according to their market values was included in the balance sheet and income statement in such a way that the result on valuation in the part pertaining to the previous accounting year was disclosed in the item "Retained profit from previous years", whereas the result on valuation in the part pertaining to the current accounting year adjusted the income statement of the current year. While calculating the above adjustment, the impact of the deferred tax was taken into account.

Valuation of securities

In line with PAR, securities are valued according to their purchase price which, however, cannot be higher than a market value (trading portfolio) or according to an adjusted historical cost (investment portfolio). In the consolidated financial statements prepared in line with IAS, the Bank valued securities at a so-called amortised cost or at fair value (in profit and loss account or shareholders' equity). The result on valuation pertaining to the previous year is disclosed in the item "Retained profit from previous years", whereas the result on valuation in the part pertaining to the current accounting year adjusted the income statement and the shareholders' equity of the current year. While calculating the above adjustment, the impact of the deferred tax was taken into account.



Provisions for credit exposure

In the consolidated financial statements, i.e. a balance sheet and an income statement, prepared according to the Polish Accounting Regulations (PAR), the Bank disclosed provisions for loans in line with the guidelines of the Banking Supervision Commission. In line with IAS, provisions for loans were created pursuant to an assessment of the loss in the value of receivables, and their balance equalled the difference between the present value of the expected future cash inflows related to repayments (or potential executions) of the receivables and the value disclosed in the Bank's books. This adjustment, in the light of IAS 39, which became effective as of 1 January 2001, has been disclosed in such a way that the impact of the adjustment on the previous accounting periods was in correspondence with the item „Retained profit from previous years". While calculating the above adjustment, the impact of the deferred tax was taken into account .

Consolidated balance sheet

		Note	as at 2001	2000
Assets				
I.	Cash and balances with the Central Bank	1	1 316 242	898 498
II.	Debt securities with the right to rediscount at the Central Bank		-	-
III.	Amounts due from financial sector	2	6 461 330	5 373 193
	1. In current account		125 664	45 240
	2. Term		6 335 666	5 327 953
IV.	Amounts due from non-financial and public sector	3	10 630 427	10 029 168
	1. In current account		879 643	1 802 268
	2. Term		9 750 784	8 226 900
V.	Amounts due from non-consolidated subsidiaries and associates	2,3	159 242	19 867
VI.	Amounts due from subsidiaries and associates consolidated by acquisition method	2,3	-	-
VII.	Reverse repo transactions	4	-	-
VIII.	Debt securities	5, 11	4 022 209	4 611 723
IX.	Shares and interests in non-consolidated subsidiaries and associates	6, 8, 11	131 814	27 862
X.	Shares and interests in consolidated subsidiaries and associates	7, 8, 11	-	-
XI.	Shares and interests in other entities	9, 11	137 828	158 777
XII.	Other securities and proprietary interests	10, 11	9 545	231 064
XIII.	Intangible assets	12	63 454	73 120
XIV.	Goodwill arising on consolidation	13	-	1 959
XV.	Tangible fixed assets	14	1 022 560	759 349
XVI.	Bank's own shares for disposal	15	-	-
XVII.	Other assets	16	278 935	320 582
	1. Assets taken over - for sale		719	899
	2. Other		278 216	319 683
XVIII.	Prepayments	17	554 722	242 814
	1. Deferred taxation		122 628	-
	2. Other prepayments		432 094	242 814
Total assets			**24 788 308**	**22 747 976**

Liabilities

		Note	as at 2001	2000
I.	Deposits of the Central Bank		-	-
II.	Deposits of financial sector	18	1 998 703	1 754 466
	1. Current		122 552	82 565
	2. Term		1 876 151	1 671 901
III.	Deposits of non-financial and public sector	19	18 847 028	17 503 411
	1. Savings deposits, of which:		2	2
	a) current		-	-
	b) term		2	2
	2. Other, of which:		18 847 026	17 503 409
	a) current		4 844 303	4 644 465
	b) term		14 002 723	12 858 944
IV.	Deposits of non-consolidated subsidiaries and associates	18,19	38 350	5 256
V.	Deposits of consolidated subsidiaries and associates	18,19	-	-
VI.	Repo transactions	20	-	-
VII.	Liabilities arising from the issue of securities by the Bank	21	-	1 642
VIII.	Special funds and other liabilities	22	703 304	606 236
IX.	Accruals and deferred income	23	834 435	628 153
X.	Provisions	24	202 008	185 864
	1. Provision for income tax		-	32 811
	2. Other provisions		202 008	153 053
XI.	Subordinated liabilities	25	10 048	10 048
XII.	Minority interests	26	-	593
XIII.	Negative goodwill	27	-	-
XIV.	Share capital	28	729 603	729 603
XIV.	Unpaid share capital		-	-
XVI.	Supplementary capital	29	380 466	463 405
XVII.	Capital reserves from revaluation of fixed assets		70 087	71 004
XVIII.	Other capital (reserves)	30	820 393	643 011
XIX.	Foreign exchange difference realting to foreign branches		-	-
XX.	Exchange rate differences arising on consolidation		-	-
XXI.	Retained profit/uncovered loss from previous years	31	5 374	6 724
XXII.	Net profit (loss)		148 509	138 560
TOTAL LIABILITIES			**24 788 308**	**22 747 976**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

as at	Note	2001	2000
Capital adequacy	**32**	**13,14**	**13,09**
Net book value		**2 154 432**	**2 052 307**
Number of shares		**72 960 284**	**72 960 284**
Net book value per one share (in PLN)	**32**	**29,53**	**28,14**
Predicted number of shares		**72 960 284**	**72 960 284**
Diluted net book value per share (in PLN)	**32**	**29,53**	**28,14**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Off - Balance sheet items

as at		Note	2001	2000
I.	Off balance-sheet contingent liabilities		3 918 219	3 551 530
	1. Commited:		3 126 213	2 878 654
	a) in relation to financing		2 478 723	2 290 858
	b) guarantees	33	647 490	587 796
	2. Received:		792 006	672 876
	a) in relation to financing		37 924	31 059
	b) guarantees		754 082	641 817
II.	Commitments arising out from sale/purchase transactions		51 520 289	12 693 041
III.	Other contingent liabilities, of which:		3 431 967	2 269 134
	- assets taken over		1 238 155	1 247 464
	- liabilities granted		18 243	625 267
	- liabilities due to assets granted		1 619	10 303
	- other liabilities		2 173 950	386 100
TOTAL OFF-BALANCE SHEET ITEMS			**58 870 475**	**18 513 705**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Consolidated profit and loss account

		Note	for period 2001	2000
I.	Interest income	34	2 650 326	2 780 130
II.	Interest expense	35	(2 028 576)	(1 896 703)
III.	**Net interest income (I-II)**		**621 750**	**883 427**
IV.	Commission income	36	481 329	430 447
V.	Commission expense		(79 727)	(59 383)
VI.	**Net commission income (IV-V)**		**401 602**	**371 064**
VII.	Income on shares, and other interests	37	7 101	1 563
VIII.	Profit on financial operations	38	414 660	206 521
IX.	Foreign exchange profit		137 076	127 946
X.	**Profit on banking operations**		**1 582 189**	**1 590 521**
XI.	Other operating income	39	68 095	93 609
XII.	Other operating expenses	40	(76 877)	(66 673)
XIII.	Bank's operating expenses	41	(1 108 774)	(949 094)
XIV.	Depreciation of fixed assets and intangible assets		(135 082)	(143 254)
XV.	Charges for provisions	42	(873 870)	(853 168)
XVI.	Provisions released	43	668 828	566 867
XVII.	Net provisions (XV- XVI)		(205 042)	(286 301)
XVIII.	**Profit on operations**		**124 509**	**238 808**
XIX.	Net extraordinary items		(253)	(16)
	1. Extraordinary gains	44	506	319
	2. Extraordinary losses	45	(759)	(335)
XX.	Amortization of goodwill arising on consolidation		(1 959)	(3 465)
XXI.	Amortization of negative goodwill		-	-
XXII.	**Gross profit (loss)**		**122 297**	**235 327**
XXIII.	Corporate income tax	46	26 212	(96 712)
XXIV.	Other taxation	47	-	-
XXV.	Share in profit (loss) of entities consolidated by equity method		-	-
XXVI.	(Profit) loss of minority interests		-	(55)
XXVII.	**Net profit (loss)**	**48**	**148 509**	**138 560**
Net profit (loss) (for 12 months)			**148 509**	**138 560**
Average weighted number of ordinary shares			**72 960 284**	**70 428 274**
Net earnings (loss) per ordinary share (in PLN)		**49**	**2.04**	**1.97**
Average weighted expected number of ordinary shares			**72 960 284**	**70 428 274**
Diluted profit (loss) per ordinary share (in PLN)		**49**	**2.04**	**1.97**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Movements in consolidated equity

		for period 2001	2000
I.	**Balance of shareholders' equity at the beginning of the period**	**2 052 307**	**1 755 708**
	a) changes in the adopted accounting principles (policy)	-	-
	b) correction of fundamental errors	-	-
I.a	**Adjusted balance of shareholders' equity at the beginning of the period**	**2 052 307**	**1 755 708**
1.	**Balance of share capital at the beginning of period**	**729 603**	**694 799**
1.1	Movements in the share capital	-	34 804
	a) increase (due to)	-	34 804
	- issue of shares	-	34 804
	b) decrease (due to)	-	-
	- redemption	-	-
1.2	**Balance of share capital at the end of the period**	**729 603**	**729 603**
2.	**Balance of due contributions to share capital at the beginning of the period**	**-**	**-**
2.1.	Movements in due contributions to share capital	-	-
	a) increase	-	-
	b) decrease	-	-
2.2.	**Balance of due contributions to share capital at the end of the period**	**-**	**-**
3.	**Balance of supplementary capital at the beginning of the period**	**463 405**	**298 071**
3.1	Movements in supplementary capital	(82 939)	165 334
	a) increase (as a result of)	7 041	165 334
	- issue of shares over their nominal value (share premium)	2 634	165 196
	- profit allocation (as required by law)	-	54
	- profit allocation (in the amount higher than minimum required by law)	-	-
	- transfer of capital	4 407	84
	b) decrease (as a result of)	(89 980)	-
	- loss cover (loss of Bank Zachodni S.A. for 2000)	(89 980)	-
3.2	**Balance of supplementary capital at the end of the period**	**380 466**	**463 405**
4.	**Balance of revaluation reserve at the beginning of the period**	**71 004**	**72 199**
4.1	Movements in the balance of revaluation reserve	(917)	(1 195)
	a) increase (due to)	-	-
	b) decrease (due to)	(917)	(1 195)
	- disposal and liquidation of fixed assets	(917)	(1 195)
4.2	**Balance of revaluation reserve at the end of the period**	**70 087**	**71 004**
5.	**Balance of the general banking risk fund at the beginning of the period**	**204 810**	**149 810**
5.1	Movements in the balance of the general banking risk fund	55 000	55 000
	a) increase (due to)	55 000	55 000
	- allocations from profit	55 000	55 000

		PLN '000	translation only
	b) decrease (due to)	-	-
5.2	**Balance of the general banking risk fund at the end of the period**	**259 810**	**204 810**
6.	**Balance of the brokerage operations fund at the beginning of the period**	**-**	**17 000**
6.1	Movements in the balance the brokerage operations fund	-	(17 000)
	a) increase (due to)	-	-
	b) decrease (due to)	-	(17 000)
	- transfer to capital reserves in connection with the sale of CBM (Brokerage House)	-	(17 000)
6.2	**Balance of the brokerage operations fund at the end of the period**	**-**	**-**
7.	**Balance of other reserve capital at the beginning of the period**	**438 201**	**331 796**
7.1	Movements in other reserve capital	122 382	106 405
	a) Increase (due to)	125 847	109 906
	- allocation of profit to reserve capital	124 930	91 795
	- movement from the brokerage operations fund in connection with the sale of CBM (Brokerage House)	-	17 000
	- sale and liquidation of fixed assets	917	1 111
	b) decrease due to	(3 465)	(3 501)
	- amortization of goodwill arising on consolidation	(3 465)	(3 501)
7.2	**Balance of other reserve capital reserve at the end of the period**	**560 583**	**438 201**
8.	**Foreign exchange differences relating to foreign branches**	**-**	**-**
9.	**Foreign exchange differences arising on consolidation**	**-**	**-**
10.	**Balance of undistribiuted profit or uncovered loss from previous years at the beginning of the period**	**-**	**-**
10.1	**Retained profit from previous years at the beginning of the period**	**145 284**	**192 033**
	a) changes in the adopted accounting principles (policy)	-	-
	b) correction of fundamental errors	-	-
10.2	**Balance of retained profit from previous years at the beginning of the period after reconciliation with comparable data**	**145 284**	**192 033**
	a) increase (due to)	93 445	3 555
	- profit allocation/ cover of loss (Bank Zachodni S.A. for 2000)	89 980	54
	- amortization of goodwill arising on consolidation	3 465	3 501
	b) decrease (due to)	(233 355)	(188 864)
	- allocation to reserve capital	(128 810)	(91 795)
	- allocation to general risk fund	(55 000)	(55 000)
	- allocation to dividend	(44 730)	(37 849)
	- alocation to charitable donations	-	(1 500)
	- allocation to employee social fund	-	(2 500)
	- allocation to supplemantary capital/ capital transfer	(4 407)	(54)
	- other	(408)	(166)
10.3	**Balance of retained profit from previous years at the end of the period**	**5 374**	**6 724**
10.4	**Balance of uncovered loss from previous years at the beginning of the period after reconciliation with comparable data**	**-**	**-**

	a) changes in adopted accounting principles (policy)	-	-
	b) correction of fundamental errors	-	-
10.5	**Balance of uncovered loss from previous years at the beginning of the period, after reconciliation with comparable data**	**-**	**-**
	a) increase (due to)	-	-
	- relocation of the loss to be covered	-	-
	b) decrease (due to)	-	-
10.6	**Balance of uncovered loss from previous years at the end of the period**	**-**	**-**
10.7	**Balance of undistribiuted profit or uncovered loss from previous year at the end of the period**	**5 374**	**6 724**
11	**Net profit/loss**	**148 509**	**138 560**
	a) net profit	148 509	138 560
	b) net loss	-	-
II.	**Balance of shareholders' equity at the end of the period**	**2 154 432**	**2 052 307**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Consolidated cash flow statement

		for period 2001	2000
	A. NET CASH FLOWS FROM OPERATING ACTIVITIES (I +/- II) - indirect method*	**286 633**	**(546 125)**
I.	**Net profit (loss)**	**148 509**	**138 560**
II.	**Total adjustments:**	**138 124**	**(684 685)**
	1. Minority interests	-	55
	2. Share in profits (losses) of undertakings consolidated by the equity method	-	-
	3. Amortization (including amortization of goodwill on consolidation or negative goodwill)	170 448	147 311
	4. Foreign exchange differences	-	11
	5. Interest and dividends	(203 362)	(430 388)
	6. (Profit) loss on investing activities	(104 626)	51 841
	7. Changes in the balance of other provisions	48 955	216 602
	8. Corporate income tax (as disclosed in profit & loss account)	(26 212)	96 712
	9. Corporate tax paid	(96 134)	(131 676)
	10. Change in the balance of debt securities	395 446	362 688
	11. Change in the balance of amounts due from the financial sector	(995 531)	(3 241 400)
	12. Change in the balance of amounts due from the non-financial and public sector	(594 306)	(1 038 942)
	13 . Change in the balance of amounts receivable due to purchased securities which are subject to repurchase agreement (reverse repo)	-	-
	14. Change in the balance of shares and other securities with variable interest rate	(19 034)	1 610
	15. Change in the balance of deposits from financial sector	106 540	424 501

	for period 2001	2000
16. Change in the balance of deposits from non-financial and public sectors	1 346 712	2 825 156
17. Change in the balance of amounts payable due to sold securities which were subject to repurchase agreement (repo transactions)	-	-
18. Change in the balance of liabilities due to securities	(1 642)	(808)
19. Change in the balance of other liabilities	90 087	153 280
20. Change in the balance of accruals	13 077	(140 523)
21. Change in the balance of deferred income	4 416	141 378
22. Other items	3 290	(122 093)
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	**265 904**	**(279 285)**
I. Inflows from investing activities	**6 158 943**	**35 568 389**
1. Sales of intangible assets	1 154	18 694
2. Sales of tangible fixed assets	21 650	28 058
3. Sales of shares in subsidiary undertakings	9 549	4 961
4. Sales of shares in associates	862	2 310
5. Sales of shares in dominant entity	-	-
6. Sales of other shares and securities (also those held for trading) and other proprietory interests	6 120 414	35 284 966
7. Other inflows	5 314	229 400
II. Expenses related to investing activities	**(5 893 039)**	**(35 847 674)**
1. Purchase of intangible assets	(22 589)	(14 230)
2. Purchase of tangible fixed assets	(424 773)	(203 292)
3. Purchase of shares in subsidiares	(53 242)	(46 169)
4. Purchase of shares in associates	(41 267)	(1 600)
5. Purchase of shares in dominant entity	-	-
6. Purchase of shares in other undertakings other securities (also those held for trading) and other proprietary interests	(5 351 168)	(35 581 782)
7. Purchase of Bank's own shares	-	-
8. Other expenses	-	(601)
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	**(76 153)**	**132 216**
I. Inflows from financing activities	**-**	**200 054**
1. Raising long-term loans with banks	-	-
2. Raising long-term loans with financial institutions other than banks	-	-
3. Issue of bonds or other debt securities for other financial institutions	-	-
4. Increase in subordinated liabilities	-	-
5. Inflows from the issue of own shares	-	200 054
6. Contributions to capital	-	-
7. Other inflows	-	-
II. Expenses related to financing activities	**(76 153)**	**(67 838)**
1. Repayment of long-term loans to banks	-	(10 000)
2. Repayment of long-term loans to financial institutions other than banks	(24 009)	-
3. Repurchase of bonds and other securities from other financial institutions	-	-
4. Decrease in the balance of subordinated liabilities	-	-

	for period 2001	2000
5. Shares issue costs	-	-
6. Redemption of own shares	-	-
7. Dividends and other payments to shareholders	(45 231)	(37 849)
8. Payment from profit to members of management and supervisory boards	-	-
9. Payments for social and charitable purposes	(1 040)	(1 267)
10. Dividends paid to minority shareholders	-	-
11. Payments under finance lease agreements	-	-
12. Other expenses	(5 873)	(18 722)
D. Total net cash flow (A+/-B+/-C)	**476 384**	**(693 194)**
E. Change in the balance of cash	**476 384**	**(693 194)**
- including balances of foreign exchange differences	-	-
F. Cash at the beginning of the period	**936 982**	**1 630 176**
G. Cash at the end of the period (F+/- D)	**1 413 366**	**936 982**
- including cash of limited spend potential		

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Notes to the financial statements

NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 1

CASH AND BALANCES WITH THE CENTRAL BANK	2001	2000
1. Demand deposits	1 314 702	896 597
2. Obligatory reserve	-	-
3. Funds of the Banking Guarantee Fund	-	-
4. Other	1 540	1 901
Total cash and balances with the Central Bank	**1 316 242**	**898 498**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CASH (BY CURRENCY)	2001	2000
a in zloty	**1 031 250**	**763 254**
b in foreign currencies (by currency and its equivalent in PLN)	**284 992**	**135 244**
b1. currency in thousand /DEM	114 086	30 205
PLN k	205 436	59 524
b2. currency in thousand/USD	7 247	10 040
PLN k	28 883	41 597
b3. currency in thousand/FRF	10 494	7 767
PLN k	5 634	4 564
b4. currency in thousand/GBP	946	869

	2001	2000
PLN k	5 460	5 378
b5. Other currencies (in PLN k)	39 579	24 181
Cash in total	**1 316 242**	**898 498**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 2

AMOUNTS DUE FROM FINANCIAL SECTOR (BY CATEGORY)

	2001	2000
1. Current accounts	**43 521**	**43 910**
2. Loans, placements and advances	**6 472 157**	**5 359 711**
3. Purchased debts	**-**	**4 212**
4 Realised guarantees and bank guarantees	**-**	**-**
5. Other amounts due (of which)	**76 355**	**13 480**
- amounts due related to the operations of brokerage offices	6 062	4 872
- Company Social Fund	7 186	1 603
- guarantee fund	-	-
- escrow account	37 846	-
- other	25 261	7 005
6. Interest:	**119 619**	**62 953**
a) accrued	94 845	50 927
b) due, not received	24 774	12 026
Total amounts due from financial sector (gross)	**6 711 652**	**5 484 266**
7. Provisions raised for irregular receivables from financial sector (negative value)	(91 104)	(98 184)
Total amounts due from financial sector (net)	**6 620 548**	**5 386 082**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUNTS DUE FROM FINANCIAL SECTOR (BY MATURITY)

	2001	2000
1. In current account	**125 513**	**57 189**
2. Term receivables with residual maturity of:	**6 466 520**	**5 364 124**
a) up to 1 month	2 501 807	3 536 494
b) from 1 month to 3 months	1 815 596	524 062
c) over 3 months to 1 year	1 145 079	562 195
d) over 1 year to 5 years	840 718	608 702
e) over 5 years	121 088	107 696
f) overdue amounts	42 232	24 975
3. Interest	**119 619**	**62 953**
- accrued	94 845	50 927
- due, not received	24 774	12 026
Total amounts due from financial sector (gross)	**6 711 652**	**5 484 266**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUNTS DUE FROM FINANCIAL SECTOR (BY ORIGINAL MATURITY)

	2001	2000
1. In current account	125 513	57 189
2. Term receivables with maturity of:	6 466 520	5 364 124
a) up to 1 month	2 165 056	1 749 525
b) from 1 month to 3 months	2 524 648	1 403 027
c) over 3 months to 1 year	1 089 657	1 217 062
d) over 1 year to 5 years	534 325	687 979
e) over 5 years	152 834	306 531
3. Interest	119 619	62 953
- accrued	94 845	50 927
- due, not received	24 774	12 026
Total amounts due from financial sector (gross)	**6 711 652**	**5 484 266**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUTS DUE FROM FINANCIAL SECTOR (GROSS BY CURRENCY)

	2001	2000
a) in zloty	**1 409 719**	**1 309 457**
b) in foreign currency (by currency and its equivalent in PLN)	**5 301 933**	**4 174 809**
b1. currency in thousand / USD	1 072 226	795 766
PLN k	4 274 225	3 296 111
b2. currency in thousand / EURO	272 458	193 824
PLN k	959 568	747 076
b3. currency in thousand / DEM	10 380	26 495
PLN k	18 691	52 207
b4. currency in thousand / GBP	1 002	8 543
PLN k	5 783	52 883
b5. Other currency	43 666	26 532
Total amounts due from financial sector (gross)	**6 711 652**	**5 484 266**

In balance sheet, interest has been included in the following items:
- „in current account“ - in the amount of PLN 740k as at 31.12.2001,
- „term“ - in the amount of PLN 118 879k as at 31.12. 2001.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUTS DUE FROM FINANCIAL SECTOR (GROSS)

	2001	2000
1. Regular receivables from financial sector (with interest)	**6 290 978**	**5 161 333**
2. Watch category loans	**180 307**	**119 565**
3. Problem receivables from financial sector, of which:	**120 748**	**140 415**
- sub-standard	2 611	36 838
- doubtful	14 898	7 414
- lost	103 239	96 163
4. Interest	**119 619**	**62 953**
a) accrued	**94 845**	**50 927**
b) due, not received	**24 774**	**12 026**
- on regular and watch loans	20	14
- on problem loans	24 754	12 012
Total amounts due from financial sector (gross)	**6 711 652**	**5 484 266**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

VALUE OF SECURITY RECOGNISED WHEN SETTING SPECIFIC PROVISIONS FOR RECEIVABLES FROM FINANCIAL SECTOR CATEGORIZED AS:

	2001	2000
a) watch loans	**19 526**	**41 462**
b) problem receivables	**27 020**	**28 814**
- sub-standard	1 095	16 221
- doubtful	11 904	6 336
- lost	14 021	6 257
Total value of security recognised when setting the specific provisions for receivables from financial sector	**46 546**	**70 276**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

BALANCE OF PROVISIONS FOR AMOUNTS DUE FROM FINANCIAL SECTOR

	2001	2000
a)watch loans	**-**	**(564)**
b)problem receivables	**(91 104)**	**(97 620)**
- sub-standard	(316)	(7 077)
- doubtful	(1 496)	(540)
- lost	(89 292)	(90 003)
Total provisions for amounts due from financial sector	**(91 104)**	**(98 184)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENTS IN PROVISIONS FOR RECEIVABLES FROM FINANCIAL SECTOR

	2001	2000
Balance of provisions for receivables from financial sector at the beginning of the period	**(98 184)**	**(37 331)**
a) increases (due to)	(47 251)	(117 900)
- charged to profit and loss account	(46 624)	(116 240)
- exchange differences	(627)	-
- transfer of provisions from GBH	-	(1 660)
b) utilization (due to)	5 980	6
- write-off, write-down and lapse of receivables	5 980	6
c) write back (due to)	48 351	57 041
- repayment of receivables	45 874	545
- exchange differences	2 469	1 030
- release in revenues	8	53 806
- sale of GBH banking enterprise	-	1 660
Balance of provisions for receivables from financial sector at the end of the period	**(91 104)**	**(98 184)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUTS DUE FROM FINANCIAL SECTOR	2001	2000
a) from consolidated undertakings	-	-
b) from other entities	6 711 652	5 484 266
Total amounts due from financial sector	**6 711 652**	**5 484 266**

Problem receivables in the Bank's books do not exceed 10 % of the balance sheet total.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 3

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (BY CATEGORY)	2001	2000
1. Loans and advances	**10 892 772**	**10 026 825**
2. Purchased debts	**245 812**	**351 482**
3. Realised guarantees and bank guarantees	**2 634**	**1 094**
4. Other amounts due (of which)	**32 443**	**34 670**
- deferred term of payments	-	885
- other	32 443	33 785
5. Interest	**500 985**	**478 646**
- accrued	86 115	92 087
- due, not received	414 870	386 559
6. Amounts receivable from the State relating to subsidized interest on preferential loans	**19 558**	**31 913**
Amounts due from non - financial and public sector (gross)	**11 694 204**	**10 924 630**
7. Provisions raised for receivables from non - financial and public sector (negative value)	(1 063 753)	(888 484)
Amounts due from non - financial and public sector (net)	**10 630 451**	**10 036 146**

Amounts due from non-financial and public sector do not include amounts receivable under finance lease.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (BY MATURITY)	2001	2000
1. In current account	**1 588 687**	**1 805 969**
2. Term receivables with residual maturity of:	**9 604 532**	**8 640 015**
a) up to 1 month	997 317	704 701
b) from 1 month to 3 months	546 527	473 962
c) over 3 months to 1 year	2 183 148	1 983 411
d) over 1 year to 5 years	3 157 748	2 921 086
e) over 5 years	1 593 686	1 602 243
f) with maturity date lapsed	1 126 106	954 612
3. Interest	**500 985**	**478 646**
- accrued	86 115	92 087
- due, not received	414 870	386 559
Total amounts due from non - financial and public sector	**11 694 204**	**10 924 630**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (BY ORIGINAL MATURITY)

	2001	2000
1. In current account	**1 588 687**	**1 805 969**
2. Term receivables with maturity of:	**9 604 532**	**8 640 015**
a) up to 1 month	82 077	335 274
b) from 1 month to 3 months	62 113	166 621
c) over 3 months to 1 year	2 840 303	2 208 158
d) over 1 year to 5 years	3 252 827	2 759 858
e) over 5 years	3 367 212	3 170 104
3. Interest	**500 985**	**478 646**
- accrued	86 115	92 087
- due, not received	414 870	386 559
Total amounts due from non - financial and public sector (gross)	**11 694 204**	**10 924 630**

In the balance sheet, interest has been included in the following items:
- „In current account" as at 31.12.2001 in the amount of PLN 5 812k,
- „Term" as at 31.12.2001 in the amount of PLN 495 173k.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (BY CURRENCY)

	2001	2000
a in zloty	**9 126 444**	**8 567 365**
b in foreign currency (by currency and its equivalent in PLN)	**2 567 760**	**2 357 265**
b1. currency in thousand / EURO	365 715	145 271
PLN k	1 288 011	559 932
b2. currency in thousand / USD	188 395	259 275
PLN k	750 999	1 073 749
b3. currency in thousand / CHF	111 651	36 307
PLN k	265 283	91 891
b4. currency in thousand / DEM	74 373	316 846
PLN k	133 925	624 321
b5. Other currency	129 542	7 372
Total amounts due from non - financial and public sector (gross)	**11 694 204**	**10 924 630**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (GROSS)

	2001	2000
1. Regular receivables	**6 624 496**	**6 554 919**
2. Watch category loans	**2 287 766**	**1 997 919**
3. Problem receivables, of which:	**2 280 957**	**1 893 146**
- substandard	514 065	588 428
- doubtful	629 432	462 585
- lost	1 137 460	842 133
4. Interest on problem amounts due from non - financial and public sector	**500 985**	**478 646**
a) accrued	86 115	92 087
b) due, not received	414 870	386 559
- on regular and watch receivables	5 362	4 504
- on problem receivables	409 508	382 055
Total amounts due from non - financial and public sector (gross)	**11 694 204**	**10 924 630**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

VALUE OF SECURITY RECOGNISED WHEN SETTING SPECIFIC PROVISIONS FOR RECEIVABLES FROM NON-FINANCIAL AND PUBLIC SECTORS CATEGORIZED AS

	2001	2000
a) regular receivables	**-**	**-**
b) watch category loans	**665 838**	**707 740**
c) problem receivables	826 006	548 248
- sub-standard	183 487	170 197
- doubtful	380 987	222 194
- lost	261 532	155 857
Total value of security recognised when setting specific provisions for receivables from non financial and public sector	**1 491 844**	**1 255 988**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

BALANCE OF PROVISIONS FOR RECEIVABLES FROM NON - FINANCIAL AND PUBLIC SECTOR

	2001	2000
a) regular receivables	**-**	**(804)**
b) watch category loans	**(13 794)**	**(3 049)**
c) problem receivables	**(1 049 959)**	**(884 631)**
- sub-standard	(69 240)	(80 801)
- doubtful	(123 997)	(138 930)
- lost	(856 722)	(664 900)
Total provisions for receivables from non - financial and public sector	**(1 063 753)**	**(888 484)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN THE BALANCE OF PROVISIONS FOR AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR

	2001	2000
Balance at the beginning of the period	**(888 484)**	**(749 139)**
a) Increase (due to)	**(794 269)**	**(695 411)**
- charged to profit and loss account	(784 268)	(670 437)
- exchange differances	(9 905)	(1 460)
- GBH provision	-	(23 319)
- other	(96)	(195)
b) Utilisation (due to)	**80 095**	**66 887**
- write-off	80 095	66 887
c) Release (due to)	**538 905**	**489 179**
- repayment of debts	526 919	113 742
- sales of GBH banking enterprise	-	23 320
- charged to profit and loss account	683	342 408
- exchange differances	11 303	9 709
Balance of provisions for amounts due from non - financial and public sector as at the end of the period	**(1 063 753)**	**(888 484)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

AMOUTS DUE FROM NON FINANCIAL AND PUBLIC SECTOR

	2001	2000
a) from consolidated undertakings	-	-
b) from other entities	11 694 204	10 924 630
Balance of provisions for amounts due from non - financial and public sector	**11 694 204**	**10 924 630**

The data presented in the notes also regards receivables from non consolidated subsidiaries and associates.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 4

AMOUNTS RECEIVABLE ON SECURITIES PURCHASED WHICH ARE SUBJECT TO REPURCHASE AGREEMENT

	2001	2000
a) from financial sector	-	-
b) from non-financial and public sector	-	-
c) interest	-	-
Total amounts receivable on securities purchased which are subject to repurchase agreement	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 5

DEBT SECURITIES	2001	2000
1. Issued by central banks, of which:	1 062 878	1 617 484
- foreign currency bonds	-	-
2. Issued by other banks, of which:	-	7 917
- in foreign currency	-	7 917
3. Issued by other financial entities, of which:	-	-
- in foreign currency	-	-
4. Issued by other non-financial entities, of which:	92 605	92 784
- in foreign currency	22 007	24 085
5. Issued by the state budget, of which:	2 793 013	2 816 547
- in foreign currency	-	-
6. Issued by local budget, of which:	73 713	76 991
- in foreign currency	-	-
7. Repurchased own debt securities	-	-
Total debt securities	**4 022 209**	**4 611 723**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEBT SECURITIES (BY TYPE)	2001	2000
1. Issued by the state budget, of which:	**2 793 013**	**2 816 547**
a) bonds	2 193 187	2 345 754
b) treasury bills	517 558	361 598
c) other (by type)	82 268	109 195
- restructurisation bonds	82 268	109 195
2. Issued by the dominant entity, of which:	-	-
a) bonds	-	-
b) other (by type)	-	-
3. Issued by subsidiaries, of which:	-	-
a) bonds	-	-
b) other (by type)	-	-
4. Issued by associates, of which:	-	-
a) bonds	-	-
b) others (by type)	-	-
5. Issued by other entities, of which:	**1 229 196**	**1 795 176**
a) bonds	1 084 401	1 105 803
b) other (by type)	144 795	689 373
- NBP bills	99 334	645 814
- commercial paper	45 461	43 559
Total debt securities	**4 022 209**	**4 611 723**

As at 31.12.2001, treasury bills in the amount of PLN 59 350k (nominal value) served as a collateral for the guaranted deposits protection fund. Aditionally, PLN 40 000k represent the value of blocked Treasury bills serving as a collateral for liabilities toward the Banking Guarantee Fund. The Treasury bond in amount PLN 1 418 065k. served as a collateral used when lombard loan was granted.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEBT SECURITIES	2001	2000
a) operational - of the bank's brokerage house	62	81
b) held for trading	722 251	593 299
c) held for investment	3 299 896	4 018 343
Total debt securities	**4 022 209**	**4 611 723**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN THE BALANCE OF DEBT SECURITIES	2001	2000
Balance at the beginning of the period	**4 611 723**	**4 347 557**
a) increases (due to)	**35 838 992**	**30 919 672**
- increase in the value of NBP bills	18 006 561	18 662 250
- increase in the value of government bonds	7 790 640	5 479 156
- increase in the value of treasury bills	9 122 047	5 896 224
- increase in the value of NBP bonds	51 316	57 179
- increase tn the value of other securities	866 996	821 469
- release of provisions	1 432	3 394
b) decreases (due to)	**(36 428 506)**	**(30 655 506)**
- purchase/sale of monetary bills	(18 553 042)	(18 473 728)
- repurchase / sale of government bonds	(7 970 143)	(5 312 095)
- repurchase / sale of treasury bills	(8 966 088)	(6 007 487)
- repurchase / sale of NBP bonds	(59 440)	(56 942)
- repurchase / sale of other securities	(875 216)	(804 473)
- creation of provisions	(4 577)	(781)
Balance at the end of the period	**4 022 209**	**4 611 723**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 6

SHARES AND INTERESTS IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	2001	2000
a) in banks*	22 892	-
b) in other financial entities	95 766	16 386
c) in non-financial entities	13 156	11 476
Total of shares and interests in non-consolidated subsidiaries and associates	**131 814**	**27 862**

*In 2001 bank stopped to consolidate GBH S.A. due to not significant value of ofinancial data comparing to the dominant entity.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SHARES AND INTERESTS IN CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	2001	2000
a) in subsidiary entities	84 371	17 972
b) in assocaited entities	47 443	9 890
Total of shares and interests in non-consolidated subsidiaries and associates	**131 814**	**27 862**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN THE BALANCE OF SHARES AND INTERESTS IN SUBSIDIARIES	2001	2000
Balance at the beginning of the period	**27 862**	**58 187**
a) increase (due to)	**117 366**	**75 286**
- purchase of shares and interests	94 509	72 333
- release of provisions	3 329	2 953
- change in value of currency rates	-	-
- increase in shares of GBH*	19 528	-
b) decrease (due to)	**(13 414)**	**(105 611)**
- creation of reserves	(3 003)	(1 580)
- disposal of shares and interests	(10 411)	(104 031)
Total of shares and interests in non-consolidated subsidiaries and associates	**131 814**	**27 862**

*In 2001 bank stopped to consolidate GBH S.A. due to not significant value of ofinancial data comparing to the dominant entity.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SHARES AND INTERESTS IN SUBSIDIARIES	2001	2000
a) operational held by the bank's brokerage house	-	-
b) held for trading	35	-
c) held for investment	131 779	27 862
Total of shares and interests in non-consolidated subsidiaries and associates	**131 814**	**27 862**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 7

SHARES AND INTERESTS IN ASSOCIATES CONSOLIDATED BY EQUITY METHOD	2001	2000
a) in banks	-	-
b) in other financial entities	-	-
c) in non-financial entities	-	-
Total of shares and interests in consolidated subsidiaries and affiliates consolidated by acquisition method	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SHARES AND INTERESTS IN CONSOLIDATED ASSOCAITES	2001	2000
a) in subsidiary entities	-	-
b) in associated entities	-	-
Total of shares and interests in consolidated subsidiaries and associates consolidated by equity method	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENTS IN THE BALANCE OF SHARES AND INTERESTS IN ASSOCIATES

	2001	2000
Balance at the beginning of the period	-	-
a) increase (due to)	-	-
b) decrease (due to)	-	-
Balance of shares and interests in consolidated subsidiary and associated companies at the end of the period	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SHARES AND INTERESTS IN CONSOLIDATED ASSOCIATES

	2001	2000
a) operational held by the bank's brokerage house	-	-
b) held for trading	-	-
c) held for investment	-	-
Total of shares and interests in consolidated subsidiaries and associates	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 8

SHARES (INTERESTS) IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (HELD FOR INVESTMENT)

	name of entity (and its legal status)	registered office	business	subsidiary or associated	consolidation method applied	date of taking up control/date which a substantial influance is exercised	value of shares/ interests at purchase price	provisions for shares	balance sheet value of shares/ interests	shareholding	percentage of votes at AGM	domination form if other than indicated in j) or k)
1	BZ WBK Finanse & Leasing S.A. ******	Poznań	lease and rental of fixed assets, instalment sales of goods	subsidiary	not consolidated	10.1998	15 012	-	15 012	99.99%	99.99%	-
2	WBK Nieruchomości S.A.	Poznań	completion, organisation of various events, catering and hotel services	subsidiary	not consolidated	07.1998	103	-	103	99.99%	99.99%	-
3	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	Poznań	distribution of insurance products	subsidiary	not consolidated	02.1993 ssociated 06.1993 subsidiary	218	-	218	60.00%	60.00%	-
4	AIB WBK Fund Management Sp. z o.o.	Warszawa	advisory services in the area of business operations and management; activities related to management of holdings; accounting services;	subsidiary	not consolidated	09.1995 associated 03.1999 subsidiary	2 989	-	2 989	54.00%	54.00%	-
5	Projekty Bankowe Polsoft Sp. z o.o.	Poznań	IT services	subsidiary	not consolidated	12.1996	102	-	102	51.00%	51.00%	-
6	WBK AIB Asset Management S.A.	Poznań	brokerage services in the area of publicly traded and non-publicly traded securities	associated	not consolidated	04.1997	6 755	-	6 755	50.00%	50.00%	-
7	WBK Nieruchomosci i Wspólnicy Sp. komandytowa	Poznań	providing services and consultancy (except for legal and tax advisory services) for other legal entities in the area of concluding lease or rental agreements, buying, acting as an agent and trading in goods of any type	subsidiary	not consolidated	12. 2000	37 736	-	37 736	99.99%	99.99%	-
8	eCard S.A.	Warszawa	software development, data processing, data bases, other activities related to IT	associated	not consolidated	11.2000	3,171	-	3,171	28.57%	28.57%	-
9	Gliwicki Bank Handlowy S.A.	Gliwice	banking activity	subsidiary	consolidated not	11.1996	26 909	4 017	22 892	97.29%	98.33%	-
10	BZ WBK Inwestycje Sp. z o.o. ***	Poznań	buying and selling shares and interests in commercial law companies go as well as other securities; searching for investors fo companies	subsidiary	not consolidated	8.2001	5 470	151	5 319	100.00%	100.00%	-
11	POLFUND - Fundusz Poręczeń Kredytowych S.A.**	Szczecin	providing lending guarantees, investing funds vested in companies and their management	associated	not consolidated	8.2001	5 000	-	5 000	50.00%	50.00%	-
12	Gospodarstwo Rolne Cisy Sp. z o.o. w likwidacji	Cisy	agricultural production	subsidiary	not consolidated	6.1996	700	700		100.00%	100.00%	-
13	NFI Magna Polonia S.A. ****	Warszawa	buying securities issued by the State Treasury, buying or taking up interests or shares in entities registered and operating in Poland	associated	not consolidated	06.2001	42 073	11 348	30 725	21.57%	21.57%	-
14	WESTFUND Ltd. *	Dublin, Irlandia	investment fund management services - at present, it is not operational	associated	not consolidated	07.1995	151	-	151	33.70%	33.70%	-
15	Kanwig-Trading Żurawica Sp. z o.o. w likwidacji *****	Żurawica	running the customs warehouse	associated	not consolidated	05.1996	670	670	-	77.00%	45.60%	-
16	Kanwig Agencja Celna Sp. z o.o. w likwidacji *****	Żurawica	running the customs agency	associated	not consolidated	05.1996	5	5	-	49.00%	49.00%	-
17	LZPS PROTEKTOR S.A. ****	Lublin	production of protective, military and ordinary footwear	associated	consolidated not	12.2001	1 605	-	1 605	21.80%	21.80%	-

Bank Zachodni WBK S.A. transfered shares and interests of 22 companies with totall gross value PLN 24,5m to its subsidiary - BZ WBK Inwestycje Sp. z o.o. Company was established in 2001 for buying and selling shares and interests in commercial law companies as well as other securities; searching for investors for companies, and to provide advisory services.
* data according to the average rate of the National Bank of Poland - as at 29 June 2001: 1GBD = 5,6062 PLN.
** data for the above mentioned company for 2001 will be shown jointly with data for 2002
*** the company was established in October 2001, there was no financial income and income from sale.
**** data as at the end of September 2001.
***** data as at the end of 1999.
******data as at the end of November 2001.

The presented comparable figures for 2000 are "pro forma" figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report.

SHARES (INTERESTS) IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (HELD FOR INVESTMENT)

No.	name of the entity	the entity's equity, of which:							liabilities of the entity, of which:	long term	receivebles of the entity, of which:	long term	total assets of the entity	income from sales	value of shares interests not paid up by the issuer	dividend received or due for the last accounting year
			share capital	unpaid share capital	supplemantary capital	other own funds, of which:										
							retained profit (uncovered loss) from previous years	profit (loss) net								
1	BZ WBK Finanse & Leasing S.A. ******	15 434	15 000	-	9	425	(1 077)	1 502	308 583	185 227	44 603	19 530	369 875	100 752	-	-
2	WBK Nieruchomości S.A.	116	100	-	7	9	-	9	166	19	166	-	298	1 068	-	19
3	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	846	350	-	417	79	-	73	449	-	577	-	1 354	7 324	-	473
4	AIB WBK Fund Management Sp. z o.o.	6 233	2 469	-	555	3 209	-	3 209	1 957	-	8 226	-	9 952	16 925	-	459
5	Projekty Bankowe Polsoft Sp. z o.o.	5 284	200	-	-	5 084	-	4 210	2 021	-	3 119	-	7 313	26 050	-	913
6	WBK AIB Asset Management S.A.	14 097	13 500	-	-	597	(2 027)	2 624	58	-	326	-	14 351	5 525	-	-
7	WBK Nieruchomości i Wspólnicy Sp. Komandytowa	37 844	42 000	(4 312)	-	156	-	156	120 189	-	158 033	-	158 033	19 110	-	-
8	eCard S.A.	3 866	8 350	-	2 750	(7 234)	(1 578)	(5 656)	434	-	535	-	4 307	1 777	-	-
9	Gliwicki Bank Handlowy S.A.	23 649	21 314	-	6 801	(4 466)	(8 001)	3 535	-	-	23 232	-	24 081	2 815	-	-
10	BZ WBK Inwestycje Sp. z o.o. ***	5 319	50	-	5 420	(151)	-	(151)	3	-	-	-	5 322	-	-	-
11	POLFUND - Fundusz Poręczeń Kredytowych S.A. **	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Gospodarstwo Rolne Cisy Sp. z o.o. w likwidacji	(1 461)	700	-	-	(2 161)	(2 133)	(28)	1 521	-	61	-	60	-	-	-
13	NFI Magna Polonia S.A. ****	193 873	3 006	-	203 340	(12 473)	-	(6 228)	16 668	-	21 379	-	212 109	(7)	-	1 929
14	WESTFUND Ltd. *	1 041	575	-	-	466	-	702	249	-	8	-	8 153	645	-	-
15	Kanwig-Trading Żurawica Sp. z o.o. w likwidacji *****	634	870	-	-	(236)	(389)	(241)	241	-	-	-	-	-	-	-
16	Kanwig Agencja Celna Sp. z o.o w likwidacji *****	(33)	10	-	-	(43)	(10)	(33)	33	-	-	-	-	-	-	-
17	LZPS PROTEKTOR S.A. ****	16 847	5 016	-	12 491	(660)	-	(4 189)	12 787	-	9 762	-	31 877	35 142	-	-

* data according to the average rate of the National Bank of Poland - as at 29 June 2001: 1GBP = 5,6062PLN.
** data for the above mentioned company for 2001 will be shown joinly with data for 2002
*** the company was established in October 2001, there was no financial income nor income from sale.
**** data as at the end of September 2001.
***** data as at the end of 1999.
******data as at the end of November 2001.

The presented comparable figures for 2000 are "pro forma" figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report.

Note 9

SHARES AND INTERESTS IN OTHER ENTITIES	2001	2000
a) in banks	719	741
b) in other financial entities	33 241	62 506
c) in non-financial entities	103 868	95 530
Total of shares and interests in other entities	**137 828**	**158 777**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENT IN THE BALANCE OF SHARES AND INTERESTS HELD IN OTHER ENTITIES	2001	2000
Balance at the beginning of the period	**158 777**	**132 563**
a) increase (due to)	**148 809**	**170 548**
- purchase of shares, interests	130 758	122 887
- release of provisions	18 051	14 855
- increase in nominal value of GPW (Warsaw Stock Exchange) shares	-	11
- payment for shares	-	31 871
- transfer from GBH	-	924
b) decrease (due to)	**(169 758)**	**(144 334)**
- creation of provisions	(3 642)	(20 332)
- disposal of shares/interests	(166 116)	(123 078)
- provision for shares and interests taken over from GBH	-	(924)
Balance of shares and interests held in other entities at the end of the period	**137 828**	**158 777**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SHARES AND INTERESTS HELD IN OTHER ENTITIES	2001	2000
a) operational held by the bank's brokerage house	2 829	3 475
b) held for trading	45 401	10 227
c) held for investment	89 598	145 075
Total of shares and interests held in other entities	**137 828**	**158 777**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SHARES (INTERESTS) IN OTHER ENTITIES (HELD FOR INVESTMENT)

in PLNk

No.	name of the entity and its legal status	registered office	business	balance sheet value of shares (interests)	shareholding	percentage of votes at AGM	value of shares (interests) not paid by the issuer	dividends received or due for last accounting year
1	Scanclimber Sp. z o.o. (Fada)	Gniezno	production and trade in machines and equipment	1 090	13.62%	13.62%	-	-
2	Fabryka Nici ODRA S.A. w upadłości	Nowa Sól	manufacture of yarn from cotton and flax, production of tailor threads and socks, trader and service provider	-	12.53%	12.53%	-	-
3	Krajowa Izba Rozliczeniowa SA	Warszawa	National Clearing House	625	11.48%	11.48%	-	319
4	AWSA Holland II B.V.	Poznań	holding shares in Autostrada Wielkopolska SA (established to build and operate a highway at the section Swiecko-Konin)	46 047	10.10%	10.10%	-	-
5	Commercial Union Polskie Towarzystwo Ubezpieczeń na Życie SA	Warszawa	life insurance	8 046	10.00%	10.00%	821	726
6	Commercial Union Polskie Towarzystwo Ubezpieczeń Ogólnych SA	Warszawa	property and general insurance	2 119	10.00%	10.00%	-	-
7	Commercial Union Powszechne Towarzystwo Emerytalne BPH, CU, WBK SA	Warszawa	establishing and managing pension funds and representing them to third parties	21 013	10.00%	10.00%	-	-
8	Biuro Informacji Kredytowej SA	Warszawa	collecting and providing access to information on banks' borrowers	620	5.14%	5.14%	-	-
9	Other			10 038	-	-	-	-

The presented comparable figures for 2000 are "pro forma" figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report.

Note 10

OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS (BY TYPE)	2001	2000
a) units in trust funds	9 545	228 558
b) pre-emptive rights	-	-
c) derivative rights	-	-
d) other (by type)	-	2 506
- operational	-	2 506
- other	-	
Other securities and other proprietary interests in total	**9 545**	**231 064**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS	2001	2000
a) operational held by the bank's brokerage house	-	2 506
b) held for trading	-	100 000
c) held for investment	9 545	128 558
Other securities and other proprietary interests in total	**9 545**	**231 064**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN BALANCE OF OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS	2001	2000
Balance at the beginning of the period	231 064	13 274
a) increase (due to)	144 036	293 608
- purchase	144 036	293 277
- release of provisions	-	331
b) decrease (due to)	(365 555)	(75 818)
- sale	(365 555)	(75 818)
Balance at the end of the period	**9 545**	**231 064**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 11

SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS	2001	2000
1. operational - held by the bank's brokerage house	2 891	6 062
2. held for trading	767 687	703 526
3. held for investment	3 530 818	4 319 838
Other securities, interests and other proprietary interests in total	**4 301 396**	**5 029 426**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENT IN THE BALANCE OF SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS

	2001	2000
Balance at the beginning of the period	**5 029 426**	**4 551 581**
a) increase (due to)	**36 249 203**	**31 459 114**
- purchase of shares and interests	369 363	488 497
- payments for shares and interests	-	31 871
- release of provisions	22 812	21 533
- increase in the value of NBP bills	18 006 561	18 662 250
- increase in the value of government bonds	7 790 640	5 479 156
- increase in the value of treasury bills	9 122 047	5 896 224
- increase in the value of NBP bonds	51 316	57 179
- increase tn the value of other securities	866 936	821 469
- increase in value of GBH shares*	19 528	-
- increase in nominal value of shares	-	11
- taking over of shares and interests from GBH	-	924
b) decrease (due to)	**(36 977 233)**	**(30 981 269)**
- sale of securities	(542 161)	(302 927)
- repurchase / sale of NBP bills	(18 553 042)	(18 473 728)
- repurchase / sale of government bonds	(7 970 143)	(5 312 095)
- repurchase / sale of treasury bills	(8 966 088)	(6 007 487)
- repurchase / sale of NBP bonds	(59 440)	(56 942)
- repurchase / sale of other securities	(875 137)	(804 473)
- creation of provisions	(11 222)	(22 693)
- provisions for securities taken over from GBH	-	(924)
Balance at the end of the period	**4 301 396**	**5 029 426**

*In 2001 bank stopped to consolidate GBH S.A. due to not significant value of ofinancial data comparing to the dominant entity.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS (BY CURRENCY)

	2001	2000
a in zloty	**4 279 389**	**4 997 120**
b in foreign currency (by currency and its equivalent in PLN)	**22 007**	**32 306**
b1. currency in thousand / EURO	6 249	6 249
PLN k	22 007	24 085
b2. currency in thousand / DEM	-	4 017
PLN k	-	7 917
b3. currency in thousand / IEP	-	34
PLN k	-	165
b4. currency in thousand / BEF	-	1 455
PLN k	-	139
b5. other currency in thousand	-	-
Total securities, interests and other proprietary interests	**4 301 396**	**5 029 426**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SECURITIES, INTERESTS AND UNITS IN FUNDS - HELD FOR TRADING	2001	2000
A. With unlimited marketability, listed on stock exchange (balance sheet value)	**240 638**	**108 855**
a) shares (balance sheet value)	48 244	9 482
- market value	45 616	9 807
- value at purchase price	48 853	10 170
b) bonds (balance sheet value)	192 394	99 373
- market value	193 449	97 972
- value at purchase price	187 908	98 272
c) other - by category (balance sheet value)	-	-
c1) treasury bills	-	-
- market value	-	-
- value at purchase price	-	-
B. With unlimited marketability, in regulated off Stock Exchange trading (balance sheet value)	**385 795**	**300 949**
a) shares (balance sheet value)	20	24
- market value	20	24
- value at purchase price	29	29
b) bonds (balance sheet value)	62	81
- market value	62	81
- value at purchase price	62	81
c) other- by category (balance sheet value)	385 713	300 844
c1) treasury bills	286 379	12 506
- market value	290 407	12 508
- value at purchase price	283 750	11 874
c2) NBP bills	99 334	288 338
- market value	99 334	288 348
- value at purchase price	99 113	287 728
C. With unlimited marketability, not listed and not within regulated off Stock Exchange trading (balance sheet value)	**144 145**	**299 784**
a) shares (balance sheet value)	-	6 702
- market value	-	6 702
- value at purchase price	-	6 702
b) bonds (balance sheet value)	98 684	101 621
- market value	99 820	102 415
- value at purchase price	96 894	98 761
c) other-by category (balance sheet value)	45 461	191 461
c1) trade bills	45 461	13 981
- market value	45 618	14 021
- value at purchase price	45 204	13 945
c2) treasury bills	-	47 902
- market value	-	47 902
- value at purchase price	-	47 974
c3) other securities with discount	-	29 578
- market value	-	29 578
- value at purchase price	-	29 514
c4) trust units	-	100 000
- market value	-	100 000
- value at purchase price	-	100 000
D. With limited marketability	-	-

	2001	2000
a) shares and interests (balance sheet value)	-	-
- estimated market value	-	-
- value at purchase price	-	-
b) bonds (balance sheet value)	-	-
- estimated market value	-	-
- value at purchase price	-	-
c) other by category (balance sheet value)	-	-
- estimated market value	-	-
- value at purchase price	-	-
Total value at purchase price	**761 813**	**705 050**
Total value of revaluation adjustments (balance)	**(985)**	**(976)**
Total estimated/market value	**774 326**	**709 358**
Total balance sheet value	**770 578**	**709 588**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SECURITIES, INTERESTS AND UNITS IN FUNDS - HELD FOR INVESTMENT

	2001	2000
A. With unlimited marketability, listed on stock exchange (balance sheet value)	**2 040 244**	**2 287 647**
a) shares and interests (balance sheet value)	39 450	44 672
- revaluation adjustments (balance)	(11 348)	(14 303)
- value at purchase price	50 798	58 975
b) bonds (balance sheet value)	2 000 794	2 242 975
- revaluation adjustments (balance)	192 263	163 366
- value at purchase price	1 808 531	2 079 609
c) other-by category (balance sheet value)	-	-
B. with unlimited marketability, in regulated off Stock Exchange trading (balance sheet value)	**137 423**	**142 307**
a) shares (balance sheet value)	-	-
- revaluation adjustments (balance)	-	-
- value at purchase price	-	-
b) bonds (balance sheet value)	-	-
- revaluation adjustments (balance)	-	-
- value at purchase price	-	-
c) other-by category (balance sheet value)	137 423	142 307
c1) treasury bills	137 423	142 307
- revaluation adjustments (balance)	7 677	18 652
- value at purchase price	129 746	123 655
C. With unlimited marketability, not listed and not within regulated off Stock Exchange trading (balance sheet value)	**295 784**	**743 549**
a) shares (balance sheet value)	86 908	93 705
- revaluation adjustments (balance)	(7 128)	(10 808)
- value at purchase price	94 036	104 513
b) bonds (balance sheet value)	104 378	141 627
- revaluation adjustments (balance)	5 292	82 496
- value at purchase price	99 086	59 131
c) other-by category (balance sheet value)	104 498	508 217
c1) shares	94 953	15 309
- revaluation adjustments (balance)	(6 438)	(18 341)
- value at purchase price	101 391	33 650

	2001	2000
c2) trust funds	9 545	128 558
- revaluation adjustments (balance)	-	-
- value at purchase price	9 545	128 558
c3) commercial papers	-	-
- revaluation adjustments (balance)	-	-
- value at purchase price	-	-
c4) treasury bills	-	6 874
- revaluation adjustments (balance)	-	865
- value at purchase price	-	6 009
c5) NBP bills	-	357 476
- revaluation adjustments (balance)	-	2 744
- value at purchase price	-	354 732
D. With limited marketability	**1 057 367**	**1 146 335**
a) shares (balance sheet value)	66	515 806
- revaluation adjustments (balance)	-	(927)
- value at purchase price	66	516 733
b) bonds (balance sheet value)	963 545	478 519
- revaluation adjustments (balance)	8 903	8 621
- value at purchase price	954 642	469 898
c) other-by category (balance sheet value)	93 756	152 010
c1) treasury bills	93 756	152 010
- revaluation adjustments (balance)	6 969	11 929
- value at purchase price	86 787	140 081
Total value at purchase price	**3 334 628**	**4 075 544**
Total revaluation adjustments (balance)	**196 190**	**244 294**
Total balance sheet value	**3 530 818**	**4 319 838**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 12

INTANGIBLE ASSETS	2001	2000
a) organization expenses incurred when establishing or expanding a joint stock company	311	338
b) development work capitalised	-	-
c) acquired goodwill	592	13 620
d) licenses, trademarks, patents, of which:	53 155	49 572
- acquired software	48 920	40 690
e) acquired rights to perpetual usufruct (long term leasehold) of land	536	725
f) other intangible assets	8 562	8 795
g) prepayments for intangible assets	298	70
Total intangible assets	**63 454**	**73 120**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENTS IN INTANGIBLES (BY TYPE)

	settlement of organisation expenses incurred when establishing and expanding a joint stock company	development work capitalised	goodwill acquired	licences, patents and similar assets		titles to perpetual usufruct of land	other intangibles	prepayments for intangible assets	Total intangible assets
				of which:	software				
a) value of intangible assets at the beginning of the period	414	-	145 679	103 585	85 701	1 265	14 932	70	265 945
b) increase (due to)	94	-	13	29 683	27 394	-	26	298	30 114
- purchase	-	-	7	26 033	25 309	-	26	298	26 364
- reclassification due to investment	-	-	6	2 067	2 067	-	-	-	2 073
- transfer	94	-	-	1 583	18	-	-	-	1 677
c) decrease (due to)	(70)	-	(13)	(202)	(190)	(86)	(12)	(70)	(453)
- sale	-	-	-	-	-	(80)	-	-	(80)
- liquidation	(70)	-	-	(202)	(190)	(5)	(12)	-	(289)
- reclassification	-	-	(13)	-	-	(1)	-	(70)	(84)
d) gross value of intangible assets at the end of the period	438	-	145 679	133 066	112 905	1 179	14 946	298	295 606
e) accumulated depreciation (amortization) at the beginning of the period	(76)	-	(132 059)	(54 013)	(45 011)	(540)	(6 137)	-	(192 825)
f) depreciation for the period (with regard to)	(51)	-	(13 028)	(24 042)	(18 974)	(103)	(247)	-	(37 471)
- depreciation write-offs	(86)	-	(13 028)	(22 760)	(17 693)	(177)	(249)	-	(36 300)
- liquidation	35	-	-	95	95	74	2	-	206
- reclassification	-	-	-	(1 377)	(1 376)	-	-	-	(1 377)
g) accumulated depreciation at the end of the period	(127)	-	(145 087)	(78 055)	(63 985)	(643)	(6 384)	-	(230 296)
h) unplanned write-offs	-	-	-	(1 856)	-	-	-	-	(1 856)
i) net value of intangible assets at the end of the period	311	-	592	53 155	48 920	536	8 562	298	63 454

Unplanned depreciation write-offs for amount PLN 1,856k are due to branch program change in service ie. introducement of the new computer system and liquidation old system.

The presented comparable figures for 2000 are "pro forma" figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report.

Note 13

GOODWILL ARISING ON CONSOLIDATION	2001	2000
a) Goodwill arising on consolidation - subsidiaries	-	1 959
b) Goodwill arising on consolidation - associates	-	-
Goodwill arising on consolidation	**-**	**1 959**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN GOODWILL ARISING ON CONSOLIDATION - SUBSIDIARIES	2001	2000
a) Gross value as at the beginning of period	17 208	17 071
b) Increase (due to)	-	137
- purchase of additional shares	-	137
c) Decrease (due to)	-	-
- sale of additional shares	-	-
d) Gross value at the end of period	**17 208**	**17 208**
e) Amortization of goodwill arising on consolidation at the beginning of the period	(15 249)	(11 784)
f) Amortization of goodwill arising on consolidation for the period (due to)	(1 959)	(3 465)
- goodwill as at the date of the shareholding acquisition	-	(3 328)
- goodwill due to the purchase of additional shares	-	(137)
- total goodwil	(1 959)	-
g) Amortization of goodwill arising on consolidation at the end of the period	(17 208)	(15 249)
h) Net value as at the end of period	**-**	**1 959**

*) In 2001, GBH S.A. was not consolidated due to insignificant size of financial data as compared to the data of the dominant entity.

Goodwill arising on consolidation disclosed in Note 13 relates to Gliwicki Bank Handlowy S.A. and Dom Maklerski WBK S.A.
Goodwil on consolidation of Gliwicki Bank Handlowy S.A. as at the date of taking control by WBK S.A. over GBH SA, i.e. 31.07.1996 was determined in the following manner:

1. cost at which WBK SA purchased GBH shares	PLN 25 134k
2. market price of neta assets of GBH SA at the date of acquisition of control by WBK S.A.	PLN 9 585k
3. WBK's shareholding in GBH S.A.	87.45%
4. share in net assets of GBH at the date of acquisition of control by WBK	PLN 8 382k
5. goodwill arising on consolidation as at 31.07.1996 r.	PLN 16 752k

Increase (decrease) of goodwill arising on consolidation in the period:

from 1.08.1996 – 31.12.2001	
1.08.1996 – 31.12.1996	-
1.01.1997 – 31.12.1997	10
1.01.1998 – 31.12.1998	738
1.01.1999 – 31.12.1999	(480)
1.01.2000 – 31.12.2000	137
1.01.2001 – 31.12.2001	-
Gross value as at 31.12.2001	17 157

Amortization of goodwill on consolidation from 1.08.1996 to 31.12.2001:	
1.08.1996 – 31.12.1996	(1 396)
1.01.1997 – 31.12.1997	(3 352)
1.01.1998 – 31.12.1998	(3 535)
1.01.1999 – 31.12.1999	(3 450)
1.01.2000 - 31.12.2000	(3 465)
1.01.2001 - 31.12.2001	(1 959)
Total amortization of goodwill arising on consolidation at the end of the period	(17 157)
Net value of goodwill arising on consolidation of GBH SA	0
Goodwill on arising on consolidation of Dom Maklerski WBK SA (Brokerage House) as at the date of acquisition of control by WBK, i.e. 23.07.199 9 was determined in the following manner:	
1. cost at which WBK SA purchased Dom Maklerski shares	44 051
2. net assets of Dom Maklerski SA	44 000
3. WBK's shareholding in Dom Maklerski	100%
4. goodwill arising on consolidation	51
5. amortization of goodwill arising on consolidation	(51)
6. net value of goodwill arising on consolidation of Dom Maklerski	-
Total amortization of goodwill arising on consolidation at the end of the period	51
Net value of goodwill arising on consolidation of Dom Maklerski BZ WBK SA	0
Total amortization of goodwill of companies:GBH S.A. and Dom Maklerski BZ WBK S.A.as at 31.12.2001	**(17 208)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN GOODWILL ARISING ON CONSOLIDATION - SUBSIDIARIES

	2001	2000
a) gross value at the beginning of the period	-	-
b) increase (due to)	-	-
c) decrease (due to)	-	-
d) gross value at the end of the period	-	-
e) write off at the beginning of the period	-	-
f) write off for the period(due to)	-	-
g) write off at the end of the period	-	-
h) value at the end of the period	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 14

TANGIBLE FIXED ASSETS	2001	2000
Tangible assets, of which:		
a) fixed assets:	**693 300**	**638 845**
- freehold and buildings occupied by the Bank for its activities	412 028	343 782
- other land and premises	35 564	42 847
- equipment	221 742	192 311
- motor vehicles	9 384	10 185
- other fixed assets	14 582	49 720
b) assets under construction	**329 213**	**118 576**
c) payments in advance for assets under construction	**47**	**1 928**
Total tangible fixed assets	**1 022 560**	**759 349**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENTS IN FIXED ASSETS (by type)

	freehold land and buildings occupied by the Bank for its activities	other land and buildings	equipment	motor vehicles	other fixed assets
a) value of fixed assets at the beginning of the period	414 128	49 451	392 496	17 951	124 228
b) increase (due to)	125 856	-	138 243	3 244	15 532
- purchases	87 497	-	102 058	3 244	15 517
- due to investments	139	-	8 539	-	13
- reposting	328	-	-	-	2
- reclassification	37 892	-	27 646	-	-
c) decrease (due to)	(8 542)	(6 896)	(5 689)	(5 143)	(70 915)
- liquidation	(7 604)	(6 893)	(910)	(4 985)	(775)
- disposal	(938)	(3)	(4 045)	(158)	(3 626)
- reposting	-	-	(705)	-	(154)
- reclassification	-	-	(2)	-	(65 541)
- reclassification	-	-	(27)	-	(819)
d) gross value of fixed assets at the end of the period	531 442	42 555	525 050	16 052	68 845
e) accumulated depreciation (amortization) at the beginning of the period	(70 346)	(6 604)	(200 185)	(7 766)	(74 508)
f) depreciation for the period (with regard to)	(43 658)	(387)	(91 814)	1 098	20 245
- depreciation charges	(18 606)	(925)	(73 580)	(2 882)	(7 949)
- liquidation	570	559	4 480	3 963	3 298
- disposal	-	(21)	(8 153)	17	17
- reposting	(14 901)	-	-	-	1
- reclassification	(10 721)	-	(14 561)	-	24 878
g) accumulated depreciation at the end of the period	(114 004)	(6 991)	(291 999)	(6 668)	(54 263)
h) unplanned charges	(5 410)	-	(11 309)	-	-
i) net value of fixed assets at the end of the period	412 028	35 564	221 742	9 384	14 582

Unplanned depreciation write-offs for fixed assets equal PLN16,719k and are due to branch rationalisation process and cesation of activity in not effective units.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)

	2001	2000
a) Bank's own assets	**693 250**	**638 754**
b) used under a lease agreement or other similar agreements of which:	50	91
- finance lease	50	91
Total balance-sheet fixed assets	**693 300**	**638 845**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

OFF-BALANCE SHEET FIXED ASSETS

	2001	2000
used under a lease, rental agreement or other similar agreements, of which:		
- value of land under perpetual usufruct	14 150	11 920
- motor vehicles	6 958	5 849
- leased and rented	-	39
- other equipment	7 302	5 527
- received to be used free of charge	-	72
Total off-balance sheet fixed assets	**28 410**	**23 407**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 15

OWN SHARES FOR DISPOSAL

number	value at purchase price	balance-sheet value	purpose of purchase	held for
–	–	–	–	–

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

THE BANK'S SHARES HELD BY SUBSIDIARY UNDERTAKINGS

name of the entity (company)	number of shares	value at purchase price	balance sheet value
–	–	–	–

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 16

OTHER ASSETS	2001	2000
1. Assets taken - over for sale	719	899
2.Other, of which:	278 216	319 683
- sundry debtors	154 644	172 352
- interbank clearing balances	14 602	11 297
- subordinated loans	8 892	8 556
- loan from the Company Social Fund	24 432	6 277
- premium on purchased options	59 090	21 765
- other	16 556	99 436
Other assets in total	**278 935**	**320 582**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

ASSETS TAKEN OVER - FOR SALE	2001	2000
1. Investments	-	-
2. Real estate	85	86
3. Inventories	27	20
4. Other	607	793
Total assets taken over - for sale	**719**	**899**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENT IN ASSETS TAKEN OVER - FOR SALE	2001	2000
Balance at the beginning of the period	**899**	**5 794**
a.increase (due to)	**531**	**2 073**
- exchanged for debts	360	1 931
- release of provision	83	142
- other	88	-
b. Decrease in the period (due to)	**(711)**	**(6 968)**
- sale	(575)	(5 800)
- creation of provisions	(83)	(62)
- other	(53)	(1 106)
Balance at the end of the period	**719**	**899**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 17

MOVEMENT IN PREPAYMENTS DUE TO DEFERRED INCOME TAX

	2001	2000
Balance of prepayments due to deferred income tax at the beginning of the period	-	-
a) Increase (due to)	**302 738**	**-**
- interest on deposits, derivative instruments	118 233	-
- provisions for loans, receivables, deferred costs	172 086	-
- deferred income asset	2 541	-
- other	9 878	-
b) Decrease (due to)	**(180 110)**	**-**
- release of provisions for loans and realisation of interest	(75 876)	-
- deffered tax asset	(1 940)	-
- income taken to profit on an accrual basis	(105)	-
- release of provisions for loans and realisation of interest	(102 189)	-
Balance of prepayments due to deferred income tax at the end of the period	**122 628**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

OTHER PREPAYMENTS

	2001	2000
a) Prepaid expenses, of which:	**432 094**	**240 435**
- deferred depreciation concerning investment relief	-	-
- costs paid in advance	19 870	54 404
- valuation of SWAP transactions	411 674	186 031
- other	550	
b) Other prepayments, of which:	**-**	**2 379**
- consumption of materials	-	2 243
- other receivables to be obtained	-	136
Total prepayments	**432 094**	**242 814**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

SUBORDINATED DEBTS

Name of the borrower	Value of loan		Interest	Maturity
	currency	in PLN k.	rate	date
1. Credit Lyonnais Bank Polska S.A.PLN	8 892	+ 1 625 %	WIBOR for 3 m deposits in PLN points margin	02.01.2002

CHANGE IN THE BALANCE OF SUBORDINATED DEBT:	2001	2000
1. Balance in the beginning of the period	**8 556**	**23 296**
2. Increase	1 526	3 695
- interest	1 526	3 695
3. Decrease	(1 190)	(18 435)
- loan from GBH	-	(13 850)
- interests	(1 190)	(4 585)
4. Balance in the end of the period	**8 892**	**8 556**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 18

DEPOSITS OF FINANCIAL SECTOR (BY CATEGORY)	2001	2000
1. Funds in accounts and deposits	**1 855 169**	**1 592 560**
2. Loans and advances received	**156 716**	**116 012**
3. Other liabilities (due to)	**13 058**	**29 518**
- investment accounts of brokerage houses	7	1 788
- funds allocated to special purposes	7 118	4 260
- other	5 933	23 470
4. Interest	6 465	19 082
Total deposits of financial sector	**2 031 408**	**1 757 172**

Treasury bonds - securities were collateral of the loan from BFG - comment in note 5.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF FINANCIAL SECTOR (BY MATURITY)	2001	2000
1. Current liabilities	**131 697**	**82 339**
2. Term liabilities, with residual maturity of:	**1 893 246**	**1 655 751**
a) up to 1 month	1 538 440	1 097 212
b) from 1 month to 3 months	52 466	96 854
c) over 3 months to 1 year	192 526	193 787
d) over 1 year to 5 years	67 732	103 760
e) over 5 years	42 082	164 138
f) for which the maturity period has lapsed	-	-
3. Interest	**6 465**	**19 082**
Total deposits of financial sector	**2 031 408**	**1 757 172**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF FINANCIAL SECTOR (BY ORIGINAL MATURITY)

	2001	2000
1. Current liabilities	**131 697**	**82 339**
2. Term liabilities with original maturity of:	**1 893 246**	**1 655 751**
a) up to 1 month	1 338 008	946 469
b) from 1 month to 3 months	176 538	190 749
c) over 3 months to 1 year	180 278	176 081
d) over 1 year to 5 years	89 256	175 314
e) over 5 years	109 166	167 138
3. Interest	6 465	19 082
Total deposits of financial sector	**2 031 408**	**1 757 172**

In the balance sheet, the interest has been included in the following items:
- „in current account" - as at 31.12.01, in the amount of PLN 78k,
- „term" - as at 31.12. 01, in the amount of PLN 6 387k.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF FINANCIAL SECTOR (BY CURRENCY)

	2001	2000
a) in zloty	**1 078 883**	**1 261 678**
b) in foreign currency (by currency and its equivalent in PLN)	**952 525**	**495 494**
b1. currency in thousand/USD	196 079	36 972
PLN k.	781 631	153 184
b2. currency in thousand/EURO	46 119	86 889
PLN k.	162 426	329 216
b3. currency in thousand/DKK	1 699	11 017
PLN k.	805	5 690
b4. currency in thousand/DEM	-	317
PLN k.	1	625
b5. other currency in thousand	7 662	6 779
Total deposits of financial sector	**2 031 408**	**1 757 172**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF FINANCIAL SECTOR

	2001	2000
a) of consolidated entities	-	-
b) of other entities	2 031 408	1 757 172
Total deposits of financial sector	**2 031 408**	**1 757 172**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 19

DEPOSITS OF NON - FINANCIAL AND PUBLIC SECTOR (BY CATEGORY)

	2001	2000
1. Funds in accounts and deposits	**18 468 069**	**16 888 548**
2. Other liabilities (due to):	**150 867**	**379 232**
- investment accounts of banking brokerage offices	138 466	311 517
- accounts in transit	10 288	14 804
- funds of FRIOR for the purchase of debts	2 071	1 713
- other	42	51 198
3. Interest	233 737	238 181
Total deposits of non -financial and public sector	**18 852 673**	**17 505 961**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF NON - FINANCIAL AND PUBLIC SECTOR - SAVINGS DEPOSITS (BY MATURITY)

	2001	2000
1. Current liabilities	-	-
2. Term liabilities with maturity of:	**2**	**2**
a) up to 1 month	-	-
b) from 1 month to 3 months	-	-
c) over 3 months to 1 year	-	-
d) over 1 year to 5 years	1	1
e) over 5 years	1	1
f) for which the maturity date has lapsed	-	-
3. Interest	-	-
Total deposits of non-financial and public sector - savings deposits in total	**2**	**2**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF NON - FINANCIAL AND PUBLIC SECTOR - SAVINGS DEPOSITS (BY ORIGINAL MATURITY)

	2001	2000
1. Current liabilities	-	-
2. Term liabilities with maturity of:	**2**	**2**
a) up to 1 month	-	-
b) from 1 month to 3 months	2	2
c) over 3 months to 1 year	-	-
d) over 1 year to 5 years	-	-
e) over 5 years	-	-
3. Interest	-	-
Total deposits of non-financial and public sector - savings deposits	**2**	**2**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF NON - FINANCIAL AND PUBLIC SECTOR - OTHER (BY MATURITY)

	2001	2000
1. Current liabilities	**5 452 512**	**4 635 787**
2. Term liabilities with residual maturity of:	**13 166 422**	**12 631 991**
a) up to 1 month	5 696 962	6 158 742
b) from 1 month to 3 months	3 225 948	3 785 284
c) over 3 months to 1 year	2 154 841	2 309 098
d) over 1 year to 5 years	1 754 473	378 549
e) over 5 years	334 198	318
f) overdue amounts	-	-
3. Interest	**233 737**	**238 181**
Total deposits of non-financial and public sector - other deposits in total	**18 852 671**	**17 505 959**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF NON-FINANCIAL AND PUBLIC SECTOR - OTHER (BY ORIGINAL MATURITY)

	2001	2000
1. Current liabilities	**5 452 512**	**4 635 787**
2. Term liabilities with maturity of:	**13 166 422**	**12 631 991**
a) up to 1 month	4 135 212	4 030 042
b) from 1 month up to 3 months	4 500 054	4 592 672
c) over 3 months to 1 year	4 030 588	3 534 882
d) over 1 year to 5 years	500 568	474 395
e) over 5 years	-	-
3. Interest	233 737	238 181
Total other deposits of non-financial and public sector	**18 852 671**	**17 505 959**

In the balance sheet, interest has been included in the following items:
- „in current account" - as at 31.12.01, in the amount of PLN 2k,
- „term" - as at 31.12. 01, in the amount of PLN 233 735k.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF NON - FINANCIAL AND PUBLIC SECTOR (BY CURRENCY)	2001	2000
a) in zloty	**16 050 252**	**15 264 883**
b) in foreign currency (by currency and its equivalent in PLN)	2 802 421	2 241 078
b1. currency in thousand/USD	362 045	319 266
PLN k.	1 443 221	1 322 782
b2. currency in thousand/EURO	241 886	36 134
PLN k.	851 898	138 850
b3. currency in thousand/DEM	227 578	339 539
PLN k.	409 801	669 134
b4. currency in thousand/GBP	11 560	10 580
PLN k.	66 724	65 490
b5. other currencies (in PLN k)	30 777	44 822
Total deposits of non-financial and public sector	**18 852 673**	**17 505 961**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

DEPOSITS OF NON - FINANCIAL AND PUBLIC SECTOR	2001	2000
a) toward consolidated entities	-	-
b) toward other entities	18 852 673	17 505 961
Total deposits of financial sector	**18 852 673**	**17 505 961**

The data presented in the notes also regards receivables from non consolidated subsidiaries and associates.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 20

AMOUNTS PAYABLE ON SECURITIES SOLD WHICH ARE SUBJECT TO REPURCHASE AGREEMENT	2001	2000
a) to financial sector	-	-
b) to non-financial sector and public sector	-	-
c) interest	-	-
Total amounts payable on securities sold which are subject to repurchase agreement	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 21

LIABILITIES ARISING FROM THE ISSUE OF THE BANK'S OWN SECURITIES	2001	2000
1. Bonds	-	-
2. Certificates	-	1 596
3. Other	-	-
4. Interest	-	46
Total liabilities due to issue of Bank's own securities	**-**	**1 642**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN THE BALANCE OF LIABILITIES ARISING FROM ISSUE OF SECURITIES BY THE BANK

	2001	2000
Balance at the beginning of the period	1 642	2 450
a) increase (due to):	-	-
b) decrease (due to repurchase):	(1 642)	(808)
- securities due in line with the term	(1 642)	-
Balance at the end of the period	**-**	**1 642**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

LONG-TERM LIABILITIES ARISING FROM ISSUED SECURITIES

debt securities by type	nominal value	interest rate	repurchase date	guaranties/ bank guaranties	additional rights
-	-	-	-	-	-

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 22

SPECIAL FUNDS AND OTHER LIABILITIES

	2001	2000
1. Special funds (due to):	**34 895**	**27 318**
- the Company's Social Fund	34 895	27 318
2. Other liabilities (due to):	**668 409**	**578 918**
- sundry creditors	172 834	103 201
- clearing /settlement accounts	494 369	450 698
- other	1 206	25 019
Special funds and other liabilities in total	**703 304**	**606 236**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 23

ACCRUED (AND SUSPEN) EXPENSES AND INCOME

	2001	2000
a) accrued expenses, including:	**298 171**	**96 305**
- settlements of operations in financial instruments	226 856	15 326
- other	**71 315**	**80 979**
b) deferred income, of which:	51 808	94 142
- income taken in advance	42 128	24 863
- other deferred income	9 680	69 279
c) suspended income (due to):	**484 456**	**437 706**
- suspended interests	478 693	406 949
- interests accured but not matured from irregular receivables from non - financial sector	4 088	17 669
- other income to be settled	1 675	13 088
Total accruals and income	**834 435**	**628 153**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 24

MOVEMENTS IN PROVISION FOR CORPORATE INCOME TAX

	2001	2000
Balance of provision at the beginning of the period	32 811	48 066
a) increase (due to)	178 118	112 365
- accrued interest, taken to P&L account	166 920	112 365
- limited partnership	9 807	-
- investment relief	1 391	-
b) decrease (due to)	(210 929)	(127 620)
- interest received this year and taken to last year's P&L account	(108 910)	(84 565)
- negative timing differences	(102 019)	(43 055)
Balance of provision at the end of the period	**-**	**32 811**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

OTHER PROVISIONS (BY CATEGORY), OF WHICH FOR:

	2001	2000
- contingent off-balance sheet liabilities	14 162	10 437
- general risk	87 537	117 537
- accrued costs	57 910	22 637
- other	42 399	2 442
Other provisions in total	**202 008**	**153 053**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENT IN THE BALANCE OF OTHER PROVISIONS

	2001	2000
Balance of provisions at the beginning of the period	153 053	150 597
a) increase (due to)	100 570	43 375
- consolidated entity	-	423
- charge for off-balance sheet liabilities	22 898	12 823
- charge for accrued costs	57 910	8 965
- general risk	-	19 200
- interest receivables	-	1 964
- disputable receivables	13 489	-
- other	6 273	-
b) utilisation (due to)	-	(467)
- write-off of debts	-	(125)
- other	-	(342)
c) release (due to)/of	(51 615)	(40 452)
- accrued costs reserve	-	(9 066)
- income	-	(34)
- provision for off-balance sheet liabilities	(19 173)	(30 026)
- for general risk	(30 000)	-
- other	(2 442)	(1 326)
Balance of provisions at the end of the period in total	**202 008**	**153 053**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 25

SUBORDINATED LIABILITIES

1	2		3	4	5	6
Name of the borrower	Value of the loan		Interest rate	Maturity date	Balance of subordinated debt	Interest
	currency	PLN k				
Ford Credit Europe plc	PLN	10 000	Fixed interest rate 1% per annum	6 years from 10 July 1996	10 048	48

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

MOVEMENTS IN SUBORDINATED LIABILITIES	2001	2000
Balance at the beginning of the period	10 048	10 048
a) increase (due to)	100	100
- interest	100	100
b) decrease (due to)	(100)	(100)
- interest	(100)	(100)
Balance of subordinated liabilities at the end of the period	**10 048**	**10 048**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 26

CHANGE IN MINORITY INTERESTS	2001	2000
Balance at the beginning of period	**593**	**852**
a) increase (due to)	-	55
- share in profits	-	55
b) decrease (due to)	**(593)**	**(314)**
- other	(593)	(314)
Balance at the end of period	**-**	**593**

In 2001 bank stopped to consolidate GBH S.A. due to not significant value of financial data compared to the dominant entity.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 27

NEGATIVE GOODWILL	2001	2000
a) negative goodwill - subsidiaries	-	-
b) negative goodwill - associates	-	-
Total negative goodwill	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN NEGATIVE GOODWILL - SUBSIDIARIES	2001	2000
a) gross value at the beginning of the period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of the period	-	-
e) amortization of negative goodwill at the beginning of the period	-	-
f) amortization of negative goodwill for the period	-	-
g) amortization of negative goodwill at the end of the period	-	-
h) net value at the end of the period	-	-

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

CHANGE IN NEGATIVE GOODWILL - ASSOCIATES	2001	2000
a) gross value at the beginning of the period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of the period	-	-
e) amortization of negative goodwill at the beginning of the period	-	-
f) amortization of negative goodwill for the period	-	-
g) amortization of negative goodwill at the end of the period	-	-
h) net value at the end of the period	-	-

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 28

SHARE CAPITAL

Nominal value of one share = PLN 10

Series/ issue	Type of shares	Type of preference	Number of shares	Value of series/ issue	Form of contirbuting	Registration date capital	Right to dividend
A	registered	NONE	5 120 000	51 200	cash	08.11.1991	08.11.1991
B	registered	NONE	724 073	7 241	non-cash	21.12.1996	01.01.1997
C	registered	NONE	22 155 927	221 559	cash	31.12.1996	01.01.1997
D	registered	NONE	1 470 589	14 706	cash	25.10.1999	01.01.1999
E	registered	NONE	980 393	9 804	cash	17.05.2000	01.01.2000
F	registered	NONE	2 500 000	25 000	cash	30.11.2000	01.01.2001
G	bearer	NONE	40 009 302	400 093	non-cash	13.06.2001	01.01.2002
Total number of shares			**72 960 284**				
Total share capital				**729 603**			

Following the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. in 2001, the bank's share capital totals PLN 729 603k and is composed of 72 960 284 shares with a nominal value of PLN 10 each. Owing to the nature of the issue series G shares did not have an issue price. In addition, the series G shares

issue was carried out without a pre-emptive right.
According to the information possessed by the Bank's Management Board, the shareholder who held more than 5% of Bank Zachodni WBK S.A. share capital as at 31.12.2001 was:

- AIB European Investmentts Ltd 70.5 %

The Management Board is not aware of other shareholders who hold more than 5% of Bank Zachodni WBK S.A. shares.
The number of shares owned by shareholders is equal to the number of votes on AGM.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 29

SUPPLEMENTARY CAPITAL	2001	2000
a) company's share premium	261 857	331 181
b) created as required by law	117 094	117 730
c) created in line with the Statutes	-	54
d) contributed by shareholders	-	-
e) other	1 515	14 440
Total supplementary capital	**380 466**	**463 405**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 30

OTHER RESERVE CAPITAL (BY THE PURPOSE OF ALLOCATION), INCLUDING:	2001	2000
- General banking risk fund	**259 810**	**204 810**
- Brokerage operations fund		-
- Reserve capital	560 583	438 201
Other reserve capital - total	**820 393**	**643 011**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 31

RETAINED PROFITS/LOSSES FROM PREVIOUS YEARS	2001	2000
a. retained profit (positive value)	5 374	6 724
b. uncovered loss (negative value)	-	-
Retained profits/losses from previous years	**5 374**	**6 724**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 32

CAPITAL ADEQUACY	2001	2000
1. Risk weighted assets and off-balance sheet liabilities	13 732 682	13 146 325
2. Capital	1 938 021	1 847 749
- share capital	729 603	729 603
- reserve capital	373 371	463 351
- other reserves capital	835 047	654 795
3. Deductions from capital	3 999	-
4. Supplementary funds	70 087	74 337
- reserve capital arising on revaluation	70 087	71 004
- subordinated liabilities	-	3 333
5. Deductions from capital and supplementary funds	200 210	201 232
6. Shareholders' equity - for calculation of capital adequacy	1 803 899	1 720 854
Solvency ratio in %	**13,14**	**13,09**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

NET BOOK VALUE	2001	2000
Share capital	729 603	729 603
Supplementary capital	380 466	463 405
Capital reserves	820 393	643 011
Reserve capital arising on revaluation	70 087	71 004
Retained profits from previous years	5 374	6 724
Net profit of current year (in PLNk)	148 509	138 560
Net book value (PLNk)	**2 154 432**	**2 052 307**
Number of shares	72 960 284	72 960 284
Net book value per share (in PLN)	**29,53**	**28,14**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 33

OFF - BALANCE SHEET CONTINGENT LIABILITIES

	2001	2000
Guarantees and bank guarantees granted to the benefit of :	-	-
a) subsidiaries	161	162
b) associates	-	-
c) dominant entity	-	-
d) other entities	647 329	587 634
Total guarantees granted	**647 490**	**587 796**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Notes to consolidated profit and loss account

Note 34

INTEREST INCOME

	2001	2000
1. From financial institutions	365 709	343 527
2. From customers and public sector	1 590 439	1 669 528
3. From securities	631 219	676 734
a) with a fixed yield	628 912	599 598
b) with a variable yield	2 307	77 136
4. Other	62 959	90 341
Total interest icome	**2 650 326**	**2 780 130**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 35

INTEREST EXPENSE

	2001	2000
1. On transactions with financial institutions	(223 662)	(209 664)
2. On transactions with customers and public sector	(1 802 711)	(1 682 309)
3. Other	(2 203)	(4 730)
Total interest expense	**(2 028 576)**	**(1 896 703)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 36

COMMISSION INCOME	2001	2000
1. Commissions on Banking operations	456 336	389 911
2. Commissions on brokerage operations	24 993	40 536
Total commission income	**481 329**	**430 447**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 37

INCOME ON SHARES, INTERESTS, OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS	2001	2000
1. From subsidiaries	6 723	1 563
2. From associates	378	-
3. From other entities	-	-
Total income on shares, interests, other securities and other proprietary interests	**7 101**	**1 563**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Nota 38

PROFIT ON FINANCIAL OPERATIONS	2001	2000
1. Profit on financial operations in securities	14 833	(57 723)
a) income from operations in securities	83 754	26 511
b) cost of operations in securities	(68 921)	(84 234)
2. Profit on other financial operations	399 827	264 244
Total profit on financial operations	**414 660**	**206 521**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 39

OTHER OPERATING INCOME	2001	2000
a) from management of third party assets	10 971	11 394
b) due to disposal or liquidation of components of fixed assets or assets for disposal	27 868	51 303
c) recovery of bad debts	451	4 945
d) received compensations, penalties and fines	824	232
e) received donations	20	20
f) other (due to)	27 961	25 715
- sundry income	12 690	10 172
- income on return of contributions to BFG (bank guarantee fund)	-	-
- income from the sale of pension fund agreements	-	3 233
- release of provisions for accrued costs	3 449	6 866
- income from sale of intangible assets	1 243	-
- other	10 579	5 444
Total other operating income	**68 095**	**93 609**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 40

OTHER OPERATING EXPENSES	2001	2000
a) management of third party assets	(2 000)	(5 063)
b) due to disposal or liquidation of components of fixed assets or assets for disposal	(22 280)	(36 109)
c) recovery of bad debts	(873)	(131)
d) paid compensations, penalties and fines	(1 932)	(1 330)
e) donations granted	(1 428)	(2 375)
f) due to non-planned depreciation charges	(18 576)	(2 002)
g) others (due to)	(29 788)	(19 663)
- sundry costs	(588)	(1 814)
- contributions to organisations where membership is not obligatory	(846)	-
- costs due to sale of receivables	-	-
- provision for costs to be incurred and overdue receivables	(3 156)	(324)
- costs of court proceedings	(18 546)	(10 553)
- other	(6 652)	(6 972)
Other operating expenses in total	**(76 877)**	**(66 673)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 41

BANK'S OPERATING COSTS	2001	2000
1. Remuneration	(520 763)	(451 003)
2. Other employment costs	(99 474)	(94 753)
3. Tangible costs	(229 250)	(168 750)
4. Taxes and fees	(12 859)	(13 924)
5. Contributions to Banking Guarantee Fund	(9 391)	(43 756)
6. Other costs, including:	(237 037)	(176 908)
- repairs and renovations	(27 894)	(29 244)
- services	(73 859)	(52 169)
- security costs	(35 439)	(24 804)
- other maintenance costs	(99 845)	(70 691)
Total Bank's operating costs	**(1 108 774)**	**(949 094)**

The item „Other employment costs" includes statutory employment costs in the amount of PLN 86 466k. In addition, the item „Remuneration" includes PLN 50 907k which represents a provisions for severance payments and compensations.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 42

TRANSFERS TO PROVISION AND REVALUATION	2001	2000
1. Transfers to provisions for:	(873 870)	(851 588)
- regular receivables	-	(1 441)
- watch receivables	(43 286)	(34 047)
- lost receivables	(787 605)	(731 244)
- interest receivables	-	(1 964)
- off-balance sheet liabilities	(22 898)	(12 823)
- general bank risk	-	(19 200)
- depreciation of securities	(5 004)	(19 148)
- assets for sale	(83)	(40)
- other	(14 994)	(31 681)
2. Revaluation	-	(1 580)
- due to depreciation of financial assets	-	(1 580)
Total transfers to provisions and revaluation	**(873 870)**	**(853 168)**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 43

RELEASE OF PROVISIONS AND REVALUATION	2001	2000
1. Release of provisions for:	656 320	562 756
- regular receivables	-	3 311
- watch receivables	25 846	39 801
- lost receivables	547 638	453 615
- interest receivables	-	-
- off-balance sheet liabilities	19 173	31 352
- general bank risk	30 000	-
- for securities depreciation	33 232	16 791
- assets for sale	83	114
- other	348	17 772
2. Reversal of diminution	12 508	4 111
- financial assets	12 508	4 111
Total release of provisions and revaluation	**668 828**	**566 867**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 44

EXTRAORDINARY GAINS	2001	2000
a) force majeure	286	151
b) on disposal of shares and interests in subsidiaries	-	-
c) on disposal of shares and interests in associates	-	-
d) other	220	168
- other	220	168
Total extraordinary gains	**506**	**319**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 45

EXTRAORDINARY LOSSES	2001	2000
a) force majeure	(496)	(171)
b) on disposal of shares and interests in subsidiaries	-	-
c) on disposal of shares and interests in associates	-	-
d) other (due to)	(263)	(164)
- amounts paid out to unauthorized persons	-	-
- liquidation of fixed assets when they lose economic usefulness	-	(70)
- costs of repairs of cars	(241)	-
- other	(22)	(94)
Total extraordinary losses	**(759)**	**(335)**

In 2001 no shares of consolidated subsidiaries and associates were sold.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 46

CORPORATE INCOME TAX

	2001	2000
1. Profit before taxation (consolidated)	122 297	235 327
2. Consolidation adjustments	(1 307)	10 614
2.a. Other adjustments	-	4 425
3. Permanent differences between accounting profit (loss) and taxable income	(203 123)	64 301
4. Timing differences between accounting profit (loss) and taxable income	553 599	50 850
5. Other differences between accounting profit (loss) and taxable income:	-	6 147
- losses from previous years	-	29
6. Taxable income subject to corporate income tax	471 466	361 092
7. Corporate tax according to 28%/30% rate	(132 010)	(108 329)
8. Reliquishment, exemption, deduction, reduction in tax	3 060	2 454
9. Corporate tax due	(128 950)	(105 875)
10. Provision for deferred corporate tax:	203 507	134 289
-balance at the beginning of the period	134 289	120 132
-increase	178 223	113 465
-decrease	(109 005)	(99 308)
-at the end of the period	203 507	134 289
11. Deferred corporate income tax asset	325 944	101 719
-at the beginning of the period	101 719	102 817
-increase	302 040	91 111
-decrease	(77 815)	(92 209)
-at the end of the period	325 944	101 719
12. Corporate tax proportional to gross profit (loss), disclosed in consolidated P&L account:	(26 212)	96 712

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

The income tax related to gross profit shown in the consolidated profit and loss account is the sum of income tax liabilities calculated separately by Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A. from gross profit of the companies without including the consolidation adjustments. Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A. are not taxa group and calculation of tax is made separately for each company of Bank Zachodni WBK S.A. Group.

Bank Zachodni WBK S.A.
As at 31.12.2001, the Bank's corporate tax liability calculated on the basis of tax regulations amounts to PLN 128 950k, whereas the income tax charge disclosed in the profit and loss account is PLN (25 466)k. The difference of PLN (154 416)k is an activated deferred tax and represents:
- deferred tax liability of PLN 178 118k, as at 31.12.2001, relating to deferred income to be received in the future,
- utilized deferred tax provision from previous years of PLN 108 911k,
- deferre income tax receivables as at 31.12.2001 in the amount of PLN 223 623k.

In addition, we would like to inform that:
As at 31.12.2001, Bank Zachodni WBK S.A. utilized an investment relief of PLN 1 391k and claimed a a tax premium in relation to that investment relief in the amount of PLN 44k (including adjustment to premium for previous years),
Apart from that, charity donations of PLN 256.9k were deducted from the taxable income, tax charge was reduced by PLN 3 215k due to tax paid on dividends and an adjustment of PLN 6 071k was made to the deferred tax provision due to the change in the income tax rate.
Income tax on the profit on extraordinary operations amounted to PLN 70.7k.

Dom Maklerski BZ WBK S.A.
As at 31.12.2001, the Dom Maklerski BZ WBK S.A. tax loss on amounts to PLN 550k, whereas the income tax charge disclosed in the profit and loss account is PLN (746)k.
The difference of PLN591k is an activated deferred tax and represents: deferred tax liability of PLN 10k and deferred income tax receivables in the amount of PLN 601k.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 47

OTHER TAXES AND CHARGES DECREASING THE PROFIT (INCREASING THE LOSS)	2001	2000
Other taxes and charges	-	-
Total other charges decreasing the profit (increasing the loss)	**-**	**-**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Note 48

NET PROFIT /LOSS	2001	2000
a) net profit/loss of the dominant entity	151 398	134 086
b) net profit/loss of subsidiaries	468	17 617
c) net profit/loss of associates		
d) consolidation adjustments	(3 357)	(13 143)
Net profit (loss)	**148 509**	**138 560**

	2001	2000
Net profit for 12 months	148 509	138 560
Weighted average number of ordinary shares	72 960 284	70 428 274
Earnings per share	**2,04**	**1,97**

The consolidated net profit earned in 2001 in amount PLN 148 509k comprise:
profit on banking operations (after consolidation adjustments) PLN 148 041k and profit on brokearge activity (after consolidation adjustments) PLN 468k.

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

Notes to consolidated cash flow statement

THE ITEM „CASH AT THE END OF THE PERIOD" IN CONSOLIDATED CASH FLOW STATEMENT INCLUDES:

	2001	2000
Cash	591 630	763 494
Treasury stamps	1 446	940
Current account held with the Central Bank	723 166	134 064
Current accounts held with other banks	91 093	32 720
Funds of Central Brokerage Office in the Guarantee Fund of the Stock Exchange	6 031	5 764
Total	**1 413 366**	**936 982**

The presented comparable figures for 2000 are restated figures determined in line with the principles set out in p. 19 and 22 of Additional Notes to the SAB-RS 2001 Report

The split of the Bank's activities into operating, investing and financing activities in its cash flow statement was based on:
- the range of information for individual types of activities defined by the reporting template,
- guidelines of the General Inspectorate of the Banking Supervision,
- nature of operations performed by Bank Zachodni WBK S.A. Group.

The operating activities include the basic range of Bank Zachodni WBK S.A. Group activities not taken to investing and financing activities.

The investing activities include:
* purchase and sale of:
- tangible fixed assets,
- intangible assets,
- shares, interests and other securities held for investment,
- debt securities held for investment,
* other items related to the investing activities (e.g. dividends, change in status of subordinated loans, interest related to the investing activities).

The financing activites include:
* increases and decreases:
- due to drawdown and repayment of loans and advances from banks and other financial institutions,
- in subordinated liabilities,
- due to issuing and redemption of bonds and other securities from financial institutions,
* other items related to the financial activities (e.g. payment of dividends and other payments from profit, interest related to the financing activities).
In the item of operational activities - „Depreciation" the depreciation increased by unplanned write-offs in amount PLN 18 575k, the provision for depreciation of fixed assets in amount PLN 14 833k and write off of goodwill from consolidation in amount PLN 1 959k is shown.

The key differences between the balance sheet changes and the changes disclosed in the cash flow statement in respect of these items are:

* change in the balance of securities includes only the change in the balance of debt securities held for trading. The data on the change in the balance of debt securites held for investment is disclosed in the following items:
- „Sale of shares and interests in other entities, other securities and other proprietory interests" (investing

activities) - PLN 6 120 414k,
- „Purchase of shares and interests in other entities, other securities and other proprietory interests" (investing activities) - PLN 5 351 168k,
Due to the imperfection of the IT system in 2000 the value of purchase/sale of debt securities include the turnover of trade and investment portfolio. This imperfection was adjusted in 2001.
- „Interest trade dividends" (operating activities) - PLN (203 362)k,
* change in the balance of the amounts due from the financial sector
- does not include the change in the balance of the receivables due from current accounts with other banks - disclosed in the item „Funds as at the end of the period" in the amount of PLN 91 093k and funds of Dom Maklerski in Stock Exchange Guarantee Fund in amount PLN 6 031k.

* change in the balance of shares, interests and other securities with a variable yield includes only the change in status of the a/m assets held for trading (included in operating activities). The data referring to the change in the balance of shares, interests and other securities held for investment is included in the cash flow statement of the investing activities,

* change in the balance of the amounts due to the financial sector:
- does not include the change in the balance of the accrued interest on the loans from the Banking Guarantee Fund (including interests) referring to the financing activities - PLN 23 926k,

* change in the balance of other liabilities includes the balance of the change regarding „Other assets" and „Special funds and other liabilities" and was adjusted by:
- amounts not paid from profit earmarked for donations - PLN 1 040k,
- settlements referring to income tax and the reserve for income tax - PLN 34 711k,
- change in the balance of subordinated debt - PLN 336k (included in investment activity),
- change in the balance of assets to be disposed - PLN 180k (included in the item „Other Adjustments" in operating activity),
- liability due to purchase of intangibles and fixed assets - PLN 1 380k.

Additionally the item „Other income" in investments activities includes:
- interests on subordinated debts in amount PLN 1 090k,
- received dividends in amount PLN 6 966k.

The item „Other expenses" infinancial acitvities includes:
- interests paid from Bank Guarantee Fund in amount PLN 5 774k,
- interests from subordinated liabilities in amount PLN 100k.

Additional explanatory notes

Concentration of the exposure of the Bank Zachodni WBK S.A. Group to individual entities, groups and sectors

In pursuing its credit policy, Bank Zachodni WBK S.A Group adheres to the prudence rules set out in the Act on Banking Law.

All loans sanctioned by Bank Zachodni WBK S.A are within the set percentage limit of the exposure against own funds. As at 31 December 2001 the own funds of Bank Zachodni WBK S.A. were PLN 1,803,900k (used in the calculation of capital adequacy). The credit exposure toward one customer or a capital group should not exceed PLN 450,975k.

Within its lending policy, Bank Zachodni WBK S.A. applies the rule of exposure to relatively low risk sectors, which together with the loan portfolio diversification eliminates the potential risk connected with granting excessively high loans to entities within the same sector.

The Bank applies credit policies in respect of financing individual sectors and companies representing different industries.

The slowdown in the country's economy resulted in stagnation on the business loan market. In addition, growing unemployment limits the potential for personal loan expansion. In view of declining internal demand and high interest rates on loans, enterprises have reduced their investments, production and turnover.

The slower economic growth has an adverse impact on loan portfolio quality. Many years of experience allowed BZ WBK SA to elaborate its own procedures and methodology for identifying potential threats. The industry analyses and risk rankings conducted as well as ongoing process of credit reviews facilitated a full identification of risks and stabilization of sub-standard loan volumes.

As at 31 December 2001, the mix of sectors in the loan portfolio was as follows:

Sector	% Share
Trade	16.53
People	15.27
Other services	11.19
Food industry	9.08
Financial intermediary	5.78
Power industry	5.24
Agriculture	5.01
Chemical industry	4.95
Wood and paper industry	4.86
Telecommunication	3.82
Construction	3.72
Machinery	3.25
Automobile	2.57
Mining	2.46
Clothing	2.43
Metal industry	2.29
Transport	1.37
Municipal services	0.18

Businesses with the largest share in the Bank's loan portfolio are customers with whom Bank Zachodni WBK S.A. has had a long-lasting relationship. Monitoring of their financial standing and repayment capacity is conducted on an on-going basis. Risk related to financing these customers, taking into account the relationship history, applicable procedures and security covers, is assessed as low.

The Bank's exposure to the largest customers is presented below:

Customer	% share in the portfolio
1	1.60
2	1.44
3	1.32
4	1.18
5	1.04
6	1.01
7	0.99
8	0.85
9	0.85
10	0.76

The exposure of Bank Zachodni WBK S.A. to the five largest capital groups is presented below:

Group	% share in the portfolio
1	1.48
2	1.25
3	1.16
4	0.99
5	0.97

Bank Zachodni WBK S.A. granted loans and guarantees to entities where it holds equity investments. As at 31 December 2001, the total amount of loans and guarantees utilised by these entities was PLN 192,252k, which represents 10.7% of the own funds of the dominant entity.

Financial Instruments

The table overleaf presents information on securities referred to in art. 3 item 3 of the Act on Public Trading in Securities, dated 21 August 1997 (Journal of Laws No. 118, item 754, with subsequent amendments), other derivative rights and forward transactions.

Instrument	PLN Interest Rate SWAP	FX Swaps	Option for IRS in USD sold	Option for IRS in USD bought	Euroindex options in PLN bought
Adopted accounting principles	Nominal value recorded in off balance sheet accounts. Interest accrued on a straight-line basis and taken to the balance sheet and P&L over the life of SWAP	Nominal value recorded in off balance sheet accounts. Interest accrued on a straight-line basis and taken to the balance sheet and P&L over the life of SWAP Adjustment to market value at month-end	Nominal value recorded in off balance sheet accounts. Premium amortised on a straight-line basis until maturity	Nominal value recorded in off balance sheet accounts. Premium amortised on a straight-line basis until maturity	Nominal value recorded in off balance sheet accounts. Premium amortised on a straight-line basis until maturity
Difference between fair value and book value	-30 319,52	5 633,30	0,14	-0,14	-
Purpose	Hedging	Trading	Trading	Trading	Hedging
Nominal value	2 181 742,33	22 512 521,34	32 488,35	32 488,35	513 564,73
Expected cashflows	Variable	Variable	Variable	Variable	Variable
Maturity	from 21-01-02 to 22-11-06	from 02-01-02 to 27-11-06	12-08-2002 to 03-01-03	12-08-2002	from 03-09-03
Possibility of early settlement	N/A	N/A	N/A	N/A	N/A
Price/ Range of Prices	from 8.5% to 17.8%	from 0.0086 to 6,5670	37,9	-12,41	-47 516,44
Possibility to convert into other asset/liability	N/A	N/A	N/A	N/A	N/A
Set rates/ interest Payments dates	Variable	Variable	Variable	Variable	Variable
Additional collaterals	N/A	N/A	N/A	N/A	N/A
Other terms & conditions	N/A	N/A	N/A	N/A	N/A
Type of risk	Interest rate	Interest rate/ liquidity	Interest rate	Interest rate	Interest rate

Balance sheet liabilities of the bank due to positions in financial instruments totals PLN 15 890k, and contingent liabilities PLN 48 411k.

Bank Zachodni WBK S.A. does not at present undertake proprietary option trading. It does, however, hold in its portfolio a number of option positions, including embedded option positions, which are held on a fully matched basis, eliminating specific interest rate and exchange risks. These typically involve specifically tailored products denominated in PLN for which no liquid market exists. Given the lack of materiality of these positions, they are valued on a straight-line amortized premium basis.

Off-balance sheet liabilities of Bank Zachodni WBK S.A. Group

As at 31 December 2001, contingent liabilities totaled PLN 3,918,219k, of which:

- granted liabilities: PLN 3,126,213k
- accepted liabilities: PLN 792,006k

The granted liabilities include:
- liabilities in relation to financing: PLN 2,478,723k;
- guarantees: PLN 647,490k

The amount of PLN 647,490k includes guarantees granted to subsidiaries: Dom Maklerki BZ WBK S.A. – PLN 143k and WBK Nieruchomości S.A. – PLN 18k.

Liabilities related to financing included import letters of credit of PLN 70,807k.

Liabilities due to buy/sell transactions of PLN 51,520,289k include:

- liabilities due to f/x transactions of PLN 46,505,425k, with a breakdown into:
  - Bought foreign currencies: PLN 22,910,281k
  - Sold foreign currencies: PLN 23,546,733k
  - SWAP differentials: PLN 48,411k

In the items 1 and 2 forward legs of SWAP – currency transactions are included.
- transactions in financial instruments amounted to PLN 5,014,864k of which:
  - bought: PLN 2,768,145k
  - sold: PLN 2,246,719k

The amount PLN 2,246,719k includes a sale option - PLN 7,862k for the sale of 83.927 shares in AWSA HOLLAND II BV Company. Bank Zachodni WBK S.A. owns 181,778 shares in AWSA HOLLAND II BV Company, which equals 10,09% votes of the AGM. After the realisation of the option bank will own 97,851 shares of the company (5,43% votes at the AGM). The redemption price of the option at the end of 2001 equals PLN 29,109k and was calculated as a purchase price increased by interest of WIBOR 3M plus 0.2 percentage points capitalised every half-year.

The item "Others" in amount PLN 3,431,967k includes:

- assets taken over totaling PLN 1,238,155k;
- liabilities received of PLN 18,243k,
- liabilities due to assets received of PLN 1,619k.
- other liabilities totaling PLN 2,173,950k include:
  - collaterals received in the amount of PLN 721,185k,
  - liabilities due to securities issued in the amount of PLN 1,452,765k, where:
    - bonds as a security for a lombard loan: PLN 1,418,065k
    - T-Bills serving as a collateral for liabilities toward the Banking Guarantee Fund: PLN 34,700k

Amounts due to the State budget or local governments related to the ownership title to buildings and premises

As at 31 December 2001, Bank Zachodni did not hold any liabilities toward the State budget or the local governments arising from the ownership title to buildings and premises.

Income, costs and impact of discontinued operations in the accounting period or of operations planned to be discontinued in the next period

In 2001, following the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A., a process of branch network reconfiguration and closures of selected outlets commenced. This will allow the Bank's Regions and Branches to better focus on customer service.

In reference to the closure of selected outlets, it was decided that their fixed assets and intangibles will be either liquidated, donated, sold or transferred to other units.

The reconfiguration process is reflected in the financial statement for 2001 as unplanned depreciation write-offs in the amount of PLN 18.5m, provisions for fixed assets for sale in the amount of PLN 14.8m and other provisions for costs to be incurred in the amount of PLN 57,910k (included in other operating costs and staff costs).

Costs of investments commenced, fixed assets and development for the bank's own needs

As at 31 December 2001, commenced investments in Bank Zachodni WBK S.A. totaled PLN 329,213k. Commenced investments in hardware and other across the Bank totaled PLN 299,174k, whereas construction investments and the original furnishing of outlets totaled PLN 30,039k.

As at 31 December 2001, pursuant to finance lease contracts, Bank Zachodni WBK S.A. leased fixed assets with a gross value of PLN 201.7k.

Part of fixed assets such as hardware, vehicles and multimedia equipment are used by Bank Zachodni WBK S.A on the basis of operating lease agreements. The value of these fixed assets is recorded in the lessor's books. The bank maintained an off-balance sheet register of the market value, including VAT of such assets on the day they are leased to Bank Zachodni WBK S.A. The value of these assets totals PLN 14,260k.

On 25 May 2000, the two banks, WBK S.A and Bank Zachodni S.A., signed an agreement with Fiserv (Europe) Limited on the purchase of the ICBS software license in view of implementing an IT branch system in both banks.

Implementation of an integrated and centralized IT system in the merged bank aims at introducing changes to the Bank's management and organizational structure which will facilitate the enhancement of customer service. The investment is estimated at USD 100m. The new system is to bring measurable benefits in upcoming years, mainly due to automation of many operations and transactions. It is expected that the ICBS implementation will have been completed by March 2003. Costs related to the ICBS system implementation in Bank Zachodni WBK S.A. incurred in 2001 totaled PLN 211,500k.

Incurred and planned capital expenditure of Bank Zachodni WBK S.A.

In 2001, the capital expenditure incurred by Bank Zachodni WBK S.A in respect of fixed assets amounted to PLN 451,007k. Outlays for IT totaled PLN 327,819k. The amount of PLN 123,188k was allocated to investments connected with real estates/properties and other fixed assets, of which PLN 63,654k was earmarked for the development and modernization of the Bank's branch network.

Equity investments, i.e. purchase of shares and interests held for investment were PLN 37,993k, where the largest expenses were driven by investments in Polfund S.A., BZ WBK Inwestycje Sp. z o.o., eCard S.A., payment for shares in AWSA Holland BV and purchase of GBH S.A shares.

The capital expenditure for fixed assets planned by Bank Zachodni WBK S.A. for 2002 is PLN 290,958k. This amount comprises expenditure for information technology of PLN 228,744k and for construction, modernisation and other items in the amount of PLN 62,214k.

Capital expenditure incurred by Dom Maklerski BZ WBK S.A. in 2001 totaled PLN 2,772k. Commenced investments in IT totaled PLN 2,003k. Construction, transport means and other investments totaled PLN 769k.

The capital expenditure for fixed assets planned by Dom Maklerski WBK S.A. for 2002 is PLN 1,880k.

Significant transactions of the issuer with its connected entities i.e. transfer of rights and liabilities

As at 31 December 2001, the value of transactions between the dominant entity and Dom Maklerski WBK S.A consolidated under the acquisition accounting method is as follows:

Item	**PLN'000**
Amounts due from / to financial sector	192 254
Other assets / Special Funds and other liabilities	83
Interest income	24 919
Interest expense	12
Commission income	264
Other operating income	306
Bank's operating costs	4 141

These items were eliminated from the consolidated financial statements of Bank Zachodni WBK Group.

As a result of transactions with Bank Zachodni WBK Group entities, which were excluded from consolidation, the balances in the financial statements are as follows:

Item	**PLN'000**
Amounts due from financial sector	159 218
Amounts due from non-financial and public sector	24
Amounts due to financial sector	32 705
Amounts due to non-financial and public sector	5 645
Interest costs	5 142
Interest income	10 746
Commission income	264
Other operating income	2 696
Other costs	14 087

The balance sheet items are shown separately in the consolidated financial statements of Bank Zachodni WBK Group.

Companies connected with Bank Zachodni WBK S.A.

In 2001, Bank Zachodni WBK S.A. participated in the management of its subsidiary or associated undertakings by having the Bank's representatives on their Management or Supervisory Boards. Information on the number of persons on the Management or Supervisory Boards in individual companies is presented below:

Company	No. of persons
Gliwicki Bank Handlowy S.A.	5– Bank Council
	3– Management Board
BZ WBK Finanse & Leasing S.A.	3– Supervisory Board
Dom Maklerski BZ WBK S.A.	6– Supervisory Board
WBK Nieruchomości S.A.	6– Supervisory Board
AIB WBK Fund Management Sp. z o.o.	2– Supervisory Board
PB Polsoft Sp. z o.o.	2– Supervisory Board
WBK AIB Asset Management S.A.	3– Supervisory Board
Gospodarstwo Rolne CISY Sp. z o.o. w likwidacji	3– Supervisory Board
NFI Magna Polonia S.A.	2– Supervisory Board
eCard S.A.	2– Supervisory Board
POLFUND – Fundusz Poręczeń Kredytowych S.A.	2– Supervisory Board
BZ WBK Inwestycje Sp. z o.o.	4– Supervisory Board
	1– Management Board
Lubelskie Zakłady Przemysłu Skórzanego PROTEKTOR S.A.	3– Supervisory Board

Joint undertakings which are not subject to consolidation under the acquisition the accounting method or equity method

In 2001, Bank Zachodni WBK S.A. did not participate in joint undertakings with other companies, which were not subject to consolidation under the acquisition accounting or equity method.

Average staff numbers in Bank Zachodni WBK S.A. Group

In 2000 the average staff number in Bank Zachodni WBK S.A. was 11,200 full time equivalents and in 2001 totaled 10,741 full time equivalents.

Remuneration for the Management Board and Supervisory Board of Bank Zachodni WBK S.A.

The remuneration paid in 2001 to Members of Bank Zachodni WBK Management Board amounted to PLN 12,044k and to Members of the Supervisory Board – PLN 422k. The amount of 12,044k paid to the Management Board Members includes:

- remuneration of the Management Board of Wielkopolski Bank Kredytowy S.A. for period from 1.01 to 13.06.2001;
- remuneration of the Management Board of Bank Zachodni S.A. for period from 1.01 to 13.06.2001;
- remuneration of the Management Board of Bank Zachodni WBK S.A. for period from 13.06 to 31.12.2001.

The amount 422k paid to the Supervisory Board Members includes:

- remuneration of the Bank Council of Wielkopolski Bank Kredytowy S.A. for period from 1.01 to 13.06.2001;
- remuneration of the Supervisory Board of Bank Zachodni S.A. for period from 1.01 to 13.06.2001;
- remuneration of the Supervisory Board of Bank Zachodni WBK S.A. for period from 13.06 to 31.12.2001.

In 2001, Members of the Management Board received remuneration of PLN 119k from subsidiary and associated companies. No Member of the Supervisory Board of Bank Zachodni WBK received remuneration from any subsidiary or associated companies.

The detailed information on changes of the structure of Supervisory and Management Boards of Bank Zachodni WBK S.A. is included in "Commentary on Bank Zachodni WBK Group Operations in 2001".

Advances, loans, borrowings and guarantees sanctioned to members of the Management Board and Supervisory Board

As at 31 December 2001, the value of guarantees granted by Members of the Supervisory Board which generate obligations for the benefit of Bank Zachodni WBK S.A. totaled PLN 13.6k (interest on the liability: 20.5%) and loans granted by Bank Zachodni WBK S.A. to the Supervisory Board Members totaled PLN 20,5k (interest: 21.75%, 29.46%, 30.42% - in line with internal credit regulations).

Loans granted by Bank Zachodni WBK S.A. to the Management Board Members totaled PLN 42,8k. (interest on the liability 20.75%, 29.46%, and 30.42% - in line with internal credit regulations).

Members of the Supervisory and Management Boards of Bank Zachodni WBK S.A. did not receive any advances, loans, or guarantees from the Bank's associated or subsidiary undertakings.

Spouses of Management and Supervisory Board Members, their relatives, relatives in law, adopted children, adopted parents or any other persons with whom the Bank's Management and Supervisory Board Members are personally connected have not benefited from any loans, cash advances or guarantees granted by Bank Zachodni WBK S.A. as well as its subsidiary and associated undertakings.

Significant events related to previous years and included in the financial statements

The 2001 financial statements do not include any significant events relating to previous years.

Significant post-balance sheet date events which were not reflected in the financial statements for 2001

The following significant events took place in Bank Zachodni WBK S.A. after the balance sheet date, i.e. after 31 December 2001:

On 24 January 2002, the Supervisory Board of Bank Zachodni WBK S.A. recalled the following persons from the Bank's Management Board:

- Mr. Aleksander Kompf from the position of Vice-President of the Bank's Management Board,
- Mr. Tadeusz Figiel from the position of Member of the Bank's Management Board,
- Mr. Jędrzej Marciniak from the position of Member of the Bank's Management Board,
- Ms. Dorota Poniatowska-Mańczak from the position of Member of the Bank's Management Board,
- Mr. Jacek Sieniawski from the position of Member of the Bank's Management Board,
- Mr. Romuald Szeliga from the position of Member of the Bank's Management Board.

At the same time, the Supervisory Board of Bank Zachodni WBK S.A. appointed the following persons to the Management Board:

- Mr. Michał Gajewski to the position of Member of the Bank's Management Board in charge of the Sales Division,
- Mr. Jacek Marcinowski to the position of Member of the Bank's Management Board in charge of the Business Strategy

On 30 January 2002, the Management Board of Bank Zachodni WBK S.A. approved regulations for group redundancies driven by the implementation of a new IT system. The bank forecasts that it will lay off 2150 people. Detailed data on the financial impact are presented in "Income, costs and impact of discontinued operations in the accounting period or of the operations planned to be discontinued in the next period" – in connection to the described process of the Bank's reconfiguration.

On 4 February 2002, Fitch Ratings (International Rating Agency) awarded Bank Zachodni WBK S.A. an Individual Rating of C/D (scale of ratings: A,B,C,D,E). At the same time, Bank Zachodni WBK S.A. received the long-term rating: 'BBB+' (scale of ratings AAA, AA, A, BBB, BB, B, CCC, CC, C, DDD, DD, D, where „+" defines differences within one category), short -term: 'F2' (scale of ratings: F1, F2, F3, B, C, D) and support rating: '3' (scale of ratings: 1, 2, 3, 4, 5). The long-term forecast has been defined as stable. The individual rating awarded to the Bank reflect, among others, the Agency's opinion on credit risk management systems, conservative credit grading policy, limited market risk, rationalized HR structures and high quality management supported by 'know-how' from AIB. Furthermore, the currently implemented IT system should facilitate better risk management in the future. AIB Group support had a positive impact on long-term and short-term rating assigned to Bank Zachodni WBK S.A.

On 19 February 2002, the Management Board of Bank Zachodni WBK S.A. proposed the payment of dividend in the amount PLN 30,643,319.28 from Bank Zachodni WBK net profit earned in 2001. The proposed dividend per one share will

equal PLN 0.42. The proposal of the Management Board will be presented at the Annual General Meeting of Shareholders of Bank Zachodni WBK S.A.

On 1 March 2002, Bank Zachodni WBK S.A. sold the following to Fabryka Urządzeń Mechanicznych KAMAX S.A. with a registered office in Kańczuga:

- 49 shares in Kanwig-Agencja Celna Sp. z o.o. in liquidation based in Żurawica, with a nominal value of PLN 100 each, which accounts for 49% of the Company's share capital and votes at the Company's Annual General Meeting. Their book value at the transaction date was PLN 0,

and

- 6 700 shares in Kanwig-Trading Żurawica Sp. z o.o. in liquidation based in Żurawica, with a nominal value of PLN 100 each, which accounts for 77% of the Company's share capital and 48.9% of votes at the Company's Annual General Meeting. Their book value at the transaction date was PLN 0.

As a result of this transaction, BZ WBK does not hold any shares in the said companies. Those investments were of a long-term nature. There no are connections of any type between Bank Zachodni WBK S.A. and FUM KAMAX S.A. The total disposal price was PLN 1.00 (say: one).

At the same time, Bank Zachodni WBK S.A. will transfer to FUM KAMAX S.A. the amount of tax arrears, liabilities toward ZUS (Social Insurance) and pension contributions in the portion falling to the Bank. In line with the temporary regulations of the Tax Law (Journal of Laws no. 137/97 with subsequent amendments effective as of 1 January 1998), it is possible to encumber Bank Zachodni WBK S.A., as a partner in the limited liability company, on the above listed taxes which arose prior to 1998.

With the moment of siging the agreement on shares disposal, all liabilities arising from holding the shares were transferred to the buyer, FUM KAMAX. The transaction aims at enhancing the liquidation process of both Companies.

Relationship between the bank and its legal predecessors and the transfer of assets and liabilities

Bank Zachodni S.A. was established in 1989 as one of the nine state-owned regional banks hived off from the National Bank of Poland. In 1991 it was transformed into a Joint Stock Company of the State Treasury. In 1999 the Bank was privatized and gained AIB European Investments Ltd. as its strategic investor. AIB European Investments Ltd. was also a strategic investor for WBK S.A. and had a 60.2% shareholding in this bank.

Bank Zachodni WBK S.A. was established as a result of the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. on 13 June 2001 (in line with art. 463 of the Commercial Code). Following art. 463 of the Commercial Code the merger of companies implied the transfer of all WBK S.A. assets onto Bank Zachodni S.A. in exchange for shares, which Bank Zachodni S.A. issued, to WBK shareholders. Prior to the merger, AGMs of both banks adopted relevant resolutions defining the conditions of the merger.

Inflation rates in the financial statements

In recent years the inflation rate in Poland has not exceeded 20% – cumulated annualised inflation rate for the last three years has not reached 100% - therefore, there is no need to adjust the financial figures in the financial statements by a relevant inflation rate.

Difference between the data disclosed in the financial statements and comparable financial data in the financial statements previously produced and published

The consolidated financial statements for 2001 are the first annual consolidated financial report of the merged Bank and due to adjustment of the data for previous year reclassifications were made in comparison to consolidated quarterly statements for 4Q of 2001. The following items of balance sheet were adjusted: amounts due from (to) financial sector, amounts due from (to) non consolidated subsidiaries and associates, other assets, intangible assets, other provisions, deferred costs and income accrued.

Changes to the adopted accounting principles and format of the financial statements

The consolidated report for 2001 is the first published consolidated annual report of Bank Zachodni WBK S.A.

The comparative data of the Group have been presented according to unified principles in compliance with the applicable regulations, accounting principles and calculation of a provision for the deferred tax. The comparable financial data for 2000 shown in the report for 2001 were prepared by way of totaling the consolidated items in the financial statements of banks. Consolidation adjustments aimed at elimination of mutual balances of liabilities and receivables as well as income and costs arising from transactions between the two banks were made. Detailed description of the applied accounting principles and format of the financial statements has been included in "Introduction".

Correction of fundamental errors, their reasons, titles and impact on the financial standing, assets, liquidity, financial result and profitability

The consolidated financial statements of Bank Zachodni WBK S.A. Group do not include corrections of fundamental errors.

Uncertainty as regards the possibility of continuing operations and actions planned or undertaken with a view to eliminating it

There are no circumstances which might suggest uncertainty as regards the possibility of continuing operations by Bank Zachodni WBK S.A. Actions undertaken by the Bank with a view to eliminating risks related to operations have been described in "Commentary on Bank Zachodni WBK Group Operations in 2001".

Merger of the companies and its profile

The consolidated financial statements of Bank Zachodni WBK SA for the year ended 31 December are the first annual accounts following the merger. The consolidated financial statements have been prepared by applying the 'pooling of interests' methodology. Polish accounting regulations applicable in 2001 did not regulate issues relating to the merger of companies, which remain under common control. Similarly, these issues are not covered by the International Accounting Standards. In this situation, the Company referred to the British standard FRS6. The criteria it specifies have been fulfilled which allowed the Company to apply the 'pooling of interests' accounting treatment.

The merger was conducted in line with UK FRS, and in particular FRS 6. The financial reporting standard no. 6 "Acquisitions and mergers" provides detailed conditions for application of two accounting methods when merging the companies, i.e. acquisition accounting and merger accounting.

The merger of the banks has been accounted with the application of merger accounting – all criteria required by FRS 6 have been fulfilled:

- Criterion 1 – neither of the merged parties has been presented as an acquirer or acquired,
- Criterion 2 – all the merger parties represented by their management boards, or their representatives, participated in creating the management structure and selection of managerial cadre in the merged bank – these decisions were agreed by the parties,
- Criterion 3 – Relative sizes of both merging entities did not differ significantly so neither of the parties could dominate the other because of its relative size.
- Criterion 4 – in line with the merger conditions, compensation received by shareholders of both merger parties, in relation to the share capital size, covered primarily ordinary shares of the merged entity.
- Criterion 5 – none of the shareholders of the merged entity will be interested in the future financial results relating only to the part of the merged entity.

On the basis of FRS6 the values of assets and liabilities of the merged parties were not adjusted to fair values after consolidation.

Financial results and cashflows were incorporated in the financial reports of the merged entity from the beginning of the accounting year and they were adjusted in such a manner as to achieve the uniformity of accounting principles.

Merger expenses as reorganisation and restructuring costs were charged to the profit and loss account of the merged bank as at the date of effecting the merger.

The financial statements of Dom Maklerski BZ WBK S.A. have been prepared by applying the 'pooling of interests' methodology. In the case of the merger of brokerage houses of Bank Zachodni S.A. and WBK S.A. similarly as in the merger of banks due to the lack of Polish and IAS regulations, the Company referred to the British standard FRS6.

Legal aspects of the merger have been described in "Relationship between the bank and its legal predecessors and the transfer of assets and liabilities".

Other supplementary information

Information on Bank's involvement in significant claims

In the first half of 2001 no proceedings were instituted and brought to court or state administration bodies in relation to liabilities or receivables of the Bank whose total value would represent at least 10% of the Bank's own funds. In total, the value of all pending cases exceeds 10% of the Bank's own funds.

BGŻ S.A. v/s WBK S.A.

Provincial Court in Warsaw, with its ruling of 5 June 1998, dismissed entirely the claim of the Head Office of Bank Gospodarki Żywnościowej in Warsaw to adjudicate the return of the amount which was received in the course of legal recovery proceedings from a reguarantee granted by BGŻ SA in favour of WBK for the debts of Spółdzielnia Przetwórstwa Owocowo – Warzywnego "Frutex" in Ełk and the interest payment related to the amount adjudged to BGŻ S.A.

BGŻ SA lodged an appeal against the ruling, which was delivered to the Bank on 1 March 1999. The court reviewed the appeal on 7 September 1999. By its ruling of 21 September 1999, the Court of Appeal in Warsaw took into account the appeal of Bank Gospodarki Żywnościowej S.A. in Warsaw against the ruling of the Lower Court (the court of the first instance) favourable for WBK and adjudicated the payment by WBK to BGŻ of PLN 9,094k together with statutory interest due for the periods indicated in the ruling as the reimbursement of the amount received by WBK in the execution proceedings, conducted due to the BGŻ's re-guarantee of the liabilities of Spółdzielnia Przetwórstwa Owocowo-Warzywnego "Frutex" in Ełk towards WBK.

The ruling is not enforceable. WBK S.A. lodged an appeal for cassation (annulment) to the Appeal Court. The date of the hearing will be set by the Superior Court ex officio. The Bank has a provision for this disputable amount.

J. Pielin v/s KBS S.A. and WBK S.A.

The Court of the first instance, (Provincial Court in Zielona Góra) conducted a case where Jerzy Pielin brought an action against Komunalny Bank Spółdzielczy in Zielona Góra and WBK SA (in connection with the acquisition of KBS by WBK).

Jerzy Pielin, the plaintiff, petitioned the court for total adjudication of PLN 1,395k from the relevant parties, together with the statutory interest accrued from 30 July 1993. Pursuant to the ruling of 28. March 2001, the claim of J. Pielin was entirely dismissed. The plaintiff lodged an appeal to which a response was produced. On 29 January 2002, the Appeal Court in Poznań dismissed the appeal submitted by J. Pielin and confirmed the validity of the ruling which entirely dismissed the plaintiff's claim. The ruling is not enforceable. The plaintiff has a right to lodge an appeal for cassation (annulment) to the Superior Court. Taking into account the same stance of courts of both instances and the track record of the Superior Court, it seems that cassation (annulment) of the ruling is unlikely.

The Bank has a provision for this disputable amount.

PLN '000 *translation only*

Marek Koper "KOPER" Zaopatrzenie Rolnictwa v/s WBK S.A

During the execution proceedings, the debtor Marek Koper lodged a claim with the District Court in Łódź, to annul the enforceability of the bank's writ of execution issued by WBK for the amount of PLN 17,991k. The date of the trial on establishing the security by suspending the execution proceedings was set for 28 January 2000. The trial scheduled for 12 December 2000 was postponed because of the court's declaration of the debtor's bankruptcy.

On 21 March 2001, the Court passed a favourable ruling for WBK by dismissing the claim of M. Koper. The receiver in bankruptcy lodged an appeal to which the Bank filed a response. The separate court proceedings resulted in the declaration of the debtor's bankruptcy. On the 20 November 2001 the court of Second Instance ruled in favour of the bank. This ruling is not yet legally enforceable. The Bank holds a credit risk provision of PLN 14,532k.

"Interinwest" Sp. z o.o. v/s WBK S.A. Centrala

Interinwest SA and Mr. Piotr Gwizd filed a suit for payment against Wielkopolski Bank Kredytowy S.A. on 30 December 1999. The claim seeks:

- to adjudicate for the benefit of the Plaintiff, Piotr Gwizd, the payment along with statutory interest effective as of the date of the claim's delivery to the Defendant – in the total amount of PLN 20k,
- to adjudicate for the benefit of the Plaintiff „Interinwest" S.A., with a registered office in Poznań, the amount of PLN 7,197k along with statutory interest effective as of the date of the claim's delivery to the Defendant – in the total amount of PLN 11,855k,
- to award costs of legal proceedings to the Plaintiffs jointly from the Defendant.

In their statement of reasons, the Plaintiffs raised, among others, the fact that the Bank, in the agreement concluded on 19 March 1999, stated that debt it was selling was indisputable and mature (§ 1 of the agreement). Furthermore, the Defendant stated (§ 3 of the agreement) that as a security for the sold debt the Defendant is, among others, entitled to:

- repossession of machinery and equipment located on the debtor's premises with a total value of PLN 515k – pursuant to the repossession agreement, dated 30 June 1998,
- repossession of materials and finished products located on the debtor's premises with a total value of PLN 5,752k – pursuant to the repossession agreement, dated 30 June 1998.

As it turned out later, the repossession agreements concluded by WBK SA were invalid because of the lack from consent of the Minister of the State Treasury to transfer the ownership of assets. DZM Dozamet SA did not have such consent. According to the information obtained from the Risk Management Department, in the course of negotiations with the Plaintiffs on the debt disposal, the Bank is believed to have presented the legal status of the debt to the Plaintiffs in detail. The Bank also provided access to all the documentation held. Moreover, in the course of negotiations, the Bank did not hide the fact that "Dozamet" SA did not have consent of the Minister of the State Treasury required for concluding the repossession agreement. According to the stance of the Lower Court, this fact, however, cannot be proved with the documents held. The first document in writing, which indicates the absence of the consent of Minister of the State Treasury necessary to conclude the repossession agreements, was produced on 8 September 1999 (notification to "Interinwest"). This was a response to the letter of Mr. Piotr Gwizd, in which he denies the fact that he was informed about the lack of the Minister's consent by "Dozamet" SA to repossess the movables.

On 28 March 2001, the Court passed an unfavourable ruling for the Bank by adjudicating the amount of PLN 7,725k along with the statutory interest and part of the court costs for the benefit of Interinvest S.A. The Bank lodged an appeal.

The plaintiff responded to the Bank's appeal. The hearing was set for 14 November 2001. The ruling was to be announced on 12 December 2001. On that day, however, the Appeal Court in Poznań decide to re-open the case, hear the witnesses and set the date of the next hearing ex officio The Bank holds a provision of PLN 11.689k for this disputable amount.

Proceedings related to accuracy of settlements due to tax on goods and services in respect of receivables arising from non-recourse factoring agreements

The Branch of Supreme Administration Court in Wrocław with its ruling of 17 May 2001, files no. S.A./WR2887/99, dismissed entirely the decision of the Superior Revenue Office in Wrocław, dated 31 May 1999 and submitted it for reconsideration by an appeal institution. However, in its ruling, it agreed with stance of the Supreme Revenue Office in respect of charging the non-recourse factoring services with VAT.

As a result of this ruling, the Superior Revenue Office in Wrocław issued a decision (ref. no. PP II 824/1004/2001) which dismissed in part the decision of the 1st instance (lower office) and determined the excess of the accrued tax over the due one totaling PLN 317.2k and set the liability of PLN 20.6k.

On 21 August the Bank filed a complaint against this decision of the Superior Revenue Office with the Supreme Administration Court in Wrocław. (The Bank is awaiting a ruling).

Furthermore, on 15 October 2001, the Bank filed a complaint with the Supreme Administration Court in Wrocław – requesting a resumption of the proceedings ended with an enforceable ruling of the Supreme Administration Court in Wrocław, dated 17 May 2001 (Files no. I SA/Wr 2887/99), in respect of charging the non-recourse factoring services with VAT for June 1998 (The Bank is awaiting a ruling). Bank with its letter, dated 23 October 2001, requested the Provincial Statistics Office (WUS) in Wrocław to review the Bank's non-recourse factoring practices against the sent template agreements. The Bank has been informed that WUS in Wrocław passed over the case to the Chief Statistics Office in Warsaw. (The Bank is awaiting a response). Additionally the Bank has fully covered the liabilities toward the State's budget. If the Bank wins the litigation, it will apply to the Internal Revenue Office for the refund of the disputable amount.

Consolidated

Financial Statements

in accordance with International Accounting Standards

General information

Bank Zachodni WBK S.A. (the parent company) and Dom Maklerski BZ WBK S.A. (a subsidiary consolidated using the acquisition accounting method) operate solely within the territory of the Republic of Poland.

Bank Zachodni WBK S.A. was formed as a result of the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. on 13 June 2001.

The address of the registered office of Bank Zachodni WBK S.A. is as follows: Rynek 9/11, 50-950 Wrocław.

The share capital of Bank Zachodni WBK S.A. at 31 December 2001 amounted to PLN 729 603 thousand and consisted of 72 960 284 shares with a par value of PLN 10 each.

Bank Zachodni WBK S.A. is a universal commercial bank, offering a broad range of banking services to legal entities and private individuals.

Dom Maklerski BZ WBK S.A. is a brokerage house.

As at 31 December 2001, the Bank Zachodni WBK S.A. Group had 10 020 full-time employees.

Bank Zachodni WBK S.A. is quoted on the Warsaw Stock Exchange.

The parent company of Bank Zachodni WBK S.A. is AIB European Investments Limited, which in turn is a subsidiary of Allied Irish Banks p.l.c. AIB European Investments Limited holds a 70.50% interest in the share capital of Bank Zachodni WBK S.A. Both AIB European Investments Limited and Allied Irish Banks p.l.c. have registered offices in Dublin, Ireland.

Composition of the Bank Zachodni WBK S.A. Group

Entity	Registered office	Interest held by Bank Zachodni WBK S.A.	Status	Consolidation method	Auditor	Period consolidated in these financial statements	Share capital	Total assets	Net profit for 2001
Bank Zachodni WBK S.A.	Wrocław	-	-	-	PricewaterhouseCoopers Sp. z o.o.	12 months ended 31 December2001	729,603	24,829,405	151,398
Dom Maklerski BZ WBK S.A.	Poznań	99.99%	subsidiary	acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	12 months ended 31 December2001	66,680	231,704	(4,196)

In the year 2000, Gliwicki Bank Handlowy S.A. was also consolidated using the acquisition accounting method. Its banking enterprise was purchased by Wielkopolski Bank Kredytowy S.A. in the second half of 2000. The assets and liabilities of the banking enterprise purchased from GBH S.A. are included in the Group's financial statements.

The macroeconomic situation of Bank Zachodni WBK S.A. in 2001

The year 2001 brought a significant economic downturn with GDP growth estimated at approximately 1.3%, which was lowest level since 1991. The decline in GDP growth was mainly the result of a deterioration of domestic demand due to a significant decreases in the gross accumulation of inventories, which decreased by half during the year, and investments in fixed assets.

In 2001, the accumulated effects of a number of factors which adversely affected economic growth were felt. The global economic slow-down was noticeable in Poland through: a decrease in the growth of exports and a slow-down of foreign inward investment. The year 2001 was the first year during the post 1989 transformation period in which direct investments were lower than in the prior year, although slower privatisation was also a contributing factor.

The overall level of inflation (on a December to December basis) has been as follows in recent years:

- 2000 – 8.5%
- 2001 – 3.6%.

In the year 2001, inflation fell rapidly from 8.5% in December 2000 to 3.6% in December 2001. Three factors contributed to this process: decrease in fuel prices, low food prices and the very strong position of the zloty. The rapid increase of unemployment also had an effect, as it restricted salary demands and inflationary expectations.

Monetary policy in the year 2001 was very restrictive – the mid-year short-term real interest rate increased to 10.5% from 8.7% in 2000. The restrictive nature of monetary policy was further increased by the strong nominal appreciation of the zloty. The combination of monetary and fiscal policies has deteriorated, as the increase in real interest rate was accompanied by a rapid deterioration of the economic deficit in public finances from 2.3% to 5.5%.

In 2001, the central bank reduced interest rates six times by a total of 750 basis points.

In November 2001, before the introduction of witholding tax on interest income, approximately PLN 2 billion of deposits were transferred from banks to mutual funds that invest in bonds. In addition a considerable change took place in the structure of deposits, with approximately 15% of total deposits transferred from deposits of 6 months or less to deposits over 6 months.

A. Discussion of the financial performance of the Bank Zachodni WBK S.A. Group in the year 2001

The financial results of the Bank Zachodni WBK S.A. Group reflect the effect of the business environment, costs related to the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A., as well as the positive impact of a number of the Group's cost reduction initiatives. In addition the positive impact of the considerable investment in information systems, training and the development of distribution channels is expected to be realised in the 2002 and subsequent years.

The operating income of the Group decreased by 0.7% compared with the year 2000. The considerable slow-down in economic growth resulted in a decreased demand for bank loans, and the drastic reduction in official interest rates by the NBP caused a decrease of interest rates on deposits and loans which, in turn, resulted in higher pressure on interest margins. The Bank applies interest rates linked to market rates (WIBOR and WIMEAN) to set standard interest rates on business loans and term deposits. Interest rates for current deposits and loans to individuals are set by the Assets and Liabilties Management Committee (ALCO). An appropriate product strategy associated with higher volumes of loans and deposits should allow the Group to effectively increase its profitability in the changing interest rate environment.

Non interest income constitutes approximately 34% of total income and shows a clear growth tendency, mainly due to profits from foreign currency operations, fees from the maintenance of business accounts and fees generated by the card business. In 2001 this income increased by 9% compared with the prior year.

Other operating expenses of the Bank Zachodni WBK S.A. Group increased by 11.1% in the year 2001. The increase was mainly a result of higher overhead costs due to the further development of distribution channels (68 new outlets were opened), development of IT infrastructure and costs related to the merger of Bank Zachodni S.A. with Wielkopolski Bank Kredytowy S.A. The merger and restructuring costs incurred by the Group were lower than expected and amounted to PLN 147.9 million.

The results for the year 2001 also show the first savings arising as a result of the merger and restructuring costs incurred by the Group. Comparable employee expenses in the Group decreased by 4.1% as a result of reducing the number of full-time positions from 11,258 at the end of 2000 to 9,764 at the end of 2001 in Bank Zachodni WBK S.A. and from 412 to 256 in Dom Maklerski BZ WBK S.A. It is also expected that as a result of the implementation of the new IT system in the branch network, and in accordance with the group redundancy regulations adopted by the Group, an additional 2,150 employees will be made redundant by the end of 2003. This will result in further reductions of costs in future years.

B. Liquidity and sources of financing

LIQUIDITY POLICY

The policy of Bank Zachodni WBK S.A. relating to the maintenance of appropriate liquidity defines the minimum percentage share of liquid assets in total assets, both in zloty and in foreign currencies. The Department of Treasury and Foreign Transactions is responsible for maintaining day-to-day compliance with the liquidity policy. The ALCO monitors the bank's results during monthly meetings. Any violation and reasons for non compliance with the set rules are reported to the Management Board. According to the Management Board the Group maintains a level of working capital appropriate to its ordinary activities.

ASSET AND LIABILITY MANAGEMENT

The main objective of asset and liability management is to conduct profitable operations which enable development within set risk parameters. Risk management is carried out in the bank within the scope determined by the AIB Group and relates to the three main risk areas: market risk, credit risk and liquidity risk.

The Bank's Management Board, which is responsible for risk management, has transferred its authority to two higher-level committees ALCO and the Credit Committee. Both the committees are responsible for managing individual risk areas, the on going monitoring of the bank's general risk and setting current policies within the framework determined by the Management Board.

EQUITY MANAGEMENT

The policy of Bank Zachodni WBK S.A. assumes the maintenance of a strong equity base and its effective use for the benefit of shareholders. At the end of December 2001, the bank's equity amounted to PLN 2,049.8 million. Assuming the further stable growth of its operations, the bank plans that the proportion of annual net profit that is retained will remain at its current level of approximately 80%.

OPERATIONAL RISK MANAGEMENT

In accordance with the standards binding in the AIB Group, Bank Zachodni WBK S.A. has introduced a clear system of recognising, monitoring and reporting operating risk. The main tool for preventing potential risks and mitigating their effects is the risk self-assessment procedure, the purpose of which is to identify and value all the risks related to processes performed in the bank. Due to this procedure, the Management Board can focus on the most crucial issues.

Further information regarding liquidity and the use of financial instruments are presented in Section "Financial Instruments" .

C. Research and development, patents, licenses

B1 Programme

The year 2001 was the second year of intensive work by the B1 Programme, which has been given the task of launching a centralised branch system (ICBS) within the Bank Zachodni WBK S.A. network. The year ended with a considerable success of the Programme, i.e. a successful conversion to the new system in two pilot branches. On successful completion of further pilot tests, mass implementation of the system will be carried out in the network. This mass implementation is scheduled to commence in the second quarter of this year and will continue to the end of the first half of 2003. Due to appropriate preparatory procedures, the implementation will not result in any inconvenience to branch customers.

The new system is not only an efficient IT tool. It also means the introduction of new processes and procedures and a changed scope and organisation of tasks in branches. The system will introduce and consolidate a client-and-sales-oriented culture in the bank and it will also rationalise the operations of branches. The modern outlets of Bank Zachodni WBK S.A. equipped with the system will be able to meet customer expectations now and in the future and also continue their development. In the year 2001, expenditure on the B1 Programme amounted to PLN 211,500 thousand.

D. Information about the main trends

The governing authorities of Bank Zachodni WBK S.A. have approved a strategy for the years 2002-2005. Its realisation should ensure the Bank a leading position amongst Polish banking institutions and add to the further growth of shareholder value. The strategy places clients' expectations in the centre, making their needs the prime factor of the bank's development actions. In view of client expectations, procedures will be simplified, the credit decision process will be shortened, the card issuance process will be made more efficient, product innovations will be introduced and the authority of branch sales agents will be changed.

In the future, the bank will focus on the further increase of the effectiveness and quality of credit processes through their centralisation. The main actions in this respect will be related to the centralisation of debt recovery functions and extension of centralised loan approvals to commercial loans of less than PLN 500 thousand.

We anticipate that the demand for mortgage loans will increase as a result of the common expectation of a decrease in interest rates and an increase in the significance of loans in financing the housing needs of the Polish people.

The Bank will invest intensively in the training and professional development of employees involved in building client relationships.

In accordance with the new approach, the bank will focus its efforts on higher income individuals and small to medium size enterprises, without losing sight of its other customers. This strategy will ensure that these target groups are provided with the highest level of services on a national scale, as the majority of effort shall be directed at meeting the specific requirements and preferences of selected customers. The supporting tool in the realisation of these objectives will be the product offer of the bank. It will be constantly improved with the most emphasis placed on the development of selected product groups, such as mortgage loans, credit cards, investment funds, leasing and business products. As a result of realising these strategic intentions, the multi-regional Bank Zachodni WBK S.A. plans to take over 10% of the national market for financial services and take a leading position in the area of key bank products.

TENDENCIES IN THE BANK'S LOAN PORTFOLIO IN 2001

The year 2001 was characterised by a weakening growth of the loan portfolio. This was a tendency observed in the whole banking sector and was mainly the consequence of weakening demand for loans in a high interest rate environment, deteriorating business results and more selective credit policies adopted by banks.

At the same time, the quality of non-performing loans deteriorated. The tendency was visible in the whole banking sector in Poland, as a result of the general economic situation of the country: state budget deficit, the need to restrict expenditure, high unemployment and a decline in industrial production. The deteriorating condition of the national economy resulted in a stagnation of loans to businesses. Increased unemployment also restricts the possibilities of expansion of the retail loan market. Due to weakening internal demand and high real interest rates on loans, businesses restricted investment, production and trading volumes.

The Bank's internal procedures and potential threat identification methodology in respect of the loan portfolio resulted in the identification of all material risks and stabilisation of the value of non-performing loans. In the last quarter of 2001, the Bank's exposure in high-risk sectors decreased.

Loans to the agricultural and food sectors and in particular loans for the purchase and processing of agricultural products have a seasonal nature. The value of such loans peaks during September and October and declines from January with the culmination of repayments taking place in the second quarter of the year. The share of these loans in the total portfolio of the Bank is small and in 2001 it did not exceed 4% in any month.

CAPITAL EXPENDITURE

The capital expenditure of the Bank Zachodni WBK S.A. Group in the year 2001 amounted to PLN 453,779 thousand. This includes PLN 329,822 thousand of expenditure on information technology of which PLN 211,500 thousand related to the B1 Programme, i.e. expenditure related to the implementation of the centralised branch system (new branch model, IT audit within the bank network, etc.). Additionally, a significant part of the IT capital expenditure related to electronic banking and in particular the harmonisation and extension of services, and the launch of the Communication Centre in Środa Wielkopolska.

Capital investments relating to property, plant and equipment amounted to PLN 123,957 thousand with the largest amounts related to the development of the branch network, construction of the Computer Centre in Wrocław, adaptation of the new Head Office of Bank Zachodni WBK S.A. in the Poznań Financial Centre (Poznańskie Centrum Finansowe) and adaptation of premises on Królewska Street in Warsaw to meet the requirements of organisational units based in that City.

Consolidated income statement

	Note	12 months ended 31.12.2001	12 months ended 31.12.2000 restated
Interest income	3	2 666 929	2 784 068
Interest expense	3	(2 025 914)	(1 895 110)
Net interest income		**641 015**	**888 958**
Fee and commission income		492 300	441 842
Fee and commission expense		(79 275)	(59 384)
Net fee and commission income		**413 025**	**382 458**
Dividend income	4	8 987	17 641
Net trading income	5	545 954	383 004
Gains less losses from investment securities		67 064	(3 257)
Other operating income		40 435	60 701
Operating income		**1 716 480**	**1 729 505**
Bad and doubtful debts expense	8	(123 439)	(288 039)
Other operating expenses	6	(1 327 978)	(1 194 692)
Amortisation of goodwill on consolidation		(1 959)	-
Profit from operations		**263 104**	**246 774**
Income from subsidiaries		-	-
Profit before tax		**263 104**	**246,774**
Income tax expense	9	(101,020)	(101,816)
Profit from ordinary activities after tax		**162,084**	**144,958**
Minority interest		-	(55)
Net profit for the period		**162,084**	**144,903**
Earnings per share			
- basic (in PLN)	10	2.22	2.06
- diluted (in PLN)	10	2.22	2.06

The weighted average amount of shares in the year 2001 amounted to 72,960,284 and was equal to the amount of shares as at 31 December 2001. In the year 2000 the weighted average was equal to 70,428,274 and was a consequence of the two share issues that took place during the year: 980,393 shares registered on 17 May 2000 and 2,500,000 shares registered on 30 November 2000.

Consolidated balance sheet

	Note	As at 31.12.2001	As at 31.12.2000 restated
Assets			
Cash and balances with the National Bank of Poland	11	1,316,242	897,557
Due from other banks	12	6,017,454	4,750,983
Trading securities	13	752 202	595 253
Derivative financial instruments	14	295,665	94,603
Loans and advances to customers	15	12,668,581	12,507,010
Investment securities:	16		
- available-for-sale		603,801	701,216
- held-to-maturity	16	1,355,851	1,299,685
Goodwill	17	591	14,299
Property, plant and equipment	18	1,105,706	837,120
Deferred tax assets	26	451,538	188,473
Other assets	19	541,977	440,609
Total assets		**25,109,608**	**22,326,808**
Liabilities			
Due to other banks	20	1,500,305	1,407,888
Due to customers	22	19,385,294	17,658,685
Other deposits	21	-	1,642
Derivative financial instruments	14	217,912	42,399
Subordinated liabilities	23	10,048	10,048
Other liabilities	24	929,736	934,776
Deferred tax liabilities	26	425,476	221,007
Total liabilities		**22,468,771**	**20,276,445**
Minority interest		**-**	**593**
Shareholders' equity			
Share capital	29	729,603	729,603
Share premium	29	252,385	331,180
Other reserves		1,658,849	988,987
Total shareholders' equity		**2,640,837**	**2,049,770**
Total equity and liabilities		**25,109,608**	**22,326,808**

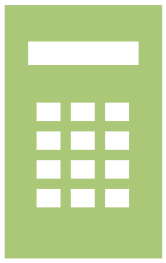
These financial statements were approved by the Management Board of Bank Zachodni WBK S.A. on 21 March 2002 and signed on behalf of the Board by:

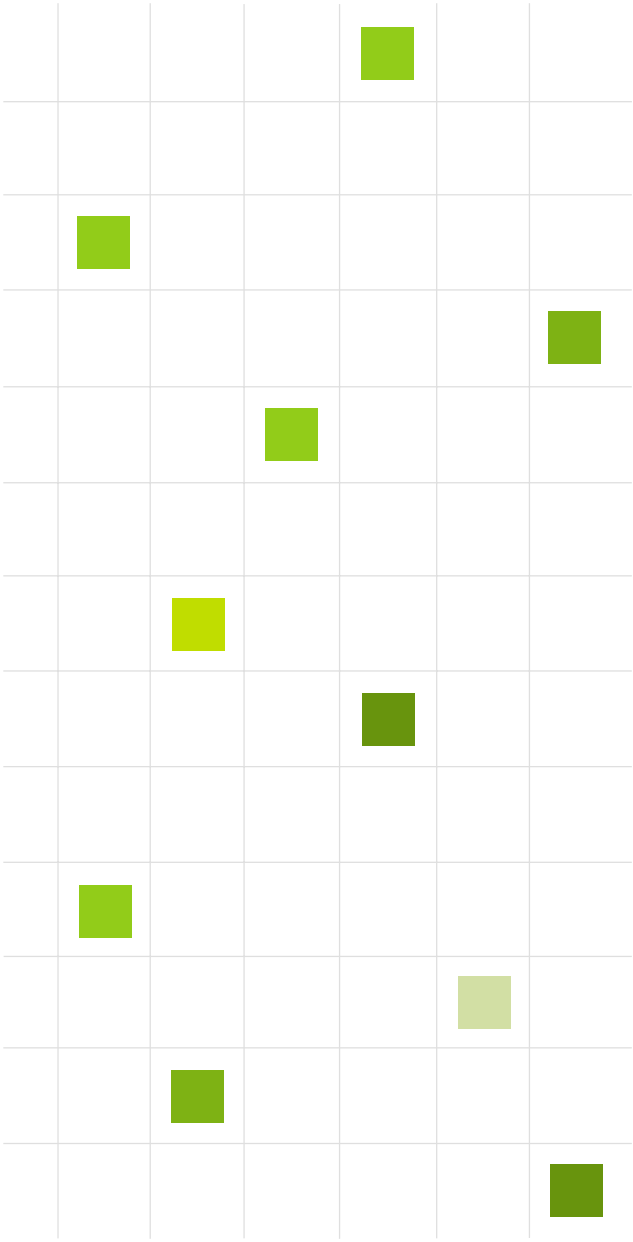
President of the Management Board
Jacek Kseń

Member of the Management Board
Michael L. Keegan

Consolidated *Financial Statements*

in accordance with International Accounting Standards





Consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Revaluation reserve	General risk reserve	Other reserves	Unalocated loss of previous periods	Group net profit	Total
Balance at 1 January 2000	**694 799**	**165 984**	**72 199**	**149 810**	**495 679**	**(5 670)**	**169 999**	**1 742 800**
Net profit	-	-	-	-	-	-	144 903	144 903
Dividend for 1999	-	-	-	-	-	-	(37 849)	(37 849)
Appropriation of profit for 1999	-	-	-	55 000	81 026	(3 876)	(132 150)	-
Reclassification of revaluation reserve	-	-	(1 195)	-	445	666	-	(84)
Share issue	34 804	165 196	-	-	-	-	-	200 000
Balance at 31 December 2000 (restated)	**729 603**	**331 180**	**71 004**	**204 810**	**577 150**	**(8 880)**	**144 903**	**2 049 770**
Balance at 1 January 2001	**729 603**	**331 180**	**71 004**	**204 810**	**577 150**	**(8 880)**	**144 903**	**2 049 770**
Effect of adopting IAS 39, net of tax:								
- derivative instruments	-	-	-	-	(1 247)	-	-	(1 247)
- loans	-	-	-	-	346 595	-	-	346 595
- debt securities	-	-	-	-	(3 711)	-	-	(3 711)
- equity securities	-	-	-	-	134 490	-	-	134 490
Net profit	-	-	-	-	-	-	162 084	162 084
Dividend for 2000	-	-	-	-	-	-	(44 730)	(44 730)
Appropriation of profit for 2000	-	(78 795)	-	55 000	115 088	8 880	(100 173)	-
Reclassification of revaluation reserve	-	-	(917)	-	917	-	-	-
Other	-	-	-	-	883	-	-	883
Valuation of available-for-sale instruments	-	-	-	-	(3 297)	-	-	(3 297)
Balance at 31 December 2001	**729 603**	**252 385**	**70 087**	**259 810**	**1 166 868**	**-**	**162 084**	**2 640 837**

translation only

Consolidated cash flow statement

	Note	12 months ended 31 December 2001	12 months ended 31 December 2000 restated
Cash flows from operating activities			
Net profit		**162 084**	**144 903**
Adjusted by:			
Amortisation and depreciation		151 274	119 392
Minority interest		-	55
Amortisation of goodwill		19 174	32 204
Foreign exchange gains		-	11
Interest and dividends received and paid		(203 362)	(430 388)
Provisions for loans and guarantees		291 877	251 073
Other provisions		83 085	(14 695)
Income tax charge		101 020	101 816
Income tax paid		(96 134)	(131 676)
Net result on sale and disposals relating to investment activities		(104 626)	51 840
Net (increase)/decrease in trading securities		159 406	383 633
Net (increase)/decrease in loans and advances to other banks		(880 207)	(934 820)
Net (increase)/decrease in loans and advances to customers		(714 893)	(782 635)
Net increase/(decrease) in amounts due to other banks		278 008	496 730
Net increase/(decrease) in amounts due to customers		1 175 402	2 443 052
Net increase/decrease in assets and liabilities		(131 959)	326 734
Other		116 473	(435 614)
Net cash from operating activities		**406 622**	**1 621 615**

Cash flows from investing activities			
Purchase of property and equipment		(447 362)	(223 301)
Proceeds from sale of property and equipment		22 804	46 752
Purchase of investment securities		(279 152)	(71 809)
Proceeds from sale and redemption of investment securities		512 208	7 331
Other		5 314	222 396
Net cash used in investing activities		**(186 188)**	**(18 631)**
Cash flows from financing activities			
Dividends paid		(45 231)	(37 849)
Other		(30 922)	170 065
Net cash from financing activities		**(76 153)**	**132 216**
Cash and cash equivalents at beginning of year		5 182 958	3 447 758
Cash and cash equivalents at end of year	31	5 327 239	5 182 958
Net increase in cash and cash equivalents		**144 281**	**1 735 200**

Notes to the financial statements

1. Accounting policies

The principal accounting policies adopted by the Bank Zachodni WBK S.A. Group in the preparation of these consolidated financial statements are set out below:

A. Basis of presentation

The consolidated financial statements are prepared in accordance with International Accounting Standards.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation to their fair value of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts.

Bank Zachodni WBK S.A. was formed as a result of the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. ("the Banks") on 13 June 2001. The merger has been accounted for using the uniting of interests method set out in IAS 22 Business Combinations. Accordingly the financial information for the current year has been presented as if the Banks had been combined throughout all of the year. This has included making adjustments in order to eliminate the effects of mutual transactions prior to 13 June 2001 and unify the presentation of the financial statements.

Expenses related to the merger were charged to the income statement of the merged bank as at the merger date, as reorganisation and restructuring costs.

Dom Maklerski BZ WBK S.A. (the consolidated subsidiary) was formed as a result of the merger of Dom Maklerski WBK S.A. and Dom Maklerski BZ S.A. ("the Companies") on 11 May 2001. The merger has been accounted for using the uniting of interests method set out in IAS 22 Business Combinations. Accordingly the financial information for the current year has been presented as if the companies had been combined throughout all of the year. This has included making adjustments in order to eliminate the effects of mutual transactions prior to 11 May 2001 and unify the presentation of the financial statements.

The comparative figures for the financial year from 1 January to 31 December 2000 (hereinafter referred to as „restated data") were prepared on the assumption that the Banks and Companies had been combined throughout all of 2000. This involved the aggregation of the financial statements of the Wielkopolski Bank Kredytowy S.A. Group and Bank Zachodni S.A. Group as at and for the 12 month period ended 31 December 2000. Necessary adjustments were made in order to eliminate mutual transactions and unify the presentation of the financial statements.

In 2001, the Group adopted IAS 39 Financial Instruments: Recognition and Measurement. The financial effects of adopting IAS 39 are reported in the Consolidated statement of changes in shareholders' equity. The standard is applied for the first time to the financial statements for the year starting on 1 January 2001.

In accordance with IAS 39 all financial assets and financial liabilities, including derivative instruments should be recognised in the balance sheet. All financial instruments should be classified on the day they arise or are acquired into one of the following four categories:

- financial assets and liabilities held for trading – financial instruments acquired for the purpose of generating a profit from short-term fluctuations in price or other market factors, as well as other financial instruments, regardless

of why they were acquired, if they are a part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking,

- loans and receivables originated by the enterprise – financial assets, regardless of their maturity date, arising as a result of directly providing cash to the other party, on condition that the business effects follow clearly from the contract, regardless of the fact whether the execution of rights or liabilities is contingent in nature or not,
- held-to-maturity financial assets and liabilities – financial instruments with fixed or determinable payments or fixed maturity that the bank has the positive intent and ability to hold to maturity, other than loans and receivables originated by the bank,
- available-for-sale financial assets – comprise all the remaining instruments.

In accordance with the standard, financial instruments should be valued using the following methods:

- financial assets and liabilities held for trading – at fair value,
- loans and receivables originated by the enterprise – at amortised cost, using the effective interest rate method,
- held-to-maturity financial assets and liabilities – at amortised purchase price,
- available-for-sale financial assets – at fair value.

In accordance with the standard all financial instruments and derivative instruments, should be recognised in the financial statements. Derivative instruments should be classified as financial assets or liabilities held for trading and stated at fair value. Gains and losses arising from changes in the fair value of derivative instruments are recognised in the income statement.

In accordance with the standard, application of hedge accounting is permissible only in certain circumstances, on condition that the hedge mechanism relationship has been clearly defined, can be measured and is highly effective. Hedge relationships are of three types:

- cash flow hedge,
- fair value hedge,
- hedge of net investment in a foreign entity.

All the financial instruments which are hedging instruments in nature are stated at fair value. Detailed information on this subject is included in the accounting policies concerning derivative financial instruments, held-for-trading securities, investment securities, loans and provisions for non-performing loans and in the relevant notes to the financial statements.

Prior to the adoption of IAS 39, all debt securities were measured at purchase price, including accrued discount or premium. Equity securities, except for trading securities, were measured at cost less provisions for permanent diminution in value. In accordance with the requirements of IAS 39 it has not been been applied retrospectively and therefore the comparative financial information has not been restated.

B. Consolidation

The consolidated financial statements of Bank Zachodni WBK S.A. as at and for the year ended 31 December 2001 are the first consolidated financial statements following the merger.

The financial results and cash flows from the beginning of the financial year were included in the financial reports of the merged entity and adjusted in order to achieve consistency of accounting policies. Expenses related to the merger were charged to the income statement of the merged bank as at the merger date, as reorganisation and restructuring costs.

The financial statements of Dom Maklerski BZ WBK S.A. have been prepared in a similar way as in the case of the banks' merger – using the pooling of interests method.

The subsidiary Dom Maklerski BZ WBK S.A. was consolidated using the acquisition accounting method. All mutual transactions and balances as well as unrealised gains or losses on transactions concluded between the group entities are eliminated. In cases of differences in the accounting policies applied by subsidiaries, changes were made in order to make them consistent with the accounting policies adopted by the Group.

Other subsidiaries and associates were not consolidated as the size of their activities is immaterial in comparison with the scale of activities of the Group or they were not acquired for the purpose of exercising permanent control by making decisions on their financial policies and on-going business activities. In the year 2000, the Group also consolidated Gliwicki Bank Handlowy S.A. using the acquisition accounting method. In the second half of 2000, its banking enterprise was acquired by Wielkopolski Bank Kredytowy S.A. The assets and liabilities of the banking enterprise purchased from GBH S.A. are recognised in the Group's financial statements.

C. Foreign currency transactions

Assets and liabilities are translated at the year end "mid" exchange rate set for a given currency by the Chairman of the NBP. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. All translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses, whereas translation differences on non-monetary items such as equities held for trading are reported as part of the net trading income.

D. Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flows models and options pricing models (e.g. Black-Scholes model), as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in income. Changes in the fair value of derivatives held for trading are included in net trading income.

On the date a derivative contract is entered into, the Group designates certain derivatives as either:

- a hedge of the fair value of a recognised asset or liability (fair value hedge) or,
- a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedge reserve in equity.

E. Interest income

Interest income includes interest received and accrued on interbank placements, loans, securities and swap transactions. Unpaid interest income, in the amount of the cash inflows that are expected to be received, is recognised in the income statement on an accruals basis using the effective yield basis.

Loan origination commissions and fees are deferred and recognised in income using the effective interest rate method (see note G). These are presented together with other commission income under the heading “Commission income”.

Income received in advance is recorded in accruals and recognised in the income statement of the period to which it relates.

F. Interest expense

Interest expense relating to a given reporting period is recognised in the income statement on an accruals basis using the effective interest rate method. Interest expense also includes costs relating to swap transactions.

G. Commission income

Commissions mainly comprise amounts (other than interest) received in connection with the granting of loans and guarantees. These amounts are recognised when received. This does not apply to loan origination fees and commissions which meet both of the following conditions: the minimum amount of loan is PLN 1 million and the repayment period is longer than 12 months. Such fees and commissions are recognised on an accruals basis using the effective yield basis.

H. Dividends and net gain/loss on sale of shares

Dividends are recognised in the income statement when the dividend is declared. The net gain or loss on the sale of shares is determined as the difference between their net book value and the selling price.

I. Trading securities

Trading securities are securities which were acquired for generating a profit from short-term fluctuations in price or margin. Trading securities are initially recognised at cost (including transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income. All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention („regular way" purchases and sales) are recognised at trade date, i.e. the date when the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement.

J. Sale and repurchase agreements

Securities sold with a repurchase clause (repo) are disclosed in the financial statements as trading or investment securities. Securities purchased under agreements to resell (reverse repo) are recorded as loans and borrowings to other banks or customers, as appropriate.

The difference between the selling and purchase price is disclosed in the financial statements as interest income and expense on the accrual basis using the effective interest rate.

K. Investment securities

As of 1 January 2001, the Group adopted IAS 39 and classified its investment securities into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. The classification of securities is determined at the time of purchase.

Investment securities are initially recognised at cost (including transaction costs). Available-for-sale financial assets are subsequently remeasured at fair value based on quoted bid process or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other reserves. When the securities are disposed of or become impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

In 2000, prior to adopting IAS 39, all investment securities were carried at cost, less any provision for permanent diminution in value.

Investment securities are initially recognised at cost (including transaction costs). Available-for-sale financial assets are subsequently remeasured at fair value based on quoted bid process or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other reserves. When the securities are disposed of or become impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

L. Loans originated by the Group and credit risk provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Group and are carried at amortised cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the effective interest rate.

The impairment loss provision also covers losses where there is objective evidence that probable losses which have not yet crystallised are present in components of the loan portfolio at the balance sheet date. The related provision has been estimated based upon historical patterns of losses in each loan portfolio component of a given category. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the bad debt expense in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the bad debt expense in the income statement.

M. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 January 1995 is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions of subsidiaries that occurred prior to 1 January 1995 was charged in full to retained profits in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 years.

The carrying amount of goodwill is reviewed when the circumstaincies or events indicate that there may be uncertainty over the carrying amount and written down for impairment where the net present value of the forecast future cash flows of the business are insufficient to support the carrying value.

N. Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives bit not exceeding a period of three years.

O. Property, plant and equipment and depreciation

Property, plant and equipment includes tangible fixed assets and their equivalents which are controlled by the Group, have estimated useful economic lives exceeding one year, are complete, usable and designated for use by the Group.

Tangible fixed assets include fixed assets, assets under construction and prepayments for assets under construction.

All tangible fixed assets are carried at historic cost, adjusted for accumulated depreciation.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

Tangible fixed assets are depreciated based on a depreciation schedule which specifies depreciation rates and annual depreciation charges.

Depreciation rates are established on the basis of the expected economic useful lives of the respective assets.

Depreciation rates are periodically reviewed, with any resulting changes implemented in the year in which the review was performed.

The following annual depreciation rates are applied to the main categories of tangible fixed assets:

Buildings and structures	2.5 - 4.0%
Plant and machinery	6.0 - 30.0%
Vehicles	20.0%

Land and capital work in progress are not depreciated.

P. Leasing

Assets held under finance lease are recognised in the balance sheet with the related depreciation and repayment of lease instalments in particular periods recognised in the income statement.

Q. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with central banks, Treasury bills and other eligible bills, amounts due from other banks and trading securities, which may be exchanged for a known amount of cash at any time and are subject to insignificant risk of fluctuations in value.

R. Provisions

Provisions are recognised by the Group when all of the following conditions are met:

- the Group has a present obligation resulting from past events,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,
- the amount of the obligation can be reliably estimated.

Provisions created are charged to other operating expenses, and provisions released are credited to other operating income.

Employee entitlements to long-service bonuses and one-off retirement bonuses are recognised as they accrue to employees. The Group creates provisions for the estimated liability for long-service bonuses and one-off retirement bonuses as a result of services rendered by employees for particular years up to the balance sheet date. The amount of current liabilities resulting from services rendered and the related present employee costs are determined based on an actuarial valuation (forecasted individual entitlement method).

S. Corporation income tax

Corporation income tax is calculated at 28% of profit before tax which is determined on the basis of accounting regulations and adjusted for exempt income and non-deductible costs, in accordance with tax regulations applicable in the Republic of Poland.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities (including derivative contracts), provisions for pension and post-retirement benefits and tax losses carried forward. In the case of acquisitions, temporary differences arise as a result of differences between the fair values of net assets acquired and their tax bases. The rates enacted or substantially enacted at the balance sheet date are used to determine deferred income tax.

Deferred income tax is provided on temporary differences arising from investments shares in subsidiaries, associated undertakings and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value remeasurement of investments available-for-sale and cash flow hedges, which are charged or credited directly to equity, is also charged or credited directly to equity, and subsequently recognised in the income statement together with the deferred gain. A deferred tax provision is calculated using the rates anticipated to be applicable in future.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

T. Equity

Equity comprises capital and reserves created in accordance with applicable regulations and the articles of association of consolidated Group companies. Equity also includes retained earnings and prior year losses brought forward.

The share of the equity of consolidated subsidiary companies (other than the share capital) attributable to the parent company is added to the respective components of equity of the parent company (see below). Only that part of the equity of consolidated subsidiary companies that arose after acquisition by the parent company is added to the respective components of parent company equity.

Share capital represents the share capital of the parent company and is carried at its nominal value in accordance with the articles of association of the Bank and the entry in the commercial register.

Share premium includes share premium arising on the issue of shares.

Other reserves are created from appropriations of profit and from accumulating unrealised gains and losses on fair value adjustments of securities classified as assets available-for-sale. In accordance with the Polish Commercial Code, a minimum of 8% of net profit must be transferred to supplementary capital each year until supplementary capital reaches the level of 1/3 of share capital. The portion of supplementary capital accumulated based on the Commercial Code is not distributable. Other reserves are utilised for purposes specified in articles of association and in specific circumstances are distributable.

Revaluation reserve represents the accumulated net surplus on revaluation of fixed assets in prior years. Revaluation reserve realised on disposal (i.e. sale, donation, scrapping or write-off) of the related fixed assets is transferred to reserve capital. Unrealised revaluation reserve is not distributable.

General risk reserve is created from appropriations of profit to cover unidentified banking risks.

Net result for the year is the profit/loss for the year after taxation disclosed in the income statement.

U. Off-balance sheet items

Off-balance sheet items include guarantees, letters of credit and unutilised credit lines.

V. Business segments

In the consolidated financial statements for 2001, Bank Zachodni WBK S.A. did not distinguish any business segments, as none of the segments, except for core banking activities, exceeds the materiality threshold in respect of sales, revenue earned from sales, results or total assets (these figures do not represent 10 % or more of the respective amounts for Bank Zachodni WBK S.A.).

In notes to the financial statements, all amounts are shown in PLN thousands.

2. Financial instruments

A. Strategy in using financial instruments

By its nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margin by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers. Such exposures involve not just on-balance sheet loans and advances but the group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take advantage of short-term market movements in the equity and bond markets and in currency, interest rates and commodity prices. The Management Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

B. Capital adequacy

As at 31 December 2001, the capital adequacy ratio of the parent entity, i.e. Bank Zachodni WBK S.A., calculated using the methodology of the Bank for International Settlements (BIS) was 11.3%.

C. Credit risk

Credit risk

Credit risk within Bank Zachodni WBK S.A. Group

Credit risk is associated with the Group's exposure to losses resulting from default on the part of its counterparties or customers. Credit risk arises at the inception of an exposure and is present until the exposure is settled.

Credit risk arises in the following two areas of activities:

- in connection with the Bank's lending activities,
- in connection with transactions concluded by the Treasury Department.

Credit risk control in lending activities

Credit risk is controlled and managed by the Bank based on established credit processes, which include credit procedures, policies and best practices, and a system of credit competencies based on the skills and experience of the Bank employees. The credit classifications and monitoring system used enable the early identification and management of any deterioration of quality in the loan portfolio. In addition, the process is supported by an independent system of credit controls and reviews, which are carried out separately on large exposures (corporate customers) and other exposures.

CREDIT COMPETENCIES

The internal regulations on credit competencies sets out rules for making credit decisions by Credit Committees and the employees of the Corporate and Commercial Banking Departments, depending on their experience, skills and positions as well as a borrower's risk category.

For all exposures which exceed the competencies of the Directors of the Corporate and Commercial Banking Departments and the Management Board member responsible for the Corporate and Commercial Banking Departments, there is a procedure which requires the credit decision to be made by a Credit Committee.

The Level I Credit Committee approves loan applications where the total exposure of the Bank to a given borrower and its related companies exceeds PLN 15 million, and the Level II Credit Committee approves applications where the total exposure exceeds PLN 30 million.

CREDIT REVIEWS

Loan portfolio reviews are carried out regularly at Bank Zachodni WBK S.A. Separate reviews are performed for loan portfolios managed by Corporate Banking, Higher Risk Loan Department (for loans exceeding PLN 1 million), BZ WBK Finanse & Leasing, Card Centre, Retail Loans Centre, Mortgage Loan Centre and the Capital Market Department. Separate reviews are performed for Commercial Banking and the Branches.

As a result of the reviews, reports are prepared covering all areas of lending, monitoring, classification, provisions and recommended changes. The reviews enable an independent assessment of loans, permit the identification of loans with a potential high risk, ensure that the best loan management standards are followed, ensure the verification of compliance with credit policies and procedures, ensure that effective loan recovery strategies are implemented and include an assessment of the adequacy of provisions created.

HIGH EXPOSURE LIMITS

The "High Exposure Policy" is currently being consulted with AIB Bank. Its objective is to set out the Bank's policy with respect to high credit exposures to one entity, a group of entities related in terms of equity, trade or personal relations and the policy with respect to a high industry exposure. The policy will introduce a flexible approach to determining maximum exposure limits based on the classification of loans. This should lead to the increase in exposures to customers with a lower risk and reduce the exposure to customers with high risk. The consistent assumptions forming the basis to the new approach to high industry exposures should result in the transfer of the loan portfolio to industries with a low credit risk.

CREDIT POLICIES AND BEST INDUSTRY PRACTICES

Credit policies are prepared as a guidance for the Bank's business departments and relate to areas with an increased risk, e.g. high exposure policy (concentration risk), foreign currency loans (exchange risk). The policies define particular risks and introduce additional tools which enable these risks to be recognised in more detail (e.g. sensitivity analysis for customers applying for loans in foreign currencies).

The lending activities of Bank Zachodni WBK S.A. in particular industries and categories of enterprises with exposures exceeding PLN 100 million are governed by best industry practises. These best industry practices describe the current knowledge on historic and prospective development of a given industry, include the basic industry financial and economic data published by the Polish Main Statistical Office and present the principal market factors and risk areas. They specify the Bank's strategic approach to particular industries including detailed recommendations for credit risk assessment criteria, such as general recommendations, doubtful projects, products offered, credit/transaction assessment, collateral, authority limits and competencies.

CREDIT FORUM

To ensure that the process of consulting industry policies is efficient, a credit forum is organised. The forum takes places at least twice a year, with a participation of the representatives of corporate and commercial banking, BZ WBK Finanse & Leasing, Regional Directors and Directors of selected branch offices. The work of the forum may result in amending industry policies, industry best practices or other projects.

INDUSTRY RISK RANKING

For exposures of BZ WBK S.A. below PLN 100 million, a risk ranking according to the national classification of industries (PKD) is used. The ranking specifies industry risk based on the economic and financial position of the enterprises forming part of a given industry as at the end of the last half year period and trends for the last two years. The ranking is prepared based on the results of enterprises collected by the Polish Main Statistical Office. The ranking, prepared semi-annually, takes into account the following ratios calculated for each PKD category: profitability of sales, return on equity, quick liquidity ratio, turnover of receivables, payables and inventories, and gearing. Each PKD category (industry) is assigned a risk assessment ranging from 1 – minimum risk to 8 – very high risk. The ranking of industry risk (PKD category risk) is a component of the risk category classification.

Credit risk control in the Treasury Department

CREDIT RISK ASSOCIATED WITH INTERBANK TRANSACTIONS

Credit limits for interbank transactions are determined by the Interbank Market Transaction Limit Committee which holds its meetings once a month. The Committee reviews analyses and proposes the limits to be accepted by the Bank's Management Board, in accordance with the Interbank Credit Limits Policy.

The Policy specifies maximum limits for foreign banks based on ratings issued by Moody's. Limits for Polish banks are determined on a case-by-case basis. Decisions are reviewed at least once a year.

Exposures are monitored daily, taking into account additional factors to estimate the effect of derivative transactions. There are plans for implementing a more dynamic methodology that will enable a more precise measurement of exposures and will also take into account netting agreements, which will permit interbank limits to be used more effectively.

CREDIT RISK ASSOCIATED WITH CORPORATE CLIENT TRANSACTIONS

The corporate activities of the Treasury is limited to currency transactions, including currency swaps, and "Sell Buyback" transactions. Credit lines for Treasury are based on Credit Risk Equivalents in accordance with the policies of the Corporate and Commercial Banking Departments. If the collateral or other securities obtained for credit risk exposure on these instruments, in cases where counterparties have not been granted credit limits. Credit risk exposures are monitored daily, with information is sent to the Corporate and Commercial Banking Departments.

The Bank's Risk Management Committee performs comprehensive analyses of credit risk, as well as operating and market risk. The Risk Management Committee approves quarterly risk review reports prepared by the Risk Management Department. These reports, including an opinion, are presented to the Management Board of the Bank.

Derivatives

The Group maintains strict exposure limits on net open derivative positions, i.e. the difference between purchase and sale contract , by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Off-balance sheet liabilities

Off-balance sheet liabilities include guarantees, documentary letters of credit and lending commitments. The purpose of these instruments is to ensure that required funds are available to clients. Guarantees represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligation to third parties, and they carry the same credit risk as loans.

Letters of credit represent a form of payment whereby the bank which is issuing such an instrument commits itself to make payment to the beneficiary after all the conditions specified have been met. The procedures for documentary and standby letters of credit specify the forms of collateral accepted for these instruments. In the case of letters of credit which are opened based on a loan, a credit line or non-standard collateral, the decision to open a letter of credit is based on credit procedures and competencies.

Geographical concentration of assets, liabilities and off-balance sheet items

	Total assets	Total liabilities	Credit commitments	Capital expenditure
As at 31 December 2001				
Poland	**20 397 043**	**25 046 501**	**2 406 258**	**457 040**
Other countries	**4 712 565**	**63 107**	**-**	**-**
USA	70 820	35 959	-	-
EU countries	3 830 469	24 866	-	-
United Kingdom	418 826	2 264	-	-
Czech Republic	174 556	-	-	-
Switzerland	380	-	-	-
Other	217 514	18	-	-
Total	**25 109 608**	**25 109 608**	**2 406 258**	**457 040**
As at 31 December 2000 (restated)				
Poland	**18 857 817**	**22 173 036**	**2 164 780**	**239 200**
Other countries	**3 468 991**	**153 772**	**-**	**-**
USA	1 450 948	22 357	-	-
EU countries	1 005 964	108 401	-	-
United Kingdom	809 112	22 357	-	-
Czech Republic	1 359	56	-	-
Switzerland	221	54	-	-
Other	201 387	547	-	-
Total	**22 326 808**	**22 326 808**	**2 164 780**	**239 200**

Geographical concentration of risk in the loan portfolio is as follows:

	2001	2001 Share %	2000 restated	2000 Share %
Poland	13 512 891	100.0	13 598 400	100.0
Other countries	-	-	-	-
Total loan portfolio (Note 15)	**13 512 891**	**100.0**	**13 598 400**	**100.0**

The concentration of risk in the loan portfolio is as follows:

	2001	2001 Share %	2000 restated	2000 Share %
Manufacturing	4 609 548	34.2	4 492 312	33.0
Public sector	2 045 693	15.1	2 696 363	19.8
Private individuals	1 732 774	12.8	1 574 303	11.6
Agricultural	567 872	4.2	502 525	3.7
Other	4 557 004	33.7	4 332 897	31.9
Total loan portfolio (Note 15)	**13 512 891**	**100.0**	**13 598 400**	**100.0**

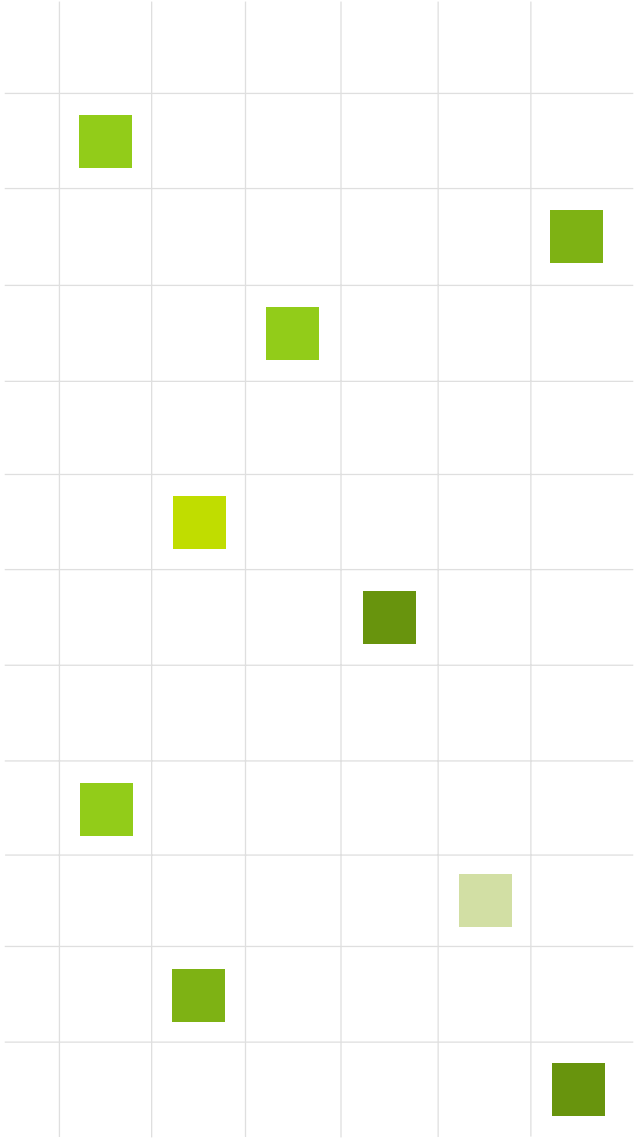
D. Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The group applies a "value at risk" methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. The daily market value at risk (VAR) measure is an estimate, with a confidence level set at 99%, of the potential loss which might arise if the current positions were to be held unchanged for one business day. The value is calculated separately for interest rate risk and currency risk transactions (see below).

This measurement is structured so that daily losses exceeding the VAR figure should occur, on average, not more than once every 100 days. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation. Since VAR constitutes an integral part of the Group's market risk control regime, VAR limits are established by the Management Board for all trading and portfolio operations; actual exposures against limits, together with a consolidated Group-wide VAR, is reviewed daily by management. Nevertheless, in case of high market volatility, the use of VAR may not prevent losses greater than the established limits.

E. Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure for overnight and intra-day positions, which are monitored daily.



Concentration of assets, liabilities and off-balance sheet items

31 December 2001	USD	DEM	PLN	EURO	Other	Total
Assets						
Cash and balances with the National Bank of Poland	28 884	205 435	1 031 250	55	50 618	1 316 242
Due from other banks	4 239 644	1 697	1 040 683	657 944	77 486	6 017 454
Trading securities	-	-	730 195	22 007	-	752 202
Derivative instruments	2 641	-	290 237	2 787	-	295 665
Loans and advances to customers	785 209	152 715	9 778 026	1 589 635	362 996	12 668 581
Investment securities						
- available-for-sale	-	-	603 801	-	-	603 801
- held to maturity	-	-	1 355 851	-	-	1 355 851
Goodwill	-	-	591	-	-	591
Property, plant and equipment	-	-	1 105 706	-	-	1 105 706
Deferred tax assets	-	-	451 538	-	-	451 538
Other assets	17 687	152	516 857	-	7 281	541 977
Total assets	**5 074 065**	**359 999**	**16 904 735**	**2 272 428**	**498 381**	**25 109 608**
Liabilities						
Due to other banks	734 316	-	667 896	88 044	10 049	1 500 305
Due to customers	1 491 707	403 801	16 461 557	926 280	101 949	19 385 294
Derivative instruments	13 268	-	204 512	132	-	217 912
Subordinated liabilities	-	-	10 048	-	-	10 048
Other liabilities	29 642	150 050	811 743	(65 713)	4 014	929 736
Deferred tax liabilities	-	-	425 476	-	-	425 476
Total liabilities	**2 268 933**	**553 851**	**18 581 232**	**948 743**	**116 012**	**22 468 771**
Net on balance sheet position	**2 805 132**	**(193 852)**	**(1 676 497)**	**1 323 685**	**382 369**	**2 640 837**
Net off-balance sheet position	**(2 740 507)**	**(72 025)**	**4 443 495**	**(1 013 050)**	**(348 752)**	**269 081**

31 December 2000 restated	USD	DEM	PLN	EURO	Other	Total
Total assets	4 132 828	711 253	15 995 410	1 298 314	189 003	22 326 808
Total liabilities	1 443 687	672 076	17 524 623	527 526	109 126	20 277 038
Net on balance sheet position	**2 689 141**	**39 177**	**(1 529 213)**	**770 788**	**79 877**	**2 049 770**
Net off-balance sheet position	**(2 788 343)**	**(110 025)**	**1 354 696**	**(709 838)**	**(91 135)**	**(2 344 645)**

F. Interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items
The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

Interest rate risk gap analysis

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2001							
Assets							
Cash and balances with the National Bank of Poland	-	-	-	-	-	1 316 242	1 316 242
Due from other banks	2 726 850	1 788 456	994 726	461 658	-	45 764	6 017 454
Trading securities	222 658	40 339	378 359	87 252	22 196	1 398	752 202
Derivative instruments	-	-	-	-	-	295 665	295 665
Loans and advances to customers	9 024 863	1 133 099	2 440 635	53 196	16 788	-	12 668 581
Investment securities							
- available for sale	-	-	-	442 878	-	160 923	603 801
- held to maturity	17 617	238 906	312 266	771 156	15 906	-	1 355 851
Goodwill	-	-	-	-	-	591	591
Property, plant and equipment	-	-	-	-	-	1 105 706	1 105 706
Deferred tax assets	-	-	-	-	-	451 538	451 538
Other assets						541 977	541 977
Total assets	**11 991 988**	**3 200 800**	**4 125 986**	**1 816 140**	**54 890**	**3 919 804**	**25 109 608**

Interest rate risk gap analysis

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities							
Due to other banks	1 016 961	230 526	187 356	-	-	65 462	1 500 305
Derivative instruments	-	-	-	-	-	217 912	217 912
Due to customers	10 607 196	4 210 863	2 193 118	1 798 419	332 759	242 939	19 385 294
Subordinated liabilities	10 048	-	-	-	-	-	10 048
Other liabilities	-	-	-	-	-	929 736	929 736
Deferred tax liabilities	-	-	-	-	-	425 476	425 476
Equity						2 640 837	2 640 837
Total liabilities and equity	**11 634 205**	**4 441 389**	**2 380 474**	**1 798 419**	**332 759**	**4 522 362**	**25 109 608**
On balance sheet – interest sensitivity gap	**357 783**	**(1 240 589)**	**1 745 512**	**17 721**	**(277 869)**	**(602 558)**	
Off-balance sheet – interest sensitivity gap	**37 013**	**449 485**	**(25 433)**	**(461 065)**	**-**	**-**	
Total interest sensitivity gap	**394 796**	**(791 104)**	**1 720 079**	**(443 344)**	**(277 869)**	**(602 558)**	

translation only

Interest rate risk gap analysis

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2000 restated							
Assets							
Cash and balances with the National Bank of Poland	-	-	-	-	-	897 557	897 557
Due from other banks	3 121 758	220 011	515 764	801 280	54 211	37 959	4 750 983
Trading securities	473 321	12 485	57 565	26 841	25 041	-	595 253
Derivative instruments	-	-	-	-	-	94 603	94 603
Loans and advances to customers	9 278 801	437 814	1 820 410	796 268	50 088	123 629	12 507 010
Investment securities	-	-	-	-	-	-	-
- available for sale	-	-	-	285 470	-	415 746	701 216
- held to maturity	140 676	216 640	307 027	604 120	31 222	-	1 299 685
Goodwill	-	-	-	-	-	14 299	14 299
Property plant and equipment	-	-	-	-	-	837 120	837 120
Deferred tax assets	-	-	-	-	-	188 473	188 473
Other assets	-	-	-	-	-	440 609	440 609
Total assets	**13 014 556**	**886 950**	**2 700 766**	**2 513 979**	**160 562**	**3 049 995**	**22 326 808**

Interest rate risk gap analysis

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities							
Due to other banks	1 120 213	57 605	198 287	-	-	31 783	1 407 888
Other deposits	-	-	-	-	-	1 642	1 642
Derivative instruments	-	-	-	-	-	42 399	42 399
Due to customers	10 351 790	4 011 974	2 284 274	362 273		648 374	17 658 685
Subordinated liabilities	10 048	-	-	-	-	-	10 048
Other liabilities	-	-	-	-	-	934 776	934 776
Deferred tax liabilities	-	-	-	-	-	221 007	221 007
Minority interest	-	-	-	-	-	593	593
Equity	-	-	-	-	-	2 049 770	2 049 770
Total liabilities and equity	**11 482 051**	**4 069 579**	**2 482 561**	**362 273**		**3 930 344**	**22 326 808**
On balance sheet – interest sensitivity gap	**1 532 505**	**(3 182 629)**	**218 205**	**2 151 706**	**160 562**	**(880 349)**	
Off-balance sheet – interest sensitivity gap	**-**	**(316)**	**23 403**	**(23 087)**	**-**	**-**	
Total interest sensitivity gap	**1 532 505**	**(3 182 945)**	**241 608**	**2 128 619**	**160 562**	**(880 349)**	

translation only

G. Liquidity risk

The group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and derivatives settled on a cash basis. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Management Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Maturities of assets and liabilities

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often uncertain in term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Maturities of assets and liabilities (only positions which may mature are presented)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 31 December 2001						
Assets						
Cash and balances with the National Bank of Poland	1 316 242					1 316 242
Due from other banks	2 780 306	1 788 457	994 726	461 658	-	6 025 147
Trading securities	750 811	-	-	-	-	750 811
Derivative instruments	78 359	104 229	64 867	48 210	-	295 665
Loans and advances to customers	3 081 414	684 777	2 442 600	3 874 684	3 429 416	13 512 891
Investment securities						
- available for sale	328 579	-	-	-	-	328 579
- held to maturity	-	203 125	295 464	776 643	80 619	1 355 851
Total assets	**8 335 711**	**2 780 588**	**3 787 657**	**5 161 195**	**3 510 035**	**23 585 186**
Liabilities						
Due to other banks	1 081 223	231 725	187 357	-	-	1 500 305
Derivative instruments	64 153	62 608	50 669	40 482	-	217 912
Due to customers	11 794 463	3 232 332	2 160 011	1 822 207	376 281	19 385 294
Subordinated liabilities	-	-	-	10 048	-	10 048
Total liabilities	**12 939 839**	**3 526 665**	**2 398 037**	**1 872 737**	**376 281**	**21 113 559**
Net liquidity gap	**(4 604 128)**	**(746 077)**	**1 399 620**	**3 288 458**	**3 133 754**	**2 471 627**
As at 31 December 2000 restated						
Total assets	9 513 894	1 278 592	3 271 681	5 129 017	2 284 349	21 477 533
Total liabilities	11 665 997	3 882 138	2 502 885	492 309	164 454	18 707 783
Net liquidity gap	**(2 152 103)**	**(2 603 546)**	**768 796**	**4 636 708**	**2 119 895**	**2 769 750**

H. Fair values of financial assets and liabilities

The table below shows the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair values.

	Carrying value		Fair value	
	2001	**2000 restated**	**2001**	**2000 restated**
Financial assets				
Shares				
- in subsidiaries	88 591	86 249	108 429	111 214
- other entities	80 588	50 170	245 708	204 513
Due from other banks	6 017 454	4 750 983	6 017 454	4 750 983
Loans and advances to customers	12 668 581	12 507 010	12 763 272	12 507 010
Investment securities: held-to-maturity	1 355 851	1 299 685	1 466 170	1 299 685
Financial liabilities				
Due to other banks	1 500 305	1 407 888	1 500 305	1 407 888
Other deposits	-	1 642	-	1 642
Due to customers	19 385 294	17 658 685	19 385 294	17 658 685
Other borrowed funds	10 048	10 048	10 048	10 048

Loans and advances to customers
The differences between carrying and fair values are due to the market valuation of debt securities reclassified as loans and advances to customers.

Investment securities
The fair value of held to maturity securities was determined on the basis of market values.

Shares
The fair value of individual shareholdings was determined on the basis of one of the following methods: adjusted net assets, purchase cost adjusted for permanent diminution in value, discounted cash flows and comparison with market values.

I. Other operations
Bank Zachodni WBK S.A.

RETAIL BANKING

Bank Zachodni WBK S.A. provides services to 1.6 million retail customers in Poland and offers them a wide product range, which include the products of its subsidiaries and subordinated entities such as: brokerage services, leasing, investment funds and alternative saving schemes. In 2001 it successfully carried out further subscriptions of the Euro Index Guaranteed Investment Deposit . The newly introduced Impet Plus deposit and the new version of the Pewny Start Dziecka plan also received widespread acclaim.

A clear tendency towards product diversification was also reflected in the area of personal accounts which the bank offered to retail customers in many variants tailored to the needs of individual market segments.

In 2001 Bank Zachodni WBK S.A. opened 68 new branches, the majority of which were small outlets servicing retail customers and small and medium enterprises. The bank commenced a restructuring process to increase the profitability of its network and improve management of its resources. On the basis of the analysis of the branch infrastructure the bank relocated 12 branches and closed 34 others which were less effective. As a result, at the end of December 2001 the network of Bank Zachodni WBK S.A. comprised 441 branches and outlets. The three macro regions of Poznań, Warsaw and Wrocław consisted of 17 smaller regions.

The bank continued work on the integrated IT system (ICBS) which was successfully implemented in two pilot branches. The preparatory work on the new system covered, amongst others, rethinking the branch model. As part of this work improvements in customer service were made through the implementation of service points for quick cash transactions and universal sale sites for the distribution of deposit and credit products. Meanwhile, Bank Zachodni WBK S.A. developed and promoted alternative distribution channels, including leading-edge technologies (WAP, Internet etc). These modern channels gave customers convenient, quick and cost-effective access to accounts and banking products. The number of transactions carried out over the telephone increased sevenfold in comparison to the prior year, while use of the Internet increased twelvefold.

COMMERCIAL AND CORPORATE BANKING

Corporate banking services are provided in three centres: Poznań, Wrocław and Warsaw. These three business centres also grant commercial loans (i.e. for small and medium enterprises). The majority of loans to retail customers is dealt with by the Centrum Kredytów dla Ludności in Poznań (Retail Customer Loan Centre). The development of commercial and corporate banking in 2001 was to a great extent influenced by macroeconomic changes. Despite a lower demand for loans and stricter criteria for assessing potential borrowers, the total loan portfolio increased by ca. 6%.

In 2001 the Bank started an important project aimed at making its product line-up more attractive to small and medium enterprises. Among others, in collaboration with Polsko-Kanadyjski Fundusz Przedsiębiorczości (Polish Canadian Entrepreneurship Fund), it established a fund to guarantee loans to micro enterprises (i.e. of up to 5 employees). Moreover, the Bank broadened its cooperation with the European Bank for Reconstructure and Development in terms of the distribution of commercial loans bearing attractive interest rates.

MORTGAGE BANKING

As expected, the year 2001 saw the rapid development of mortgage banking in Bank Zachodni WBK S.A. The Bank doubled the number of mortgage loans in its portfolio. The value of the mortgage loan portfolio at the end of the year was PLN 631.1m, which is an increase of 113% compared to the end of the prior year. Due to high sales, the share of Bank Zachodni WBK S.A. in the growth of the housing loan portfolio of the whole banking system amounted to 5.7% in the prior year.

The high quality of the Bank Zachodni WBK S.A. mortgage loan portfolio is ensured through the continuous improvement of the credit risk management process. Moreover, the centralization of the process for granting mortgage loans which was performed during the previous year has a positive impact on the quality of the portfolio.

In 2001 the Bank introduced innovative products which were often new to the Polish housing loan market. For instance, Business Locum loans for freelance professionals, loans with a fixed 5 year interest rate, loans with a mixed interest rate, loans denominated in more than one currency etc.

E-BANKING

Despite fierce competition Bank Zachodni WBK S.A. remains one of the leading providers of e-banking services. Its market share is approximately 31%. Of the 201 600 customers who at the end of December 2001 had access to BZWBK24 electronic services (61 332 customers at the end of 2000), 130 600 were registered e-banking users.

Bank Zachodni WBK S.A. has a 10% share of the card issuance market. The number of valid cards held by customers exceeded 1 087 000 at the end of the year, which was a 9% increase in comparison to the end of 2000. The Bank was especially satisfied to see growth in the credit card sector. The number of such cards tripled, and was accompanied by an even greater increase in the number and value of related transactions. In 2001 the Bank's product offer was broadened by the VISA Business Electron card for small and medium enterprises and the first affinity card in Poland issued in cooperation with the University of Wrocław. The Bank continues investing in infrastructure as the basis for further growth in the card business. At the end of the year the Bank had 557 cash machines (an increase of 14% compared to 2000) and 6500 POS terminals (an increase of 55% compared to 2000).

In September 2001 the Bank opened Centrum Komunikacji (Communications Centre) in Środa Wielkopolska which is engaged in processing e-banking transactions, and provides call centre and help desk facilities for customers using electronic services. Development plans for 2002 provide for the further growth of the centre covering, amongst others, the provision of information and sale services to customers.

In 2001 Bank Zachodni WBK S.A. established BZ WBK Inwestycje Sp. z o.o. to trade in the shares of commercial companies as well as other securities, to search for investors for companies and provide advisory services. At its inception date the company's portfolio included shares of more than 20 companies with a total gross value of approximately PLN 24.5m.

In 2001 Bank Zachodni WBK S.A. was successful on the capital market as well. As part of a consortium it won a prestigious tender for advising the Treasury Minister in the preparation of the sale of shares of Telekomunikacja Polska S.A., it carried out the issue of Wrocław municipal bonds, acted as adviser to the Treasury Minister during the privatisation of Dolna Odra, Kozienice and Ostrołęka power plants, it prepared a flotation model for two companies and a number of analyses, strategies and reports on behalf of its customers. The Bank was also active in organizing and financing management buy-out transactions. Moreover, as part of its investment banking activities (which are an important area of its operations) it developed new products and investment services to be included in its product offer and sale plans for 2002.

Dom Maklerski WBK S.A.

Dom Maklerski BZ WBK S.A., a subsidiary of Bank Zachodni WBK S.A., operates in Poland only and provides the following services:

- offering securities on the primary market or in initial public offerings,
- sale and purchase of securities on behalf of third parties (brokerage services),
- sale and purchase of securities on its own account on the OTC market;
- maintaining securities accounts and related cash accounts,
- trading in shares and bonds not admitted to public trading,
- servicing trust fund management companies, investment fund management companies and pension fund management companies;
- it is also active on the OTC market.

On 11 May 2001 Dom Maklerski BZ S.A. merged with Dom Maklerski WBK S.A., which led to the creation of the company with a better market position and higher competitiveness. In 2001 share transactions performed by Dom Maklerski BZ WBK S.A. amounted to PLN 2.4 billion, which gave it a 3.9% share of the regulated market. The growth in forward transactions by BZ WBK S.A. was higher than the growth of the derivative market and resulted in an increase in the market share of the Company from 6.9% to 8%. In consequence, the company was ranked third of all brokerage houses and received the award of the Chairman of the Warsaw Stock Exchange. The value of transactions on the regulated bond market increased by 19.6% to reach PLN 384.7m. Bonds were even more popular on the primary market, due to their attractive interest rates compared to alternative forms of investing, and the proposed changes to the tax law. In 2001 Dom Maklerski DM BZ WBK S.A. sold bonds with a value of PLN 604.7m, 69% higher than in 2000.

The company was also highly active in attracting assets for the ARKA funds - it accepted payments of PLN 92 million. Despite the recession on the primary market, Dom Maklerski DM BZ WBK S.A. was fairly active in providng services related to capital market transactions. It managed 7 rights issues for public companies and 5 share issues without rights. It also acted as an offeror for a group of large Polish enterprises, prepared a number of share sale offers and serviced the allocation of PKN Orlen S.A. premium shares. At the end of the year Dom Maklerski BZ WBK S.A. had 49 outlets. In 2001 the average number of employees was 338.

WBK AIB Asset Management S.A.

WBK AIB Asset Management S.A. is a joint stock company with its registered office in Poznań. It manages assets on behalf of its customers based on a licence issued by the Polish Securities and Exchange Commission in August 1997.

At the end of 2001 the value of assets entrusted to WBK AIB Asset Management S.A. amounted to PLN 291 million. Due to the high quality of its management services, the long-term rates of return on investment portfolios were among the best on the market. As one of the creators of the Euroindex guaranteed investment deposit, WBK AIB Asset Management S.A. is among those to be credited for the success of four issues of this product which took place in the year and collected total funds of PLN 306 million.

WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. manages investment funds. WBK AIB TFI S.A. is active on the investment fund (formerly trust fund) market. It was established as part of the strategy of Bank Zachodni WBK SA to further develop the investment banking sector within the Group.
As a management company it represents and manages each fund. The funds invest their assets in financial instruments on the capital and money markets.
At present WBK AIB TFI SA manages five investment funds:

- ARKA Duże Spółki Otwarty Fundusz Inwestycyjny;
- ARKA Małe Spółki Otwarty Fundusz Inwestycyjny;
- ARKA Ochrona Kapitału Otwarty Fundusz Inwestycyjny;
- ARKA WBK Specjalistyczny Otwarty Fundusz Inwestycyjny;
- ARKA Bieżący Dochód Specjalistyczny Otwarty Fundusz Inwestycyjny.

The year 2001 saw an increase in the assets held by the majority of investment funds. The highest increase was noted in retail funds, especially Arka Ochrona Kapitału whose assets increased by PLN 120.4 million compared to the prior year. Regular savings plans were among the most popular, especially Pewny Start Dziecka under the Ochrona Kapitału fund. The key achievement in 2001 included the success in the tender for servicing the employee pension plan for a large Polish company and signing new asset management contracts with insurance companies. As at the end of 2001 the total assets of the investment funds amounted to PLN 153.6 million.

BZ WBK Finanse & Leasing S.A. offers a full range of leasing products. The main products include operating lease and

BZ WBK Finanse & Leasing S.A.

financial lease, offered either in zloty or euro linked. BZ WBK Finanse & Leasing S.A. offers both standard and custom products. It may also act as partner of Bank Zachodni WBK SA in multi-channel investment financing (loans, bond issue, leasing).

Due to the high growth rate of its lease portfolio, in 2001 BZ WBK Finanse i Leasing S.A. generated a net profit of PLN 1.5 million. As at the end of 2001 the company leased assets of PLN 286.6 million, and the whole portfolio amounted to PLN 310.4 million. Total assets of BZ WBK Finanse i Leasing S.A. increased in 2001 by 108% (to PLN 368.1 million) and sales increased by nearly 57% (to PLN 100.8 million). The dynamic growth of BZ WBK Finanse & Leasing S.A. in 2001 resulted from a number of factors, with improved sale infrastructure effectiveness, product modifications and more effective procedures being the most important.

3. Net interest income

	2001	2000 restated
Interest income		
Financial institutions	391 380	589 235
Business entities, public sector and retail customers	1 603 677	1 423 853
Trading securities	203 024	92 511
Investment securities	454 070	540 373
Subordinated loan	1 526	3 695
Other	13 252	134 401
	2 666 929	**2 784 068**

	2001	2000 restated
Interest expense		
Financial institutions	220 675	457 179
Business entities, public sector and retail customers	1 802 711	1 436 292
Subordinated loan	100	52
Other	2 428	1 587
	2 025 914	**1 895 110**

4. Dividend income

	2001	2000 restated
Trading securities	92	38
Investment securities	8 895	17 603
	8 987	**17 641**

5. Net trading income

	2001	2000 restated
Foreign exchange	137 077	127 946
Interest rate instruments	(8 252)	182 752
Derivative financial instruments (foreign currency)	424 060	74 691
Other	(6 931)	(2 385)
	545 954	**383 004**

6. Operating expenses

	2001	2000 restated
Staff costs (Note 7)	607 032	522 162
Administrative expenses	419 805	474 359
Depreciation (Note 18)	127 006	119 392
Profit on sale of property and equipment	(8 023)	(12 112)
Amortization of goodwill (Note 17)	13 029	32 204
Restructuring costs	93 629	-
Other	75 500	58 687
	1 327 978	**1 194 692**

In 2001, after the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. the restructuring of the Head Office and branches commenced. The process covers the rationalisation of the branch network, changes to the organizational structure of the bank and a restructuring of employment levels, and is to be completed by the end of 2003. Provsions for the cost of this restructuring have been recognised in the financial statements.

7. Staff costs

	2001	2000 restated
Wages and salaries	520 567	436 690
Social security costs	86 465	85 472
	607 032	**522 162**

8. Bad and doubtful debt expense

	2001	2000 restated
Amounts due from other banks	(4 142)	6
Loans and advances to customers		
- Specific credit risk provisions	(80 309)	(282 475)
- Provisions based on overall credit analysis	(18 695)	(23 520)
- Provisions for off-balance sheet liabilities	(4 649)	17 950
Other	(15 644)	-
	(123 439)	**(288 039)**

9. Income tax expense

	2001	2000 restated
Current tax	(128 950)	(105 875)
Deferred tax (Note 26)	27 930	4 059
	(101 020)	**(101 816)**
Profit before tax	263 104	246 774
Tax calculated at a tax rate of 28% (2000: 30%)	(73 669)	(74 032)
Income not subject to tax	212 149	173 846
Expenses not deductible for tax purposes	(233 500)	(201 630)
Income tax expense	**(101 020)**	**(101 816)**

10. Earnings per share

	2001	2000 restated
Net profit attributable to shareholders	162 084	144 903
Weighted average number of shares	72 960 284	70 428 274
Basic earnings per share (PLN)	**2.22**	**2.06**
Diluted earnings per share (PLN)	**2.22**	**2.06**

11. Cash and balances with the National Bank of Poland

	2001	2000 restated
Cash in hand	593 076	437 138
Cash at NBP	723 166	460 419
Total, as disclosed in 'Cash and cash equivalents' (Note 31)	**1 316 242**	**897 557**

Due to the need to maintain a mandatory reserve deposit, the average daily balance of the current account with NBP amounted to PLN 718 448 thousand in December 2001.

12. Due from other banks

	2001	2000 restated
Current accounts with other banks	98 163	37 104
Placements with other banks	3 745 929	3 558 843
Total (included in cash and cash equivalents - Note 31)	**3 844 092**	**3 595 947**
Other placements with other banks	2 070 805	1 081 702
Accrued interest	93 278	46 997
Loans and advances to other banks	16 972	38 172
Total gross	**6 025 147**	**4 762 818**
Minus: specific provisions for impairment	(7 693)	(11 835)
Total net	**6 017 454**	**4 750 983**

13. Trading securities

	2001	2000 restated
Government bonds included in cash & cash equivalents (Note 31)	**166 905**	**331 898**
Other government bonds	**193 449**	**99 372**
Other debt securities	**390 457**	**162 029**
- Listed	290 406	60 408
- Unlisted	100 051	101 621
Equity securities	**1 391**	**1 954**
- Listed	1 391	1 954
- Unlisted		
	752 202	**595 253**

14. Derivative financial instruments and trading liabilities

The Group utilizes the following derivative instruments both for hedging and non-hedging purposes:

Currency forwards – are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current interest rate, based on a notional principal amount.

Currency and interest rate swaps – are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. The risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amounts of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Options - Bank Zachodni WBK S.A. does not write options on its own behalf. However, the Bank has some options in its portfolio, including embedded options, which are hedged to eliminate specific interest rate and currency risks. These items include specifically designed products denominated in zloty for which there is no liquid market. Taking into account the small value of these items, the related premium payments are amortized on a straight line basis.

	Contract/ notional amounts	Fair value Assets	Liabilities
31 December 2001			
Derivatives held for trading			
Foreign exchange derivatives			
Currency swaps	22 512 521	236 660	177 346
Total OTC derivatives		**236 660**	**177 346**
Interest rate derivatives			
Interest rate swaps	**2 124 742**	**16 018**	**37 357**
OTC interest rate options	64 977	7 862	-
Other interest rate contracts	1 065 898	35 081	84
Total OTC derivatives		**59 961**	**37 441**
Total derivative assets/ (liabilities) held for trading		**295 621**	**214 787**
Derivatives held for hedging			
Derivatives designated as fair value hedge			
Interest rate swaps	57 000	44	3 125
Total derivative assets/ (liabilities) held for hedging		**44**	**3 125**
31 December 2000 restated			
Foreign exchange derivatives			
Currency forwards		3 788	-
Currency swaps	5 683 476	69 466	5 793
Total OTC derivatives		**73 254**	**5 793**
Interest rate derivatives			
Interest rate swaps	588 710	393	6 576
Forward rate agreements	294 242	2 076	
OTC interest rate options	67 534	6	6
Other interest rate contracts	492 231	21 245	21 253
Total OTC derivatives		**23 720**	**27 835**
Total derivative assets/(liabilities)		**96 974**	**33 628**

In the financial statements as at 31 December 2000 derivative financial instruments were not disclosed at their fair values.

	2001	2000 restated
Favourable derivative financial instruments (assets)	295 665	96 974
Unfavourable derivative financial instruments (liabilities)	217 912	33 628

15. Loans and advances to customers

	2001	2000 restated
Loans to individuals:	**1 803 757**	**1 605 907**
Overdrafts	443 774	445 481
Credit cards	84 992	26 727
Term loans	641 004	836 838
Mortgages	633 987	296 861
Loans to corporate entities:	**9 975 838**	**9 568 927**
Direct commercial loans	8 936 240	8 838 446
Participation in credit consortia	1 039 598	730 481
Other	**48 572**	**-**
Interest	**69 157**	**14 556**
Debt securities transferred to advances	**1 615 567**	**2 409 010**
Including disclosed as cash add cash equivalents (Note 32)	-	357 556
Total loans and advances, gross	**13 512 891**	**13 598 400**
Less specific provisions for credit risk:	(844 310)	(1 091 390)
Total loans and advances, net	**12 668 581**	**12 507 010**

	Specific credit risk provision	Other general risk provision	Total provisions
Balance at 1 January 2000	**780 229**	**81 337**	**861 566**
Provisions created	793 715	23 520	817 235
Provisions released	(587 411)		(587 411)
Balance at 31 December 2000	**986 533**	**104 857**	**1 091 390**
Fair value adjustments	(208 867)	(53 286)	(262 153)
Provisions created	830 892	29 824	(860 716)
Provisions released	(741 926)	-	(741 926)
Utilised	(103 717)	-	(103 717)
Balance at 31 December 2001	**762 915**	**81 395**	**844 310**

16. Investment securities

Investment securities have been classified as available-for-sale or held-to-maturity based on whether the Group has the positive intent and ability to hold certain particular securities in the Group's portfolio until maturity.

	2001	2000 Restated
Securities available-for-sale		
Debt securities - at fair value (2000: at amortised cost)	**328 579**	**285 470**
- Listed	328 579	285 470
- Unlisted	-	-
Equity securities - at fair value (2000: at cost)	**275 222**	**415 746**
- Listed	7 612	7 753
- Unlisted	267 610	407 993
Provision for impairment	-	-
Total securities available-for-sale	**603 801**	**701 216**
Securities held-to-maturity		
Debt securities - at fair value (2000: at amortised cost)	**1 355 851**	**1 299 685**
- Listed	1 355 851	1 291 442
- Unlisted	-	8 243
Provision for impairment	-	-
Total securities held-to-maturity	**1 355 851**	**1 299 685**
Total investment securities	**1 959 652**	**2 000 901**

	Available-for-sale	Held-to-maturity	Total
At beginning of year	701 216	1 299 685	2 000 901
Fair value adjustment on adoption of IAS 39	196 236	(4 439)	191 797
Additions	13 472	265 690	279 162
Disposals (sale and redemption)	(307 123)	(205 085)	(512 208)
At end of year	**603 801**	**1 355 851**	**1 959 652**

17. Goodwill

	2001
Goodwill, gross	**145 679**
Accumulated amortization	(145 088)
Goodwill, net	**591**
Goodwill at beginning of period	**145 666**
- Increase	13
- Decrease	-
Goodwill at end of period	**145 679**
Accumulated amortization at beginning of period	**132 059**
- amortization charge for the year (KBS Zielona Góra)	788
- amortization charge for the year (BBB)	2 928
- amortization charge for the year (Rolbank)	9 313
Accumulated amortization at end of period	**145 088**
Goodwill, net	**591**

18. Property, plant and equipment

	Land, buildings and structures	Machinery and equipment	Vehicles	Assets under construction	Other	Total
Gross book value						
At 31 December 2000	**495 902**	**569 833**	**23 894**	**118 792**	**60 397**	**1 268 818**
Additions	-	-	-	445 158	11 964	457 122
Disposals	(15 889)	(14 409)	(5 642)	(6 519)	(4 816)	(47 275)
Transfers	128 550	(13 677)	4 750	(234 391)	114 768	-
At 31 December 2001	**608 563**	**541 747**	**23 002**	**323 040**	**182 313**	**1 678 665**
Accumulated depreciation						
At 31 December 2000	**81 914**	**308 468**	**11 305**	**-**	**30 011**	**431 698**
Depreciation charge	20 355	73 381	4 103	-	29 167	127 006
Transfers	8 655	(87 929)	-	-	79 274	-
Disposals	(1 203)	(10 435)	(4 217)	-	(3 298)	(19 153)
At 31 December 2001	**109 721**	**283 485**	**11 191**	**-**	**135 154**	**539 551**
Unplanned depreciation charges	5 410	11 309	-	-	1 856	18 575
Provision	14 833	-	-	-	-	14 833
Net book value						
At 31 December 2000	**413 988**	**261 365**	**12 589**	**118 792**	**30 386**	**837 120**
At 31 December 2001	**478 599**	**246 953**	**11 811**	**323 040**	**45 303**	**1 105 706**

Unplanned depreciation charges relate to the fixed assets of units scheduled for closure by the end of 2002 and the scrapping of IT equipment.

The provision relates to real estate scheduled for sale in 2002 whose net book value exceeds market value.

19. Other assets

	2001	2000 restated
Premium on options	59 090	21 765
Prepaid expenses	19 870	54 404
Interbank transactions	-	9 562
Interbranch clearing accounts	12 278	-
Various debtors	164 611	262 350
Assets for sale	719	1 126
Other assets	116 230	91 402
Other equity investments	169 179	-
	541 977	**440 609**

20. Due to other banks

	2001	2000 restated
Deposits from other banks	1 496 279	1 390 698
Interest	4 026	17 190
	1 500 305	**1 407 888**

21. Other deposits

	2001	2000 restated
Certificates of deposit	**-**	**1 642**

22. Due to customers

	2001	2000 restated
Deposits	19 135 463	17 306 946
Other liabilities	15 835	110 270
Interest	233 996	241 469
	19 385 294	**17 658 685**

23. Subordinated liabilities

	2001	2000 restated
Subordinated loan	10 048	10 048

In accordance with a NBP decision, the loan of PLN 10 000 thousand obtained from Ford Credit Europe plc is regarded as a subordinated liability. The loan was received on 10 July 1996 for a period of 6 years and bears an interest rate of 1% p.a.

24. Other liabilities

	2001	2000 restated
Interbank transactions	402 531	361 987
Interbranch clearing accounts	79 966	84 432
Accruals and deferred income	74 395	110 958
Other provisions (Note 25)	168 150	102 999
Other	204 694	274 400
	929 736	**934 776**

25. Other provisions

	2001
At 31 December 2000	**102 999**
Provisions created	106 914
Provisions released	(41 763)
At 31 December 2001	**168 150**

26. Deferred income tax assets

	2001	2000 restated
At the beginning of year	**(32 534)**	**(36 593)**
Effect of adopting IAS 39	29 384	-
Income statement credit (Note 9)	27 930	4 059
Available-for-sale securities securities - fair value remeasurement disclosed in reserves	1 282	-
At the end of year	**26 062**	**(32 534)**
Deferred income tax assets – movements during the year		
At the beginning of year	**188 473**	**179 904**
Effect of adopting IAS 39	104 704	-
Income statement credit	152 709	8 569
Available-for-sale securities - fair value remeasurement disclosed in reserves	5 652	-
At the end of year	**451 538**	**188 473**
Deferred income tax liabilities – movements during year		
At the beginning of year	**(221 007)**	**(216 497)**
Effect of adopting IAS 39	(75 320)	-
Income statement credit	(124 779)	(4 510)
Available-for-sale securities - fair value remeasurement disclosed in reserves	(4 370)	-
At the end of year	**(425 476)**	**(221 007)**
Deferred income tax assets/ (liabilities) at the end of year	**26 062**	**(32 534)**

Deferred income tax assets and liabilities are attributable to the following items:

Deferred income tax liabilities

Unrealised income from sale of securities	(372 160)	(196 011)
Investment relief	(20 800)	(24 996)
Revaluation of securities	(4 370)	-
Revaluation of derivatives	(2 453)	-
Other	(25 693)	-
Total	**(425 476)**	**(221 007)**

Deferred income tax assets

Loan loss provisions	284 688	57 707
Other provisions	63 319	43 799
Unrealised interest costs	12 494	72 706
Revaluation of derivatives	74 973	-
Revaluation of securities	5 652	-
Other	10 412	14 261
	451 538	**188 473**
Deferred income tax assets/ (liabilities) at the end of year	**26 062**	**(32 534)**

27. Contingent liabilities

Capital commitments	**2001**	**2000 restated**
Guarantees and standby letters of credit	603 347	514 672
Documentary letters of credit	77 093	124 837
Other	28 901	638 507
Commitments to extend credit:		
- Original term to maturity of one year or less	1 769 492	1 718 817
- Original term to maturity of more than one year	636 766	438 192
	3 115 599	**3 435 025**

Assets pledged

At 31 December 2001 Treasury bills with a nominal value of PLN 59 350 thousand were pledged as collateral for the guaranteed deposits protection fund. Moreover, treasury bills with a nominal value of PLN 40 000 thousand were blocked as collateral for a loan from the Bank Guarantee Fund. In addition Treasury bonds of PLN 1 418 065 thousand are subject to a fixed charge in favour of the NBP in connection with a lombard loan facility.

Significant litigation

In 2001 no proceedings were initiated before a court of law or administrative body with respect to receivables or payables of the bank or its subsidiaries whose value would be more than 10% of the Bank's equity. The total value of all pending litigation exceeds 10% of the bank's equity.

At 31 December 2001 the Group maintained provisions against court claims of PLN 13 489 thousand. In the Group's opinion the provisions are adequate to the risk associated with the court proceedings.

28. Minority interest

	2001	2000 restated
At beginning of year	593	907
Decrease	(593)	(314)
	0	**593**

In the year 2000, Gliwicki Bank Handlowy S.A. was also covered by consolidated using the acquisition accounting method. Its banking enterprise was purchased by Wielkopolski Bank Kredytowy S.A. in the second half of the year 2000. The assets and liabilities of the banking enterprise purchased from GBH S.A. are recognised in the Group's financial statements.

29. Share capital and share premium

	Share capital	Share premium	Total
1 January 2000	**694 799**	**165 984**	**860 783**
Issue of shares	34 804	165 196	200 000
1 January 2001	**729 603**	**331 180**	**1 060 783**
Covering of loss B.Z. S.A. for the year 2000	-	(78 795)	(78 795)
31 December 2001	**729 603**	**252 385**	**981 988**

As a result of the merger of Bank Zachodni S.A. and WBK S.A. which took place on 13 June 2001 and the related share issue the Bank's share capital amounts to PLN 729 603 thousand and consists of PLN 72 960 284 shares, each with a par value of PLN 10. The issue price of the 40 009 302 shares issued in 2001 was equal to their par value. Due to the application of the uniting of interests method in the preparation of these financial statements the increase of share capital resulting from this share issue was included in the opening balance sheet at 1 January 2001.

30. Dividends per share

The declared dividend per ordinary share for 2001 amounts to PLN 0.42.

31. Cash and cash equivalents

	2001	2000 restated
Cash and balances with NBP and other banks (Notes 11 and 12)	1 414 405	934 661
Due from other banks (Note 12)	3 745 929	3 558 843
Trading securities (Notes 13 and 15)	166 905	689 454
	5 327 239	**5 182 958**

32. Related party transactions

Significant transactions with related parties

As at 31 December 2001 the total value of transactions and balances with non consolidated related parties is as follows:

	PLN '000
Loans and advances to customers	159 242
Due to customers	38 350
Interest expense	5 142
Interest income	10 746
Fee and commission income	264
Other operating income	2 696
Other operating expenses	14 087

Bank Zachodni WBK S.A. shares held by members of the Management and Supervisory Boards of Bank Zachodni WBK S.A.

At the end of December 2001 members of the Management Board of Bank Zachodni WBK S.A. held 4 607 shares of the Bank whereas Members of the Supervisory Board held 330 shares.

Remuneration of Management and Supervisory Board of Bank Zachodni WBK S.A.

Remuneration paid in 2001 to Members of the Management Board and the Supervisory Board of Bank Zachodni WBK S.A. amounted to PLN 12 044 thousand and PLN 422 thousand respectively. The amount of PLN 12 044 thousand paid in 2001 to Members of the Management Board includes:

- Remuneration of the Management Board of Wielkopolski Bank Kredytowy S.A. for the period from 1 January to 13 June 2001;
- Remuneration of the Management Board of Bank Zachodni S.A. for the period from 1 January to 13 June 2001;
- Remuneration of the Management Board of Bank Zachodni WBK S.A. for the period from 13 June to 31 December 2001.

In an analogous manner the amount of PLN 422 thousand paid to the Supervisory Board comprises:

- Remuneration of the Supervisory Board of Wielkopolski Bank Kredytowy S.A. for the period from 1 January to 13 June 2001;
- Remuneration of the Supervisory Board of Bank Zachodni S.A. for the period from 1 January to 13 June 2001;
- Remuneration of the Supervisory Board of Bank Zachodni WBK S.A. for the period from 13 June to 31 December 2001.

In 2001 Members of the Management Boards received remuneration from subsidiaries and associates of PLN 119 thousand. In 2001 no Member of the Supervisory Board of Bank Zachodni WBK SA received remuneration from subsidiaries and associates.

33. Acquisitions and disposals

In 2001 Bank Zachodni WBK S.A. did not acquire or dispose of shares in any subsidiary companies.

Bank Zachodni WBK S.A. transferred shares of 22 companies with a gross book value of approximately PLN 24.5 million to BZ WBK Inwestycje Sp. z o.o., a subsidiary. This company was established in 2001 to trade in the shares of commercial companies and other securities, to search for investors and provide advisory services.

34. Principal subsidiary undertakings

The Groups shareholding's in the following subsidiaries are disclosed in the 2001 financial statements within 'Other assets' and presented at their net book value.

Name	Head Office	Gross value of shares	Interest (%)	Voting rights at AGM%
BZ WBK Finanse & Leasing S.A.	Poznań	15 012	99.99	99.99
WBK Nieruchomości S.A.	Poznań	103	99.99	99.99
Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	Poznań	218	60.00	60.00
AIB WBK Fund Management Sp. z o.o.	Warsaw	2 989	54.00	54.00
Projekty Bankowe Polsoft Sp. z o.o.	Poznań	102	51.00	51.00
WBK Nieruchomości i Wspólnicy Sp. komandytowa	Poznań	37 736	99.99	99.99
Gliwicki Bank Handlowy S.A.	Gliwice	26 909	97.29	98.33
BZ WBK Inwestycje Sp. z o.o.	Poznań	5 470	100.00	100.00
Gospodarstwo Rolne Cisy Sp. z o.o. in bankruptcy	Cisy	700	100.00	100.00

35. Post balance sheet events

The following important events took place at Bank Zachodni WBK S.A. after the balance sheet date, i.e. after 31 December 2001:

1. On 24 January 2002 the Supervisory Board of Bank Zachodni WBK S.A. recalled the following members of the Bank's Management Board:
   - Mr Aleksander Kompf from the position of Deputy Chairman;
   - Mr Tadeusz Figiel from the position of Management Board Member;
   - Mr Jędrzej Marciniak from the position of Management Board Member;
   - Ms Dorota Poniatowska-Mańczak from the position of Management Board Member;
   - Mr Jacek Sieniawski from the position of Management Board Member;
   - Mr Romuald Szeliga from the position of Management Board Member.

   At the same time the Supervisory Board of Bank Zachodni WBK S.A. appointed the following people to the Bank's Management Board:
   - Mr Michał Gajewski to the position of Management Board Member in charge of the Sales Department;
   - Mr Jacek Marcinowski to the position of Management Board Member in charge of the Business Strategy Department.
2. On 30 January 2002 the Management Board of Bank Zachodni WBK S.A. approved group redundancy regulations in relation to the implementation of the new IT system. The Bank expects that 2 150 people will be made redundant by the end of 2003.
3. On 19 February 2002 the Management Board of Bank Zachodni WBK S.A. proposed a dividend of PLN 30 643 319.28 from the net profit of Bank Zachodni WBK S.A. for 2001. The proposed dividend per share will amount to PLN 0.42. The Management Board proposal will be submitted to the AGM of Bank Zachodni WBK S.A. In accordance with applicable regulations the dividend payment will be subject to withholding tax.
4. On 1 March 2002 Bank Zachodni WBK S.A. sold the following shares to Fabryka Urządzeń Mechanicznych KAMAX S.A. with its head office in Kańczuga:
   - 49 shares in Kanwig-Agencja Celna Sp. z o.o. in bankruptcy with its head office in Żurawica, each with a par value of PLN 100, which constitute 49% of share capital and voting rights at an AGM, with a book value of PLN 0 at the transaction date;

   and
   - 6,700 shares in Kanwig–Trading Żurawica Sp. z o.o. in bankruptcy with its head office in Żurawica, each with a par value of PLN 100, which constitute 77% of the share capital and 48.9% of votes at AGM, with a book value of PLN 0 at the transaction date.

   As a result of the transaction BZ WBK does not hold any shares in the above companies. These investments were of a long-term nature. FUM KAMAX S.A is not a related FUM KAMAX S.A party of Bank Zachodni WBK S.A

36. Reconciliation of the Group's profit and net assets stated in accordance with International Accounting Standards with the profit and net assets stated in accordance with Polish Accounting Standards

	Net profit for 2001	Net assets at 31 Dec 2001
According to Polish Accounting Standards:	**148 509**	**2 154 432**
Effect of adopting IAS 39:		
- credit portfolio valuation	14 322	360 907
- security valuation	15 214	142 707
- derivative valuation	(15 961)	(17 209)
According to International Accounting Standards:	**162 084**	**2 640 837**

Report of the auditors to the shareholders of Bank Zachodni WBK S.A.

We have audited the accompanying consolidated financial statements of Bank Zachodni WBK S.A. Group. These financial statements set out on pages 147-210 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 our audit in accordance with International Standards on Auditing. Those 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 the financial statements give a true and fair view the financial position of the Group as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

Warsaw, 21 March 2002 r.

Bank Zachodni WBK S.A. jest członkiem Allied Irish Banks Group