

WBK

WIELKOPOLSKI BANK KREDYTOWY SA

ANNUAL REPORT

2000



Wielkopolski Bank Kredytowy SA & Bank Zachodni SA are members of AIB Poland Division.

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Marian Górski
Chairman of the Bank Council of WBK

Chairman's Statement

I look upon Wielkopolski Bank Kredytowy SA's spectacular success last year with enormous satisfaction. In 2000, our Bank succeeded in strengthening its position on the Polish banking market in the face of increasing competition and difficult economic conditions.

Last year was another year of expansion, evidenced by the continuously increasing number of WBK outlets, ATM and internet kiosk networks, and a growing volume of Payment Card issues. It is also demonstrated by the provision to our customers, including SMEs, of access to their accounts through state-of-the-art technologies. In 2000, WBK SA further strengthened its premier role in the electronic banking market. This leading position is only one of several factors indicating that Wielkopolski Bank Kredytowy thinks globally and tailors its actions to meet both current and future market requirements. One such example is WBK's expansion last year in the corporate banking market and its stronger presence in the SME sector, the driving force underpinning the development of the Polish economy.

In 2000 Wielkopolski Bank Kredytowy SA significantly enhanced the quality of customer service and offered many advanced products that were acknowledged by the market.

Our strong capital base, outstanding financial performance, the supreme confidence placed in our Bank by both customers and shareholders, and, most of all, professional and effective management ensure good prospects for the future. I believe that as a result, the approaching merger of WBK SA with Bank Zachodni SA will be carried out effectively and the merged bank will incorporate the best features of Wielkopolski Bank Kredytowy SA. I am also convinced that the merger of the two banks will prove beneficial both for our shareholders and customers.

I would like to thank the employees and Management Board of Wielkopolski Bank Kredytowy for their hard work and commitment, owing to which we have recorded such spectacular results in 2000.

A handwritten signature in black ink, appearing to be 'M. Glin'. The signature is fluid and cursive, with a large initial 'M' and a long, sweeping underline.



Jacek Kseń
President of the Management Board of WBK

President's Statement

Wielkopolski Bank Kredytowy SA saw record Profits After Taxation and Earnings Per Share last year. We owe this to the growth of our business in a favourable interest rate environment, but first of all we owe this spectacular success to our people. Therefore, I would like to express my gratitude for their commitment and innovative approach.

In 2000 Wielkopolski Bank Kredytowy SA recorded robust growth in its portfolio of corporate and mortgage loans, which increased to PLN 231m from PLN 46m in the previous year. We launched thirty new outlets and increased our ATM network to 204 units. In addition, we successfully completed the difficult operation of fully integrating the outlets of Gliwicki Bank Handlowy with our network.

Last year was particularly successful for Wielkopolski Bank Kredytowy SA in the area of electronic banking. We are not only a major issuer of Payment Cards, but also one of the very few banks to offer Credit Cards. In addition, we deliver the most sophisticated electronic services, which provide our customers with access to the bank by means of the telephone and internet. Last year, we launched services based on WAP technology, and other electronic services addressed to small- and medium-sized enterprises. Wielkopolski Bank Kredytowy SA is a premier player in the domestic electronic services market - at year-end our share of internet banking and internet brokerage services exceeded 40%.

Our subsidiary companies can also boast successes in 2000. Arka WBK Specialised Open Investment Fund, managed by WBK AIB Investment Fund Corporation and WBK AIB Asset Management has been recognized as the best performing stable growth fund in Poland. Dom Maklerski WBK SA (our stockbroking subsidiary) also recorded excellent performance, and was ranked second in terms of Public Offerings and Issue Underwriting. WBK Finance & Leasing SA also delivered outstanding performance, concluding leasing agreements totalling PLN 140 million while accumulating an operational surplus of PLN 0.5 million.

The highlight of the year for the staff and shareholders of Wielkopolski Bank Kredytowy SA was the announcement of the planned merger of WBK SA and Bank Zachodni SA. Together, we will rank as the fifth largest Polish bank, offering the most advanced customer services and an even higher return to our shareholders.

I would like to repeat my utmost gratitude to the management and employees of Wielkopolski Bank Kredytowy SA for all their efforts, and to the Bank Council for their continuous support.

I would also like to thank our shareholders and customers for their consistent confidence in Wielkopolski Bank Kredytowy SA.

A handwritten signature in black ink, appearing to read "Jacek Uki". The signature is fluid and cursive, with the first name "Jacek" written in a larger, more prominent script than the last name "Uki".

MACROECONOMIC ENVIRONMENT OF WBK GROUP

In 2000 the macroeconomic situation in Poland was rather difficult - high interest rates and other measures aimed at cooling down domestic demand resulted in lower than expected borrowing by both households and businesses.

In order to set the scene for the Group's performance discussed in the next chapter, below we present the main macroeconomic developments in 2000.

Key indicators In 2000 Poland recorded a significant weakening of domestic demand caused by a restrictive monetary policy and an increase in inflation. Due to high world economic growth in 2000, foreign demand compensated for the fall in the domestic demand.

	1997	1998	1999	2000 (E)	2001 (P)
Real GDP (Year-on-Year Pct Chg)	6.8	4.8	4.1	4.1	4.0
GDP (in US\$ Billion)	143.1	157.7	154.1	158.8	172.6
GDP Per Capita (USD)	3 701	4 079	3 987	4 110	4 464
Current Account Balance (in US\$ Billion)	-4.2	-6.6	-11.6	-9.9	-10.4
Inflation (Avg, Year-on-Year Pct Chg)	15.0	11.9	7.3	10.1	7.0
Inflation (Year-end, Year-on-Year Pct Chg)	13.2	8.6	9.8	8.5	6.6
Public Sector Borrowing Requirements (as a Pct of GDP)	-2.8	-2.7	-3.4	-3.2	-2.9
Total External Debt/GDP (%)	37.0	40.0	41.6	39.8	38.0

E - estimated figures, P - projection

Gross Domestic Product GDP growth in 2000 amounted to 4.1% and it was at the same level as in 1999. In 2000 fiscal policy was as loose as in the previous year, resulting in a high level of growth of individual consumption in the first quarter of 2000. The tightening of monetary policy caused a significant fall in the growth of individual consumption and gross capital formation starting from the second quarter of 2000. As a result, the growth of domestic demand was less than the growth in GDP. This in turn led to the stabilisation of the current account balance.

Inflation In the first three quarters of 2000 yearly inflation was at 10% or above, as a result of supply shocks in the fuel and food markets and from weakening of the zloty. In the fourth quarter of 2000, as a result the fall in oil prices and the end of supply shocks in the food market, inflation started to fall rapidly. In December 2000 the y/y inflation totalled 8.5%, exceeding the inflation target set by the Monetary Policy Council (5.4-6.8%). Average annual inflation in 2000 amounted to 10.1% against average annual inflation in 1999 of 7.3%, and average annual inflation of 5.7% forecast in the 2000 budget.

In 2000 monetary policy was much more restrictive than in the previous year. In response to the lack of a tighter fiscal policy and in order to counteract the secondary effects of supply shocks, the Monetary Policy Council (MPC) increased interest rates twice - in February and in August 2000. In accordance with its exchange rate liberalisation policy, on 11 April 2000, the government, in agreement with the MPC, introduced the full float of the zloty. At present, the zloty exchange rate is fully floating, although the NBP still has the right to intervene in the FX market. In December 2000, given the stabilisation in the macroeconomic situation - a fall in inflation, improvement in the current account balance, strengthening of the zloty and the passing of budget-related bills, the Monetary Policy Council adopted a neutral stance in respect of monetary policy, which paved the way for interest rate cuts in 2001.

Monetary policy

Increases in interest rates in 2000 were aimed at controlling domestic demand and counteracting the rise in inflationary expectations. Excessive domestic demand coupled with a loose fiscal policy could lead to the external destabilisation of the economy. In addition, an increase in inflationary expectations could make the curbing of inflation difficult in the medium term.

Interest rate changes

Date	Intervention rate	Lombard rate	Rediscount rate
from 1.01.2000	20.50%	19.00%	16.50%
from 24.02.2000	21.50%	20.00%	17.50%
from 31.08.2000	23.00%	21.50%	19.00%

As a result of the tightening in monetary policy, market interest rates were rising until the mid October, when they reached a maximum. The yield curve moved up by ca. 350 basis points. In the fourth quarter of 2000, in connection with the slowdown in economic growth and anticipated NBP interest rate cuts, the yield curve moved down by ca. 200-250 basis points.

PERFORMANCE OF WBK GROUP IN 2000

Profit and loss account

The year 2000 was the best in the history of WBK Group with the profit after tax amounting to PLN 224m. This good result was achieved primarily from the growth in the Bank's business as well as the high interest rate environment which permitted satisfactory margins on both assets and liabilities. As in previous years, shareholders' value was at the centre of our attention - the Bank's return on equity (ROE) amounted to 22% and earnings per share (EPS) was PLN 3.25 (1999: PLN 2.53).

The summary of the Bank's performance is presented in the table below.

	<i>(PLN m unless stated otherwise)</i>		
	2000	1999	% change
Net interest income*	622.2	482.3	+29.0
Other income	364.9	363.2	+0.5
Total income	987.1	845.5	+16.8
Staff costs	283.1	236.0	+20.0
Other costs	266.1	212.6	+25.2
Depreciation and amortisation	75.8	65.8	+15.2
Total operating costs	625.0	514.4	+21.5
Net provisions	49.5	58.7	-15.7
Profit before tax	309.4	268.7	+15.2
Taxation	85.6	94.4	-9.3
Profit after tax	223.7	174.1	+28.5
ROE	22.2%	20.5%	—
EPS	3.25 PLN	2.53 PLN	—

* after adjustments for SWAP points

Income The total income of WBK Group was up 16.8% on 1999. Net interest income grew by 29% - this consisted of net interest income presented in line III of the Bank's profit and loss account and net income on SWAP and FRA transactions (2000: PLN 191.5m, 1999: PLN 58m) which are included in line VIII "Income on financial operations". The growth in net interest income reflects a 12% growth in lending and a 9% growth in customer deposits achieved in a favourable interest rate environment.

A number of core sources of non-interest income recorded good growth in 2000: foreign exchange gains grew by 46% on 1999, business account fees increased by 7.9%, loan arrangement fees grew by 15.6%, card fees were 128.2% up and personal current account fees increased by 202.6%. In addition, there were a number of one-off securities gains (PLN 40m) in 1999 which did not occur in 2000. As a result of these one-off gains in 1999 the recorded growth in non-interest income did not fully reflect the actual growth of these areas of activity.

Costs The total costs of WBK Group grew by 21.5%. Employee numbers reduced marginally. Operating costs grew strongly, driven by network expansion (30 new outlets in 2000), e-banking development, increased volumes of business, significantly larger marketing costs and IT-related expenditure..

Risk reserves Driven by a prudent lending policy, the Bank's non-performing loans ratio (NPL) has slightly decreased and net risk provisions for the year were 16% lower than in 1999.

WBK Group balance sheet structure

The robust growth of the balance sheet (25.4% on 1999) was caused mainly by the growth in customer deposits (9% on 1999). The structure of deposits is changing gradually in favour of term deposits. Although this trend will have an impact on the WBK Group's margins, it will also increase the stability of the Bank's deposit base.

On the asset side, customer loans continue to be the main item. As at 31 December 2000, they accounted for 40% of total assets. WBK's loan book is dominated by corporate and commercial lending, which currently amounts to almost 90% of the total. A detailed breakdown of lending by industry is presented in the notes to the financial statements.

Asset quality remains one of the strongest points of the Group. WBK applies prudent risk management policies (see: Credit Risk). As a result, it has one of the lowest NPL ratios in the whole industry (8.1%). Moreover, this ratio has decreased slightly in 2000, despite negative changes in the operating environment. More details on the Bank's loan book quality is included in note three to the financial statements.

It is the Bank's intention to achieve a better balance between personal and corporate/commercial lending over the medium-term. In 2000, the Bank has launched a personal credit centre, which will facilitate the robust growth of quality lending in the personal sector. Additionally, the anticipated decrease in interest rates should enhance a stable and strong growth in mortgage lending. WBK's products, expertise and presence in the main urban areas of Poland makes it well positioned for expansion in the future.

DEVELOPMENT OF THE WBK GROUP'S BUSINESS IN 2000

Wielkopolski Bank Kredytowy SA

In 2000 WBK opened 30 new retail outlets. Most of them were sub-branches - small, universal outlets manned by a maximum of five individuals, offering services for personal customers and small and medium-sized enterprises (SMEs). Additionally, eight WBK branches were launched in the Katowice and Kraków regions - they are former GBH branches incorporated into the network and continuing the business under the WBK brand name.

Branch Banking

The development of the branch network and improvements in the range of products and services resulted in an increase in the number of customers and market shares in deposits and loans.

In 2001, the Bank's retail network will be further extended - it is expected that 44 new outlets will be launched, 19 of which will be located in the Warsaw region. This will significantly strengthen the Bank's position on the Warsaw market and facilitate expansion particularly in the SME, e-banking and mortgage markets.

Mortgage Banking 2000 was a year of very good growth for the Bank's home mortgage business. Market conditions were difficult as the level of construction activity was lower than forecast and the very high interest rate environment deterred many potential borrowers and investors. Nevertheless, the Bank's branch network, which is the key sales channel for the mortgage business, achieved the aggressive targets set and at the year-end the mortgage loan portfolio totalled PLN 213m, up from PLN 46m in 1999. This was an excellent start for our new Mortgage Banking Centre and for the branches who are now working together very well to develop this business in which we forecast big potential in the years ahead. The quality of the mortgage portfolio is very good as prudent criteria for loan approval are applied. The development of the business is supported by a strong marketing campaign and a comprehensive portfolio of products and competitive pricing. We estimate that the Bank's share in the growth of this business in the banking sector reached 5.7% at year-end, up from 1.6% in 1999.

Electronic Banking WBK enjoys a very good reputation for its innovative and technologically advanced e-banking products and services. In 2000 the Bank continued its market leadership in this area and now has 40,000 customers using its internet banking services.

The retail POS network increased fourfold up to 4,000 and turnover also grew very significantly. As part of its strategy the Bank is actively seeking alliances and partnerships to expand and develop its e-banking capability. In 2000, WBK took up a minority shareholding in eCard - an electronic shopping mall in which WBK processes and clears card transactions conducted over the internet.

The Bank also continued to expand its ATM network. In November 2000 WBK rebranded and integrated its ATM network with that of Bank Zachodni SA to form a network of 500 ATMs - the third largest in Poland.

WBK is the 4th largest card issuer in Poland and in 2000 increased its card base by 25% to 634,000. The growth in credit card business was also very satisfactory and during the year co-branded cards were issued with mobile phone operator Centertel.

Product development In 2000, the Bank expanded its offering to include a range of new products and services. The key developments included new personal accounts tailored to the needs of various customer groups. WBK continued to develop its deposit products offering and as the first bank in Poland introduced the EURO INDEX Tracker Bond, which sold very well.

In the SME segment, WBK's efforts were directed at matching the needs of selected vocational groups with a specially developed Business Package for chemists and physicians, investment loans for doctors, and a special offer on mortgage loans for legal advisors, solicitors and physicians.

WBK has also launched the EBRD credit line facility for SMEs. In order to improve service quality for this customer group, the SME Department was formed with a view to co-ordinating actions in this area.

Consolidated Group companies

Dom Maklerski WBK SA (Brokerage House) had a very good year - profit after tax amounted to PLN 8.5m. This was achieved mainly through strong stock-broking fee income growth reflecting high turnover on the Warsaw Stock Exchange, as well as the continued and increasing competitiveness of WBK's brokerage operation.

Dom Maklerski
WBK SA

Dom Maklerski WBK SA is the market leader in Internet stock broking services. Over 50% of orders were placed via electronic delivery channels and the popularity of such channels continues to grow. This e-capability enabled the business to start operating as an agent in forward transaction trading.

WBK together with Lehmann Brothers and CAIB Securities was successfully appointed as advisor to Nafta Polska for the sales offering of PKN Orlen shares. Dom Maklerski WBK achieved an 8.5% market share in terms of shares sold to retail investors and a 30% share in the sale of shares to institutional investors.

In 2000, Dom Maklerski WBK established a Sales Department based in Warsaw. New products of the analysis team were launched, i.e. analytical reports with long-term recommendation and daily bulletins with core information for institutional customers, which constitute the basis for the pro-active sales of services. A 'private banking' offer was developed for high net worth customers.

In December 2000, Dom Maklerski WBK decided to merge with Dom Maklerski BZ SA - which is a direct consequence of the merger of the parent companies. It is expected that over the medium-term synergies will allow the merged brokerage operation to become an important player on a national scale.

During the year the business and network of outlets of the small subsidiary bank Gliwicki Bank Handlowy SA was re-modelled and branded as outlets of WBK as part of the integration of that bank into the parent. The assets and liabilities of the bank were transferred to WBK, some outlets were closed and staff numbers reduced.

Gliwicki
Bank Handlowy SA

Non-consolidated Group companies

WBK Finanse & Leasing SA also significantly outperformed expectations despite difficult market conditions caused by the high level of interest rates. Although trading for only eighteen months with 2000 as its first full year of operations, the business achieved a satisfactory operating surplus. The company extended its regional network to cover all WBK regions and works closely with the WBK branch network in sourcing new business and in meeting customer requirements. The quality of the leasing portfolio is satisfactory and the company applies prudent accounting principles based on International Accounting Standards. In December 2000 WBK Finanse & Leasing acquired Bank Zachodni Leasing SA as part of the agreed merger between the two banks.

WBK
Finanse & Leasing SA

Despite unfavourable market conditions, WBK AIB Asset Management SA reported profits for the first time (PLN 0.3m) in 2000. At the end of the year, assets under management exceeded PLN 616m. WBK's asset management company is one of the best performing companies in the market. It is expected that the company's business will develop at a much faster pace as the interest rates on bank deposits go down and asset management products become more competitive.

WBK AIB Asset
Management SA

The year 2000 was successful for WBK AIB Investment Fund Corporation - the company broke even and continued to grow the volumes of assets under management. Currently it manages six funds and the value of assets under management exceed PLN 240m. The quality of management was superior - ARKA WBK fund was the best stable growth fund in Poland, whereas the ARKA Large Companies and ARKA Small Companies funds were ranked 2nd and 5th respectively.

INTEGRATION WITH BANK ZACHODNI SA

In the third quarter of 2000, Management Boards of WBK and Bank Zachodni SA (BZ) made a decision to merge the two banks. The decision was approved by the Extraordinary General Shareholders Meeting on 20 December 2000. The merger is to be effected by June 2001 through the issue of new shares in Bank Zachodni SA to shareholders of WBK in exchange for the transfer of the assets and liabilities of WBK to BZ. The name of the new bank will be Bank Zachodni WBK SA.

The share exchange ratio, one of the most significant conditions of the merger, is one new BZ share for 1.72 shares of WBK. The Management Board of WBK received an opinion from Merrill Lynch International which confirmed that from the financial point of view the adopted share exchange ratio is fair for WBK shareholders.

It is projected that following the merger, WBK shareholders will hold approximately 54.8% and BZ shareholders approximately 45.2% of the shares in the merged bank. Following the merger, AIB will have an interest of approximately 70.5% in the merged bank. It is estimated that WBK shareholders will benefit, on a full year basis, from an earnings enhancement of approximately 10.4% in 2001, 28.7% in 2002 and 36.2% in 2003, taking into account the benefits arising from the B1 Program- a US\$ 100 million investment to enhance each bank's IT by the introduction of a new common branch banking platform as well as synergies from the merger.

The Management Boards of both banks identified significant savings that may be realised through the merger of WBK and BZ. It has been estimated that savings, as a percentage of the 2000 combined cost base, will be approximately 4.6% in 2001, 13.9% in 2002 and 17.3% in 2003. Additionally, a number of other significant benefits were identified to be enjoyed by shareholders of the merged bank.

These benefits include:

- The merged bank will be able to build critical mass to compete more effectively in the market.
- Bank Zachodni WBK SA will be able to improve its product and customer service offering.
- The merged Bank will be able to strengthen its presence in new markets.
- A strong and efficient management team and greater staff development opportunities.
- Greater liquidity for WBK shareholders and increased attractiveness to international investors.

Before the merger is completed from the legal point of view, the two banks have already started to work together on a number of projects, which will bring them together and help utilise synergies effectively. The most important project is "B1" Project - a common branch IT system for both banks. It is anticipated that the installation of this new system will begin in the third quarter of 2001.

Co-ordination of WBK's and BZ's operation

Parallel to this, work is well underway to standardise the product offering, procedures related to products and retail operations. In addition, WBK and Bank Zachodni have joined their ATM networks - a move which provides significant benefits for customers of both banks.

DEVELOPMENT OF THE ORGANISATION AND INFRASTRUCTURE OF WBK GROUP

Bank Council and Management Board

On 5 April 2000, the Annual General Meeting of WBK Shareholders was held. The AGM approved the 1999 profit distribution proposed by the Bank's Management Board, acknowledged the fulfilment of duties and responsibilities by the Bank Council and Management Board and endorsed changes to the Bank's Statutes.

Annual General Meeting of WBK Shareholders

The Bank Council comprised: Marian Górski - Chairman, David McCrossan - Vice-Chairman, Michael Buckley, Waldemar Frąckowiak, Gary Kennedy, Franciszek Pospiech, Aleksander Szwarc and Andrzej Wierciński - Members of the Bank Council.

Bank Council

Due to the expiry of the term of the office of WBK Management Board on 5 April 2000 and upon receiving the approval of the Banking Supervision Commission, the Bank Council appointed Mr. Jacek Kseń to the position of President of WBK Management Board.

Management Board

At the request of President of the Management Board, the following persons were appointed by the Bank Council to the Management Board:

Cornelius A. O'Sullivan - First Vice-President of the Management Board,
Aleksander Kompf - Vice-President of the Management Board,
Romuald Szeliga - Vice-President of the Management Board,
Declan Flynn - Member of the Management Board,
Joanna Oświecimska - Member of the Management Board.

Changes in the Management Board composition in 2000

On 28 September 2000, the Bank Council of WBK adopted a resolution appointing Mr. Marcin Prell to the position of Member of the WBK Management Board. Mr. Marcin Prell has been in charge of the Bank's Legal Division since September 1997. In addition, he has been a Stock Exchange Court Arbitrator for three terms of office and Member of the Banking Ethics Commission at the Polish Bankers Association.

On 19 October 2000, the Bank Council of WBK accepted the resignation of Mr. Aleksander Kompf from the role of Vice-President of the Management Board and from his membership in the Management Board of WBK. Mr. Aleksander Kompf submitted his resignation in view of his appointment as President of the Management Board of Bank Zachodni SA.



Marcin Prell

Declan Flynn

Joanna Oświecimska

Jacek Kseń

Romuald Szeliga

Cornelius A. O'Sullivan

Extraordinary General Meeting of WBK Shareholders

An Extraordinary General Meeting of WBK Shareholders was held on 20 December 2000 and approved the merger of WBK with Bank Zachodni SA. The merger will be effected through the issue of new shares in Bank Zachodni SA to shareholders of WBK SA in exchange for the transfer of the assets and liabilities of WBK to BZ. This issue is discussed in more detail in section "Integration with Bank Zachodni SA".

The Group's staff

Staff numbers and employment structure

At the end of 2000, the number of employees (calculated on the basis of full time equivalents) in WBK Group was 4864 and was 1.8% down on December 1999. Employees under the age of thirty represent the largest group. In terms of education, over 44% of employees hold university degrees.

Training

The employee training programme in WBK Group is regularly adjusted to the Group's needs - in 2000, the extensive training programme was aimed at the enhancement of customer service quality.

The Group's training activities focused on the following areas: business lending and subsidised investment loans, operational risk assessment, electronic banking, issues related to capital markets, marketing of banking products, banking regulations, accounting and IT. Over 475 members of staff attended foreign language courses. Additionally, the Bank provided assistance for over 220 employees attending their evening or post-graduate studies.

Capital expenditure

The total capital expenditure of the Group in 2000 amounted to PLN 124.7m, 35% up on 1999. One of the main projects is a new administrative and operational building for WBK SA. Although as a result of the planned merger with Bank Zachodni SA, the registered office of the merged bank will be located in Wrocław, a significant part of the merged bank's administrative operations will remain in Poznań. The new offices will be located in the Poznań Financial Centre, part of which has been leased by WBK SA. The lease agreement has been signed for a 10-year period and is effective from March 2001. The estimated value of the 10-year rental payments plus utility costs amounts to USD 49.5m. Simultaneously, the Bank will benefit from the termination of lease agreements on premises, which will be vacated. Over the next four years, estimated savings on the lease termination will exceed PLN 10m.

An important part of the Bank's capital expenditures related to branch network development, credit and debit cards, the central dispatch of account statements and electronic POS terminals.

MANAGEMENT OF WBK GROUP

KEY RISK AREAS

Risk management on a Group level is exercised through the supervision and co-ordination of actions and strategy between WBK and other members of the Group. The nature of capital and functional links permits strict risk management across WBK Group. A detailed description of risk management objectives and methods is presented below.

Capital management

The Group's policy is to maintain a strong capital base and to utilise it effectively. Between the end of 1999 and end of 2000, the Bank's capital resources increased by PLN 182.7m. Assuming the further stable development of its activities, the Bank plans to maintain the existing proportion of earnings allocated for capital increases, i.e. c.80% of net profit.

Asset and liability management

The main objective of the Group's 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 WBK and AIB Group and covers three major risk areas: market risk, credit risk and liquidity risk.

The Bank has a well-developed organisational structure for managing risk, including a comprehensive set of committees and delegated authorities. 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 (ALCO) 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.

Market risk

The level of market risk in WBK Group depends on its exposure to the adverse consequences of movements in interest rates, foreign exchange rates and other market parameters. Undertaking this risk within strictly established limits is part of regular banking business and as such can be an important source of income.

Both the policy and practice of WBK's market risk management are 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.

Credit risk

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 early warning of emerging threats to the loan portfolio quality. The Group's lending activity has been focused on growing its portfolio in a way which would ensure high quality, good profitability and customer satisfaction.

Enhancement of lending processes in 2000

In the first six months of 2000, the Group reengineered the credit function and established separate departments to deal with corporate clients and small and medium enterprises. In addition, the Personal Credit Centre was established. As a separate organisational unit, the Centre will centralise the processing of retail customer loan applications. The implementation of the automated loan application processing system combined with access to the Credit Bureau and an arrears management system will allow WBK to enhance loan portfolio profitability.

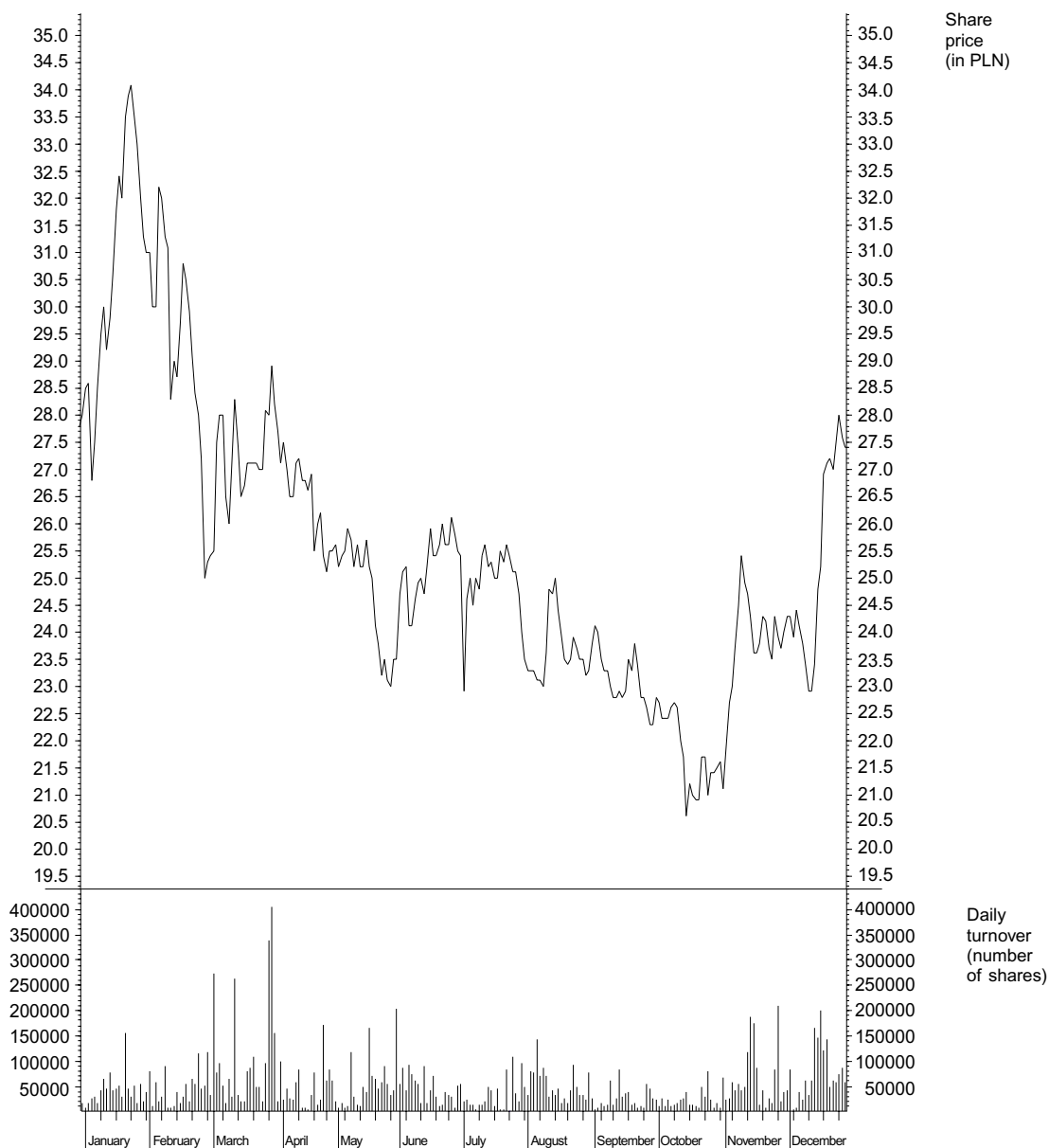
Liquidity risk

WBK's internal liquidity policy has been approved by ALCO and the Bank's Management Board. It 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. ALCO monitors the Bank's performance at monthly meetings. All deviations and their reasons are presented to the Management Board. In 2000, the level of compliance with limits was satisfactory.

Operational risk

WBK places much emphasis on preventing any potential threats, generated as a result of the faulty operation of IT, communication and clearing systems. In 2000, the Group commenced the implementation of an operational risk management policy. In this respect, WBK has leveraged the experience of AIB Group. The policy is based on the recommendations of the Basle Committee.

WBK SHARE PRICE AND DAILY TURNOVER ON THE WARSAW STOCK EXCHANGE IN 2000



CONSOLIDATED FINANCIAL STATEMENTS

in accordance with Polish Accounting Regulations (PAR)

for the year ended 31 December 2000

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Adres do korespondencji:
PricewaterhouseCoopers Sp. z o.o.
ul. Nowogrodzka 68
02-014 Warszawa
Polska
Telefon +48 (22) 523 4000
Fax +48 (22) 523 4040
<http://www.pwcglobal.com/pl>

REGISTERED AUDITOR'S OPINION
To the Shareholders of Wielkopolski Bank Kredytowy S.A.

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

- (i) the introduction;
- (ii) the consolidated balance sheet as at 31 December 2000, showing total assets and total liabilities and equity of PLN 13,544,003 thousand;
- (iii) the consolidated profit and loss account for the year ended 31 December 2000, showing a net profit of PLN 223,698 thousand;
- (iv) the cash flow statement for the year ended 31 December 2000, showing a decrease in cash and cash equivalents of PLN 552,780 thousand;
- (v) the schedule of changes in consolidated equity;
- (vi) the schedule of off-balance sheet items totalling PLN 14,023,688 thousand;
- (vii) the notes to the financial statements;

and the consolidation schedules forming the basis for their preparation.

The preparation of consolidated financial statements in compliance with binding regulations and of the Directors' Report 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:

- (a) the provisions of the Accounting Act of 29 September 1994 (Journal of Laws No. 121/591 with subsequent amendments) to the extent that they relate to the annual audit of consolidated financial statements;
- (b) 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 periods of the two consolidated subsidiary entities are coterminous with the accounting period of the parent entity WBK SA.

The information presented in the Directors' Report for the year ended 31 December 2000 is consistent with the information presented in the audited financial statements.

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

- (a) 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 the specific principles for the preparation of consolidated financial statements by banks, the Decree of the Council of Ministers of 22 December 1998 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,

PricewaterhouseCoopers Sp. z o.o. jest wpisana do rejestru handlowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy, Sąd Gospodarczy, XVI Wydział Gospodarczy-Rejestrowy, pod numerem RHB 25921. Siedzibą Spółki jest Warszawa, ul. Nowogrodzka 68. Kapitał zakładowy wynosi 87.850 PLN. Członkami Zarządu są: Peter Driscoll, Antoni F. Reczek; reprezentacja jednoosobowa.

REGISTERED AUDITOR'S OPINION

To the Shareholders of Wielkopolski Bank Kredytowy S.A. (cont'd)

- (b) comply in their form and contents with the relevant laws binding the Group,
- (c) give a true, fair and clear view of the Group's financial position as at 31 December 2000 and the results of its operations for the year then ended.

Without qualifying our opinion on the truth and fairness of the financial statements we draw attention to the fact that on 20 December 2000 Resolution No.1 of an Extraordinary General Meeting of Shareholders of WBK SA approved the proposed merger of WBK SA and Bank Zachodni SA. The merger will take place through the transfer of the assets and liabilities of WBK SA to BZ SA in exchange for new shares of BZ SA which will be issued to the shareholders of WBK SA.

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

Adam Celiński
Registered Auditor
No C-33/7039

Antoni F Reczek
Chairman of the Board
PricewaterhouseCoopers Sp. z o.o.
Registered Auditor
No 90011/503

Registered Audit Company
No 144

Warsaw, 19 February 2001.

INTRODUCTION

1. Operations of Wielkopolski Bank Kredytowy SA

Wielkopolski Bank Kredytowy (WBK SA), the dominant entity of WBK Group was entered in the Commercial Register under no. RHB 6308, pursuant to a legally effective ruling of the Registration Court in Poznań on 31 October 1991. The Bank's registered office is located in Poznań.

According to EKD (European Business Classification), the main business of WBK SA is "other monetary intermediation" (6512).

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

The business of Wielkopolski Bank Kredytowy comprises the following bank activities:

1. accepting money deposits payable on demand or at a due date as well as operating accounts for these deposits;
2. operating other bank accounts;
3. granting loans;
4. granting bank guarantees;
5. issuing banking securities;
6. performance of financial settlements,
7. granting cash advances;
8. performing check and bill of exchange operations;
9. issuing payment cards and processing card operations;
10. performing term financial operations;
11. trading in receivables
12. safekeeping of objects and securities as well as providing access to safe deposit-boxes;
13. foreign currency operations;
14. granting guarantees;
15. performing operations related to the issue of securities;
16. acting as the representative of bond holders.

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

1. taking up or acquiring shares and units in trust funds in accordance with the principles specified by the Banking Law act;
2. incurring liabilities related to the issue of securities;
3. trading in securities;
4. performing swaps of debts into other elements of a debtor's assets based on the principles agreed with the debtor, with the Bank being subject to the obligation of selling them within 3 years at the latest since the date of their acquisition;
5. acquiring and disposing real estates and debts secured by a mortgage;
6. providing consultancy and advisory services in relation to financial matters;
7. providing other financial services including:
 - a. operating securities accounts,
 - b. providing agency and co-operation in receiving loans and advances,
 - c. performing trust activities,
 - d. providing leasing, factoring, forfaiting, franchising and underwriting services,
 - e. proprietary trading in derivatives and on behalf of third parties;
8. providing sales-related services for pension funds;
9. performing the function of a custodian, as specified in regulations on the organisation and functioning of pension funds;
10. performing the function of a custodian, as specified in regulations on the organisation and functioning of investment funds;

11. acting as an agent in selling insurance, lease and pension products, units in funds and certificates of investment funds;
12. acting as an agent in selling products of building societies and mortgage banks;
13. concluding and effecting agreements with businessmen, also foreign ones, on agency in lodgements into banking accounts.

The Bank can also perform, upon the request of other banks, the specific banking operations, mentioned above, when these operations fall within the scope of activities of those banks;

In the course of its operations the Bank cooperates with domestic, foreign and international banks and financial institutions.

2. Description of Wielkopolski Bank Kredytowy Group

WBK Group, apart from WBK as the dominant entity, is composed of:

- Dom Maklerski WBK SA - consolidated under the acquisition accounting method;
- Gliwicki Bank Handlowy SA - consolidated under the acquisition accounting method;
- other subsidiaries and affiliates presented in point 3 - excluded from consolidation in view of their immateriality in comparison with the size of WBK's operations or because they were not purchased with a view to exercising permanent control over them.

Dom Maklerski WBK SA, was established by force of a notarial deed, dated 23 July 1999, and entered in the Register of Companies maintained by the Registration Court in Poznań, on 28 July 1999, under the no. RHB 12981.

Dom Maklerski WBK SA commenced its operations on 2 November 1999. It offers the following services:

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

Gliwicki Bank Handlowy SA is a universal bank. According to the European Business Classification, the bank's core business is "other monetary intermediation" (6512). The Bank has not provided banking services since 1 October 2000.

The subsidiaries and affiliates presented in point 3 are excluded from the consolidation in view of their marginal size in comparison to the key financial data of WBK which in 2000 included:

- balance sheet total PLN 13,570,446k,
- interest income PLN 1,547,626k.

3. Selected financial information of companies excluded from consolidation

Entity	Percentage of share capital held	Balance sheet total PLN '000	Income from sales of goods and products and financial operations PLN '000
Subsidiaries of WBK SA			
WBK Finanse & Leasing	100.00%	177,048	39,116
WBK Nieruchomości SA	100.00%	318	1,261
Brytyjsko Polskie Towarzystwo Finansowe WBK - CU Sp. z o.o.	60.00%	2,347	9,910
AIB WBK Fund Management Sp. z o.o.	54.00%	6,619	13,422
PB Polsoft Sp. z o.o.	51.00%	5,021	17,636
Associated companies of WBK SA			
WBK AIB Asset Management SA	50.00%	11,739	2,137
EUROAD Leasing Sp. z o.o.	37.50%	1,112	224
eCard SA	28.57%	2,744	8

The entities composing WBK Group do not hold shares in other companies comprising WBK Group.

4. Description of accounting principles adopted for preparation of the Consolidated Financial Statements of WBK Group

The consolidated financial statements include data for the period from 1 January to 31 December 2000 as well as comparative data for the period from 1 January 1999 to 31 December 1999.

4.1. Legal basis

WBK Group operates in line with the Banking Law Act, Commercial Code, Accounting Act, the Bank Statutes and other regulations of Polish law.

The consolidated financial statements of WBK Group for 2000 were prepared based on consistently maintained consolidation 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, with subsequent amendments,
- Banking Law Act, dated 29 August 1997, with subsequent amendments,
- Ordinance of the Cabinet, dated 22 December 1998, with regard to the nature, form and range of current and periodical information as well as frequency of its publication by the issuers of quoted securities,
- Ordinance of the Minister of Finance, dated 17 January 1997, on the depreciation of fixed assets and amortization of intangibles with subsequent amendments,
- Ordinance of the Minister of Finance, dated 19 November 1999, on the range of information included in financial statements of 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 defining more rigid criteria than those specified in the Accounting Act in relation to issuers of quoted securities and issuers of securities applying for admission to public trading,
- Resolution of the Banking Supervision Commission no. 1/98, dated 3 June 1998, on the special accounting principles applied by banks and on the preparation of notes to the financial statements,

- Resolution no. 2/98 of the Banking Supervision Commission of 3 June 1998 relating to specific policies to be employed by banks in the preparation of consolidated financial statements,
- Ordinance of the Chairman of the Securities Commission, dated 21 December 1995, on specific accounting principles and financial statement formats for entities running brokerage enterprises.
- Resolution no. 8/99 of the Banking Supervision Commission, dated 22 December 1999, on principles for the creation of provisions for banking risk,
- Guidelines of the Securities and Stock Exchange Commission, dated 28 February 2000, on the differences between PAR and IAS or US GAAP.

4.2. Comparability of data and accounting methods

Due to the fact that the financial data of Centralne Biuro Maklerskie for 10 months 1999 are incorporated into the financial statements of WBK SA, the 2000 consolidated financial data are fully comparable with the 1999 financial data. Under the acquisition accounting method, a consolidated balance sheet and profit and loss account are prepared by adding the respective items of the balance sheet as well as the profit and loss account which are then subject to appropriate adjustments, transfers and eliminations on consolidation.

As at the date of gaining control over a subsidiary, the value of its net assets is determined and the goodwill or negative goodwill arising is amortized over a period of five years beginning from the month following the date of gaining control over the subsidiary. Detailed data referring to the establishment and amortization of goodwill of the subsidiaries are included in Note 13.

4.3. Consolidation exclusions

The following are excluded from the consolidated financial statements:

- share capital of subsidiaries consolidated under the acquisition accounting method,
- purchase cost of interests in subsidiaries consolidated under the acquisition accounting method,
- inter-company debtors and creditors consolidated under the acquisition accounting method,
- income and costs related to inter-company operations between all entities consolidated under the acquisition accounting method,
- unrealized, from the Group's point of view, profits or losses made on operations between units consolidated under the acquisition accounting method and incorporated into the value of assets and liabilities which are subject to consolidation,
- dividends within the Group.

In accordance with § 3 sec.2 point 2 of the Ordinance of the Minister of Finance, dated 19 November 1999, the summary financial statements of subsidiaries and associates which are not consolidated under the acquisition accounting method, are presented in the appendix to the consolidated financial statements.

The dominant entity and the subsidiaries consolidated under the acquisition accounting method do not comprise any internal organizational units which prepare their own financial statements.

4.4. Principles of assets and liabilities valuation as well as determination of the financial result

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

1. 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.
2. Debt securities as well as equity shares are classified according to the purpose of their holding - held for trading or held for investment.

Debt securities held for trading are shown in the balance sheet according to their purchase price adjusted by accrued interest, discount or 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 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, discount or 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 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.

3. Units in trust funds are disclosed at their purchase price adjusted for provisions due to permanent loss of value. Dividend income from investment funds, which invest exclusively in government debt securities and pay dividends on a semi-annual basis are recognised in the profit and loss account on an accruals basis.
4. 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 for depreciation charges calculated under a straight line method according to rates defined in the WBK depreciation plan for 2000. The rates take account of planned economic life and technological wear and tear. Depreciation/amortization relating to liquidated, sold or donated fixed and intangible assets is disclosed as other operating costs.
5. Goodwill represents the difference between the market value and the price paid for particular assets. In line with PAR, goodwill is taken to intangibles and amortized over a period of five years according to the straight line method.
6. 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.
7. Liabilities, including funds in banking accounts, are shown in the amount due to be paid, including accrued interest.
8. 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.
9. Interest income and expense are presented in the P&L Account on an accruals basis, i.e. showing all income (except for interest due and accrued on problem receivables, capitalized interest and interest received in advance and accrued costs (due and accrued in the period to which they relate), irrespective of their payment date.
10. 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 criteria: the minimum loan amount is PLN 1 million and the repayment period is longer than 12 months. Since 1 January 1999, the commission on these loans is taken to the financial result over the period of the actual loan or guarantee.

11. 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'.
12. Specific provisions for receivables categorized as regular - in respect of personal consumer loans (except for mortgage loans), as 'watch' and problem ones, as well as for off balance sheet liabilities are created in line with the Resolution of the Banking Supervision Commission no. 8/99, dated 22 December 1999.
13. Provision for general risk is charged to costs of the current year in order to cover risks related to banking operations, pursuant to art. 130 of the Banking Law, dated 29 August 1997.
14. 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 binding tax regulations. In the subsidiaries of WBK SA, there are temporary negative differences - disclosed under prepayments, as well as positive differences - for which a provision is created. In the consolidated balance sheet, the balances of positive and negative temporary differences arising in the following units are disclosed:
 - WBK SA - provision for corporate income tax;
 - GBH SA and Dom Maklerski WBK SA - prepayments.
 The units comprising WBK Group do not compose a taxation group and therefore, the calculation of corporate income tax is carried out separately in each of the subsidiaries.
15. The taxation charge represents corporate income tax calculated based on the profit before taxation in line with the applicable taxation rate, adjusted by permanent differences, i.e. income which, on a permanent basis, is not subject to taxation and costs which, on a permanent basis, do not represent tax-deductible items in the light of the tax regulations.

The liability arising from the corporate income tax is determined based on tax regulations and is different than the corporate income tax calculated based on the profit before tax due to timing differences relating to the recognition of income and cost as stipulated in the Accounting Act and the tax regulations.

4.5. Principles of PLN conversion into EURO

Financial data in relation to individual items of the consolidated financial statements of WBK SA for 2000 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 date - 3.8544;
- selected P&L account data and earnings per ordinary share for 12 months - 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 (January - 4.1250, February - 4.0539, March - 3.9650, April - 4.0226, May - 4.0894, June - 4.2075, July - 4.0108, August - 3.9157, September - 3.9960, October - 3.9325, November - 3.8824, December - 3.8544).

5. Auditor's opinion on the 2000 financial statements

The auditor, PricewaterhouseCoopers Sp. z o.o., after auditing the WBK financial statements for 2000 and 1999 did not raise any qualifications in their audit opinions for those periods. Therefore, there was no need to make any adjustments to the data presented in the financial statements.

The entities authorized to audit the financial statements of GBH SA and Dom Maklerski WBK SA did not raise any qualifications either.

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

Wielkopolski Bank Kredytowy SA prepares financial statements in line with Polish Accounting Regulations as well as International Accounting Standards. Main differences between the two are:

- different classification of items presented in the balance sheet, profit and loss account and the cash flow statement;
- lower balance sheet total due to the netting of capitalized and overdue interest and not disclosing balance due to advances granted from the Company's Social Benefits Fund;
- change to the manner of presentation of operating leases; according to IAS these are presented as finance leases and of fixed assets which are held on perpetual usufruct (long leasehold) by WBK.

There are no differences in relation to value of the shareholders' equity and the after tax profit calculated according to PAR and IAS:

- shareholders' equity - according to PAR: PLN 876,250k;
- shareholders' equity - according to IAS: PLN 876,250k;
- after tax profit - according to PAR: PLN 223,698k;
- after tax profit - according to IAS: PLN 223,698k.

CONSOLIDATED BALANCE SHEET

		in PLN '000		
	as at	Note	31.12.2000 current year	31.12.1999 previous year
ASSETS				
I. Cash and balances with the Central Bank		1	331 264	868 186
II. Debt securities with the right to rediscount at the Central Bank			—	—
III. Amounts due from financial sector		2	3 967 705	1 823 276
1. In current account			16 394	46 233
2. Term			3 951 311	1 777 043
IV. Amounts due from non-financial and public sector		3	5 409 124	4 825 180
1. In current account			1 036 219	825 985
2. Term			4 372 905	3 999 195
V. Amounts due from non-consolidated subsidiaries and associated undertakings		2,3	12 889	12 364
VI. Amounts due from consolidated subsidiaries and associated undertakings		2,3	—	—
VII. Reverse repo transactions		4	99 462	—
VIII. Debt securities		5, 11	2 700 159	2 650 446
IX. Shares and interests in non-consolidated subsidiaries and associated undertakings		6, 8, 11	16 780	15 499
X. Shares and interests in consolidated subsidiaries and associated undertakings		7, 8, 11	—	—
XI. Shares and interests in other entities		9, 11	134 879	117 503
XII. Other securities and proprietary interests		10, 11	128 558	7 474
XIII. Intangible assets		12	46 814	58 714
XIV. Goodwill arising on consolidation		13	1 959	5 287
XV. Tangible fixed assets		14	322 913	275 342
XVI. Bank's own shares for sale		15	—	—
XVII. Other assets		16	173 156	101 270
1. Assets taken over - for sale			83	1 259
2. Other			173 073	100 011
XVIII. Prepayments		17	198 341	41 319
1. Deferred taxation			599	4 752
2. Other prepayments			197 742	36 567
TOTAL ASSETS			13 544 003	10 801 860

			in PLN '000		
	as at	Note	31.12.2000 current year	31.12.1999 previous year	
LIABILITIES					
I. Deposits of the Central Bank			—	—	
II. Deposits of financial sector		18	1 510 818	952 264	
1. Current			35 971	34 520	
2. Term			1 474 847	917 744	
III. Deposits of non-financial and public sector		19	10 067 654	8 346 771	
1. Savings deposits, of which:			—	—	
a) current			—	—	
b) term			—	—	
2. Other, of which:			10 067 654	8 346 771	
a) current			2 458 382	2 558 566	
b) term			7 609 272	5 788 205	
IV. Deposits of non-consolidated subsidiaries and associates		18, 19	4 270	4 157	
V. Deposits of consolidated subsidiaries and associates		18, 19	—	—	
VI. Repo transactions		20	98 733	—	
VII. Liabilities arising from the issue of securities by the Bank		21	—	—	
VIII. Special funds and other liabilities		22	494 355	328 886	
IX. Accruals and deferred income		23	154 563	135 759	
X. Provisions		24	103 021	104 858	
1. Provision for income tax			5 053	27 478	
2. Other provisions			97 968	77 380	
XI. Suobordinated liabilities		25	10 048	10 048	
XII. Minority interests		26	593	852	
XIII. Negative goodwill		27	—	—	
XIV. Share capital		28	86 020	86 020	
XV. Unpaid share capital			—	—	
XVI. Supplementary capital		29	51 347	51 347	
XVII. Capital reserves from revaluation of fixed assets			50 316	51 427	
XVIII. Other capital (reserves)		30	681 843	540 609	
XIX. Foreign exchange difference relating to foreign branches			—	—	
XX. Exchange rate differences arising on consolidation			—	—	
XXI. Retained profit or uncovered loss from previous year		31	6 724	14 796	
XXII. Net profit (loss)			223 698	174 066	
TOTAL LIABILITIES			13 544 003	10 801 860	
Capital adequacy			32	10.24	10.79
Net book value			1 099 948	918 265	
Number of shares (in thousands)			68 816	68 816	
Net book value per share (in PLN)			32	15.98	13.34
Predicted number of shares			—	—	
Diluted book value per share (in PLN)			—	—	

OFF-BALANCE SHEET ITEMS

			in PLN '000	
	as at	Note	31.12.2000 current year	31.12.1999 previous year
I. Off balance-sheet contingent liabilities			2 582 107	1 858 532
1. Committed:			2 019 565	1 491 281
a) in relation to financing			1 609 012	1 266 188
b) guarantees		33	410 553	225 093
2. Received:			562 542	367 251
a) in relation to financing			30 835	—
b) guarantees			531 707	367 251
II. Commitments arising from sale/purchase transactions			11 441 581	6 342 617
III. Other			—	—
TOTAL OFF BALANCE SHEET ITEMS			14 023 688	8 201 149

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	for period	Note	31.12.2000 current year	31.12.1999 previous year
I. Interest income		34	1 587 407	1 098 047
II. Interest expense		35	(1 156 698)	(673 702)
III. Net interest income (I-II)			430 709	424 345
IV. Commission income		36	256 197	188 438
V. Commission expense			(42 135)	(22 834)
VI. Net commission income (IV-V)			214 062	165 604
VII. Income on shares and other interests		37	331	624
VIII. Profit on financial operations		38	207 723	129 470
IX. Foreign exchange profit			79 026	54 376
X. Profit on banking operations			931 851	774 419
XI. Other operating income		39	55 292	71 065
XII. Other operating expenses		40	(44 629)	(57 605)
XIII. Operating expenses		41	(504 629)	(390 980)
XIV. Depreciation of fixed assets and intangible assets			(75 772)	(65 826)
XV. Charges for provisions		42	(173 197)	(131 344)
XVI. Provisions released		43	123 718	72 607
XVII. Net provisions (XV- XVI)			(49 479)	(58 737)
XVIII. Profit on operations			312 634	272 336
XIX. Net extraordinary items			195	(179)
1. Extraordinary gains		44	283	144
2. Extraordinary losses		45	(88)	(323)

		in PLN '000		
	for period	Note	31.12.2000 current year	31.12.1999 previous year
XX. Amortization of goodwill arising on consolidation			(3 465)	(3 501)
XXI. Amortization of negative goodwill			—	—
XXII. Gross profit (loss)			309 364	268 656
XXIII. Corporate income tax		46	(85 611)	(94 428)
XXIV. Other taxation		47	—	—
XXV. Share in profit (loss) of entities consolidated by the equity method			—	—
XXVI. Minority interests			(55)	(162)
XXVII. Net profit (loss)			223 698	174 066
Net profit (loss) (for 12 months)			223 698	174 066
Average weighted number of ordinary shares (in thousands)			68 816	68 816
Net earnings (loss) per ordinary share (in PLN)		48	3.25	2.53
Average weighted expected number of ordinary shares			—	—
Diluted profit (loss) per ordinary share (in PLN)			—	—

MOVEMENTS IN CONSOLIDATED EQUITY

	for period	31.12.2000 current year	31.12.1999 previous year
I. Balance of shareholders' equity at the beginning of the period		918 265	783 856
a) changes in adopted accounting principles (policy)		–	–
b) correction of fundamental errors		–	–
I.a. Adjusted balance of shareholders' equity at the beginning of the period		918 265	783 856
1. Balance of share capital at the beginning of period		86 020	86 020
1.1. Movements in the share capital			
a) increase (due to)		–	–
– issue in shares		–	–
– increase in nominal value		–	–
b) decrease (due to)		–	–
– redemption		–	–
1.2. Balance of share capital at the end of the period		86 020	86 020
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		51 347	51 347
3.1. Movements in supplementary capital			
a) increase (as a result of)		–	–
– issue of shares over their nominal value (share premium)		–	–
– profit allocation (as required by law)		–	–
– profit allocation (in the amount higher than minimum required by law)		–	–

	in PLN '000	
	for period 31.12.2000 current year	31.12.1999 previous year
b) decrease (as a result of)	—	—
— loss cover	—	—
3.2. Balance of supplementary capital at the end of the period	51 347	51 347
4. Balance of revaluation reserve at the beginning of the period	51 427	51 427
4.1. Movements in the balance of revaluation reserve		
a) increase (due to)	—	—
b) decrease (due to)	(1 111)	—
— disposal and liquidation of fixed assets	(1 111)	—
4.2. Balance of revaluation reserve at the end of the period	50 316	51 427
5. Balance of the general banking risk fund at the beginning of the period	90 000	35 000
5.1. Movements in the balance of the general banking risk fund		
a) increase (due to)	55 000	55 000
— allocations from profit	55 000	55 000
b) decrease (due to)	—	—
— allocation to capital reserves	—	—
— allocation to liabilities due to public sector	—	—
5.2. Balance of the general banking risk fund at the end of the period	145 000	90 000
6. Balance of the brokerage operations fund at the beginning of the period	—	15 000
6.1. Movements in the balance of the brokerage operations fund		
a) increase (due to)	—	—
— transfer from capital reserves	—	—
b) decrease (due to)	—	(15 000)
— transfer to capital reserves in connection with the sale of CBM (Brokerage House)	—	(15 000)
6.2. Balances of the brokerage operations fund at the end of the period	—	—
7. Balance of other reserve capital at the beginning of the period	450 609	351 683
7.1. Movements in other reserve capital		
a) increase (due to)	89 735	102 461
— allocation of profit to reserve capital	88 624	87 461
— transfer from general risk fund	—	—
— movement from the brokerage operations fund in connection with the sale of CBM (Brokerage House)	—	15 000
— sale and liquidation of fixed assets	1 111	—
b) decrease (due to)	(3 501)	(3 535)
— transfer to brokerage operations fund	—	—
— amortization of goodwill arising on consolidation	(3 501)	(3 535)
7.2. Balance of the other reserve capital at the end of the period	536 843	450 609
8. Foreign exchange difference relating to foreign branches	—	—
9. Foreign exchange differences arising on consolidation	—	—
10. Balance of undistributed 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	188 862	193 379
a) changes in 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	188 862	193 379

	in PLN '000	
	for period 31.12.2000	31.12.1999
	current year	previous year
a) increase (due to)	3 501	3 535
– profit allocation	–	–
– transfer of amortization of goodwill arising on consolidation to reserve capital	3 501	3 535
b) decrease (due to)	(185 639)	(182 118)
– allocation to reserve capital	(88 624)	(87 461)
– allocation to general risk fund	(55 000)	(55 000)
– allocation to dividend	(37 849)	(36 473)
– allocation to charitable donations	(1 500)	(900)
– allocation to employee social fund	(2 500)	(2 000)
– redemption of preferential shares	–	(284)
– other	(166)	–
10.3. Balance of retained profit from previous years at the beginning of the period	6 724	14 796
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)	–	–
b) decrease (due to)	–	–
10.6. Balance of uncovered loss from previous years at the end of the period	–	–
10.7. Balance of retained profit / loss from previous years at the end of the period	6 724	14 796
11. Net profit/loss	223 698	174 066
a) net profit	223 698	174 066
b) net loss	–	–
II. Balance of shareholders' equity at the end of the period	1 099 948	918 265

CONSOLIDATED CASH FLOW STATEMENT

	for period 31.12.2000	31.12.1999
	current year	previous year
A. NET CASH FLOWS FROM OPERATING ACTIVITIES		
(I +/- II) – INDIRECT METHOD*	(621 700)	361 556
I. Net profit (loss)	223 698	174 066
II. Total adjustments:	(845 398)	187 490
1. Minority interests	55	162
2. Share in profits (losses) of undertakings consolidated by the equity method	–	–
3. Amortization (including amortization of goodwill on consolidation or negative goodwill)	79 830	69 327
4. Foreign exchange differences	11	(3)
5. Interest and dividends	(225 944)	42 672
6. (Profit) loss on investing activities	(3 972)	(44 366)
7. Changes in the balance of other provisions	20 275	34 921
8. Corporate income tax (as disclosed in profit & loss account)	85 611	94 428

	in PLN '000	
	for period 31.12.2000	31.12.1999
	current year	previous year
9. Corporate tax paid	(109 710)	(60 566)
10. Change in the balance of debt securities	(165 596)	(8 999)
11. Change in the balance of amounts due from the financial sector	(2 160 812)	(851 242)
12. Change in the balance of amounts due from the non-financial and public sectors	(583 944)	(1 184 032)
13. Change in the balance of amounts receivable due to purchased securities which are subject to repurchase agreement (reverse repo transactions)	(99 462)	—
14. Change in the balance of shares and other securities with variable interest rate	10 989	(7 620)
15. Change in the balance of deposits from the financial sector	566 664	152 922
16. Change in the balance of deposits from the non-financial and public sectors	1 720 052	2 023 659
17. Change in the balance of amounts payable due to securities sold which were subject to repurchase agreement (repo transactions)	98 773	—
18. Change in the balance of liabilities due to securities issued by the Group	—	—
19. Change in the balance of other liabilities	73 053	(15 651)
20. Change in the balance of accruals	(137 790)	(4 799)
21. Change in the balance of deferred income	(9 975)	(59 207)
22. Other items	(3 506)	5 884
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	113 362	67 740
I. Inflows from investing activities	19 686 428	28 797 756
1. Sales of intangible assets	18 514	3
2. Sales of tangible fixed assets	7 887	554
3. Sales of shares in subsidiary undertakings	—	6 411
4. Sales of shares in associated companies	—	1 450
5. Sales of shares in dominant entity	—	—
6. Sales of other shares, securities (also those held for trading) and other proprietary interests	19 645 769	28 782 079
7. Other inflows	14 258	7 259
II. Expenses related to investing activities	(19 573 066)	(28 730 016)
1. Purchase of intangible assets	(3 989)	(21 423)
2. Purchase of tangible fixed assets	(101 218)	(75 590)
3. Purchase of shares in subsidiaries	—	(2 575)
4. Purchase of shares in affiliates	(1 600)	(5 473)
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	(19 465 959)	(28 624 955)
7. Purchase of Bank's own shares for disposal	—	—
8. Other expenses	(300)	—
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	(44 442)	(40 637)
I. Inflows from financing activities	—	—
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	—	—
6. Contributions to capital	—	—
7. Other inflows	—	—

	in PLN '000	
	for period 31.12.2000	31.12.1999
	current year	previous year
II. Expenses related to financing activities	(44 442)	(40 637)
1. Repayment of long-term loans to banks	—	—
2. Repayment of long-term loans to financial institutions other than banks	—	—
3. Repurchase of bonds or other securities from other financial institutions	—	—
4. Decrease in the balance of subordinated liabilities	—	—
5. Shares issue costs	—	—
6. Redemption of own shares	—	—
7. Dividends and other payments to shareholders	(37 849)	(36 473)
8. Payment from profit to members of the management and supervisory boards	—	—
9. Payments for social and charitable purposes	(1 267)	(663)
10. Dividends paid to minority shareholders	—	—
11. Payments under finance lease agreements	—	—
12. Other expenses	(5 326)	(3 501)
D. TOTAL NET CASH FLOW (A + /- B + /- C)	(552 780)	388 659
E. CHANGE IN THE BALANCE OF CASH AND CASH EQUIVALENTS	(552 780)	388 659
— including balances of foreign exchange translation differences	—	—
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	914 138	525 479
G. CASH AT THE END OF THE PERIOD (F + /- D)	361 358	914 138

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 1

CASH AND BALANCES WITH THE CENTRAL BANK	current year	previous year
1. Demand deposits	330 324	866 968
2. Obligatory reserve	—	—
3. Funds of the Bank Guarantee Fund	—	—
4. Other	940	1 218
Total cash and balances with the Central Bank	331 264	868 186
CASH (BY CURRENCY)	current year	previous year
a) in zloty	264 703	752 963
b) in foreign currencies (by currency and its equivalent in PLN)	66 561	115 223
b1. currency in thousand/USD	5 680	12 911
PLN k	23 534	53 558
b2. currency in thousand/DEM	14 214	17 798
PLN k	28 011	37 936
b3. currency in thousand/GBP	505	885
PLN k	3 125	5 942
b4. Other currencies (in PLN k)	11 891	17 787
Cash in total	331 264	868 186

Note 2

**AMOUNTS DUE FROM FINANCIAL SECTOR
(BY CATEGORY)**

	current year	previous year
1. Current accounts	21 698	43 403
2. Loans, placements and advances	3 911 274	1 780 098
3. Purchased debts	–	193
4. Realised guarantees	–	–
5. Other amounts due (of which)	6 825	3 192
– amounts due from brokerage offices	4 872	1 983
– amounts due to the employee social fund	1 603	966
– other	350	243
6. Interest:	46 799	10 321
a) accrued	45 967	10 242
b) due, not received	832	79
Total amounts due from financial sector (gross)	3 986 596	1 837 207
7. Provisions raised for receivables from financial sector (negative value)	(6 002)	(1 567)
Total amounts due from financial sector (net)	3 980 594	1 835 640

**AMOUNTS DUE FROM FINANCIAL SECTOR
(BY MATURITY)**

	current year	previous year
1. In current account	28 322	46 889
2. Term receivables with residual maturity of:	3 911 475	1 779 997
a) up to 1 month	2 281 445	1 235 692
b) from 1 month to 3 months	523 245	73 785
c) over 3 months to 1 year	557 264	163 698
d) over 1 year to 5 years	447 669	282 234
e) over 5 years	96 528	23 006
f) overdue amounts	5 324	1 582
3. Interest	46 799	10 321
– accrued	45 967	10 242
– due, not received	832	79
Total amounts due from financial sector (gross)	3 986 596	1 837 207

**AMOUNTS DUE FROM FINANCIAL SECTOR
(BY ORIGINAL MATURITY)**

	current year	previous year
1. In current account	28 322	46 889
2. Term receivables with maturity of:	3 911 475	1 779 997
a) up to 1 month	944 644	1 219 524
b) from 1 month to 3 months	949 185	56 099
c) over 3 months to 1 year	1 216 252	94 964
d) over 1 year to 5 years	533 919	321 877
e) over 5 years	267 475	87 533
3. Interest	46 799	10 321
– accrued	45 967	10 242
– due, not received	832	79
Total amounts due from financial sector (gross)	3 986 596	1 837 207

In the balance sheet, interest has been included in the items:

- “In current account” as at 31.12.00 in the amount of PLN 10k and as at 31.12.99 in the amount of PLN 8k.
- “Term” as at 31.12.00 in the amount of PLN 46,789k and as at 31.12.99 in the amount of PLN 10,313k.

AMOUNTS DUE FROM FINANCIAL SECTOR**(BY CURRENCY)**

	current year	previous year
a) in zloty (PLN)	1 129 527	479 640
b) in foreign currency (by currency and its equivalent in PLN)	2 857 069	1 357 567
b1. currency in thousand/USD	512 542	221 950
PLN k	2 123 565	920 716
b2. currency in thousand/EURO	170 686	82 603
PLN k	657 894	344 365
b3. currency in thousand/GBP	4 979	4 348
PLN k	30 822	29 161
b4. currency in thousand/DEM	11 859	21 284
PLN k	23 371	45 370
b5. Other currencies (in PLN k)	21 417	17 955
Total amounts due from financial sector	3 986 596	1 837 207

AMOUNTS DUE FROM FINANCIAL SECTOR (GROSS)

	current year	previous year
1. Regular receivables	3 880 668	1 766 626
2. Watch category loans	49 419	52 602
3. Problem receivables from financial sector, of which:	9 710	7 658
– sub-standard	2 641	287
– doubtful	1 812	6 164
– lost	5 257	1 207
4. Interest:	46 799	10 321
a) accrued	45 967	10 242
b) due, not received	832	79
– on regular and watch loans	3	2
– on problem loans	829	77
Total receivables from financial sector (gross)	3 986 596	1 837 207

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

	current year	previous year
a) watch category loans	27 696	42 433
b) problem receivables	1 816	5 685
– sub-standard	721	–
– doubtful	1 095	5 685
– lost	–	–
Total value of security recognised when setting specific provisions for receivables from the financial sector	29 512	48 118

BALANCE OF PROVISIONS FOR AMOUNTS DUE FROM FINANCIAL SECTOR

	current year	previous year
a) watch category loans	–	(62)
b) problem receivables	(6 002)	(1 505)
– sub-standard	(386)	(57)
– doubtful	(359)	(241)
– lost	(5 257)	(1 207)
Total provisions for amounts due from financial sector	(6 002)	(1 567)

MOVEMENTS IN PROVISIONS FOR RECEIVABLES FROM FINANCIAL SECTOR

	current year	previous year
Balance of provisions for receivables from financial sector at the beginning of the period	(1 567)	(1 309)
a) increases (due to)	(6 695)	(508)
– transfer from non-financial sector	–	(88)
– charged to profit and loss account	(5 035)	(420)
– transfer from GBH	(1 660)	–
b) utilization	–	–

in PLN '000

MOVEMENTS IN PROVISIONS FOR RECEIVABLES FROM FINANCIAL SECTOR	current year	previous year
c) write back (due to)	2 260	250
– repayment of receivables	545	250
– exchange differences	55	–
– sales of GBH banking enterprise	1 660	–
Balance of provisions for receivables from financial sector at the end of the period	(6 002)	(1 567)

AMOUNTS DUE FROM FINANCIAL SECTOR	current year	previous year
a) from consolidated undertakings	–	–
b) from other entities	3 986 596	1 837 207
Total amounts due from financial sector	3 986 596	1 837 207

The data presented in the notes refer also to amounts due from subsidiaries and associates excluded from consolidation.

Problem receivables of the Group do not exceed 10% of the balance sheet total.

Note 3

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (BY CATEGORY)	current year	previous year
1. Loans and advances	5 419 087	4 805 078
2. Purchased receivables	84 538	112 525
3. Realised guarantees and bank guarantees	176	2 954
4. Other amounts due (of which)	219	220
– settlements with the State Treasury related to purchased receivables	–	–
– other	219	220
5. Interest	129 105	130 831
a) accrued	47 885	38 498
b) due, not received	81 220	92 333
6. Amounts receivable from the State relating to subsidised interest on preferential loans	20 606	17 433
Amounts due from non - financial and public sector (gross)	5 653 731	5 069 041
7. Provisions raised for receivables from non - financial and public sector (negative value)	(244 607)	(243 861)
Amounts due from non - financial and public sector (net)	5 409 124	4 825 180

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

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR (BY MATURITY)	current year	previous year
1. In current account	1 032 847	824 083
2. Term receivables with residual maturity of:	4 491 779	4 114 127
a) up to 1 month	316 437	198 803
b) from 1 month to 3 months	269 803	657 161
c) over 3 months to 1 year	1 295 502	1 322 790
d) over 1 year to 5 years	1 667 838	988 632
e) over 5 years	518 687	565 467
f) overdue amounts	423 512	381 274
3. Interest	129 105	130 831
– accrued	47 885	38 498
– due, not received	81 220	92 333
Total amounts due from non - financial and public sector	5 653 731	5 069 041

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

	current year	previous year
1. In current account	1 032 847	824 083
2. Term receivables with maturity of:	4 491 779	4 114 127
a) up to 1 month	284 186	243 112
b) from 1 month to 3 months	60 034	209 174
c) over 3 months to 1 year	1 113 730	1 017 730
d) over 1 year to 5 years	1 510 587	1 328 721
e) over 5 years	1 523 242	1 315 390
3. Interest	129 105	130 831
– accrued	47 885	38 498
– due, not received	81 220	92 333
Total amounts due from non - financial and public sector (gross)	5 653 731	5 069 041

In the balance sheet, interest has been included in the items:

- “In current account” as at 31.12.00 in the amount of PLN 3,242k and as at 31.12.99 in the amount of PLN 1,902k.
- “Term” as at 31.12.00 in the amount of PLN 125,863k and as at 31.12.99 in the amount of PLN 128,929k.

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

	current year	previous year
a) in Polish currency	4 376 572	4 215 615
b) in foreign currencies (by currency and its equivalent in PLN)	1 277 159	853 426
b1. currency in thousand/USD	101 043	35 480
PLN k	418 642	147 179
b2. currency in thousand/EURO	104 377	54 977
PLN k	402 311	229 193
b3. currency in thousand/DEM	184 172	186 781
PLN k	362 953	398 128
b4. other currencies (in PLN k)	93 253	78 926
Total amounts due from non - financial and public sector	5 653 731	5 069 041

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

	current year	previous year
1. Regular receivables	4 608 020	4 083 805
2. Watch category loans	458 420	411 790
3. Problem receivables, of which:	458 186	442 615
– sub-standard	169 906	153 526
– doubtful	63 846	59 465
– lost	224 434	229 624
4. Interest on problem amounts due from non - financial and public sector	129 105	130 831
a) accrued	47 885	38 498
b) due, not received	81 220	92 333
– on regular and watch category receivables	661	541
– on problem receivables	80 559	91 792
Total amounts due from non - financial and public sector (gross)	5 653 731	5 069 041

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

	current year	previous year
a) regular receivables	–	2 693
b) watch receivables	175 936	275 534
c) problem receivables	109 123	146 688
– sub-standard	60 114	102 619
– doubtful	35 060	25 700
– lost	13 949	18 369
Total value of security recognised when setting specific provisions for receivables from non - financial and public sector	285 059	424 915

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

	current year	previous year
a) regular receivables	–	(2 194)
b) watch category loans	–	(856)
c) problem receivables	(244 607)	(240 811)
– sub-standard	(19 774)	(11 516)
– doubtful	(14 368)	(18 216)
– lost	(210 465)	(211 079)
Total provisions for receivables from non - financial and public sector	(244 607)	(243 861)

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

	current year	previous year
Balance at the beginning of the period	(243 861)	(247 488)
a) increase (due to)	(156 674)	(76 822)
– charged to profit and loss account	(133 325)	(76 822)
– transfer from GBH	(23 319)	–
– transfer from provisions to off balance sheet liabilities	(30)	–
b) utilisation (due to)	18 404	20 887
– write-off	18 404	20 887
c) release (due to)	137 524	59 474
– repayment of debts	113 742	58 988
– exchange differences	462	486
– sales of GBH banking enterprise	23 320	–
d) other	–	88
– movement – in 1999 financial institutions	–	88
Balance of provisions for amounts due from non - financial and public sector	(244 607)	(243 861)

AMOUNTS DUE FROM NON - FINANCIAL AND PUBLIC SECTOR

	current year	previous year
a) from consolidated entities	–	–
b) from other entities	5 653 731	5 069 041
Total amounts due from non - financial and public sector	5 653 731	5 069 041

The data presented in the notes refer also to amounts due from subsidiaries and associates excluded from consolidation.

Note 4**AMOUNTS RECEIVABLE ON SECURITIES PURCHASED WHICH ARE SUBJECT TO REPURCHASE AGREEMENT**

	current year	previous year
a) from financial sector	99 369	–
b) from non - financial and public sector	–	–
c) interest	93	–
Total amounts receivable on securities purchased which are subject to repurchase agreement	99 462	–

Note 5

DEBT SECURITIES	current year	previous year
1. Issued by central banks, of which:	784 893	596 134
– foreign currency bonds	–	–
2. Issued by other banks, of which:	–	–
– in foreign currency	–	–
3. Issued by other financial entities, of which:	–	–
– in foreign currency	–	–
4. Issued by other non - financial entities, of which:	63 206	49 473
– in foreign currency	24 085	–
5. Issued by the state budget, of which:	1 799 799	1 955 836
– in foreign currency	–	240 674
6. Issued by local authorities, of which:	52 261	49 003
– in foreign currency	–	–
7. Repurchased own debt securities	–	–
Total debt securities	2 700 159	2 650 446

DEBT SECURITIES (BY TYPE)	current year	previous year
1. Issued by the state budget, of which:	1 799 799	1 955 836
a) bonds	1 567 413	1 612 880
b) treasury bills	232 386	342 956
c) other (by type)	–	–
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:	900 360	694 610
a) bonds	598 041	557 549
b) other (by type):	302 319	137 061
– NBP bills	288 338	99 817
– commercial paper	13 981	37 244
Total debt securities	2 700 159	2 650 446

As at 31.12.00 treasury bills in the amount of PLN 28,100k (nominal value) held by WBK SA were constituted for potential liabilities to the for the guaranteed deposits protection fund.

DEBT SECURITIES	current year	previous year
a) operational - held by the bank brokerage house	81	42
b) held for trading	408 007	10 120
c) held for investment	2 292 071	2 640 284
Total debt securities	2 700 159	2 650 446

in PLN '000

MOVEMENTS IN THE BALANCE OF SECURITIES	current year	previous year
a) balance at the beginning of period	2 650 446	2 819 777
b) increase (due to):	30 705 006	29 254 025
– increase in the value of NBP bills	18 662 250	25 039 394
– increase in the value of government bonds	5 264 490	2 771 793
– increase in the value of treasury bills	5 896 224	843 819
– increase in the value of NBP bonds	57 179	496 317
– increase in the value of other securities	821 469	102 701
– release of provisions	3 394	1
c) decrease (due to):	(30 655 293)	(29 423 356)
– repurchase/sale of NBP bills	(18 473 728)	(25 831 486)
– repurchase/sale of government bonds	(5 312 095)	(2 774 954)
– repurchase/sale of treasury bills	(6 007 487)	(763 764)
– repurchase/sale of NBP bonds	(56 942)	–
– repurchase/sale of other debt securities	(804 473)	(49 875)
– creation of provisions	(568)	(3 277)
d) Balance at the end of the period	2 700 159	2 650 446

Note 6

SHARES AND INTERESTS IN NON - CONSOLIDATED SUBSIDIARY AND ASSOCIATED UNDERTAKINGS	current year	previous year
a) in banks	–	–
b) in other financial entities	13 586	11 985
c) in non - financial entities	3 194	3 514
Total of shares and interests in non - consolidated subsidiaries and associates	16 780	15 499

SHARES AND INTERESTS IN NON - CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	current year	previous year
a) in subsidiary entities	8 425	8 424
b) in associated entities	8 355	7 075
Total of shares and interests in non - consolidated subsidiaries and associates	16 780	15 499

CHANGE IN THE BALANCE OF SHARES AND INTERESTS IN NON - CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	current year	previous year
Balance at the beginning of the period	15 499	14 121
a) increase (due to)	2 001	13 052
– purchase of shares and interests	2 001	8 048
– release of provisions	–	5 004
b) decrease (due to)	(720)	(11 674)
– creation of reserves	(320)	(2 030)
– transfer of provisions	(400)	–
– disposal of shares and interests	–	(9 599)
– re-clasification of interests into minority undertakings	–	(45)
Balance of shares and interests in non - consolidated subsidiaries and associates at the end of the period	16 780	15 499

SHARES AND INTERESTS IN NON - CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	current year	previous year
a) operational - held by the bank brokerage house	–	–
b) held for trading	–	–
c) held for investment	16 780	15 499
Total of shares and interests in non - consolidated subsidiaries and associates	16 780	15 499

Note 7

SHARES AND INTERESTS IN CONSOLIDATED SUBSIDIARIES AND ASSOCIATES		
	current year	previous year
a) in banks	—	—
b) in other financial entities	—	—
c) in non-financial entities	—	—
Total of shares and interests in consolidated subsidiaries and associates	—	—
SHARES AND INTERESTS IN CONSOLIDATED SUBSIDIARIES AND ASSOCIATES		
	current year	previous year
a) in subsidiary entities	—	—
b) in associated entities	—	—
Total of shares and interests in consolidated subsidiaries and associates	—	—
MOVEMENTS IN THE BALANCE OF SHARES AND INTERESTS IN CONSOLIDATED SUBSIDIARIES AND ASSOCIATES		
	current year	previous year
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	—	—
SHARES AND INTERESTS IN CONSOLIDATED SUBSIDIARIES AND AFFILIATES		
	current year	previous year
a) operational held by the bank brokerage house	—	—
b) held for trading	—	—
c) held for investment	—	—
Total of shares and interests in consolidated subsidiaries and associates	—	—

in PLN '000

Note 8

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

No.	a name of entity (and its legal status)	b registered office	c business	d subsidiary or associated	e consolidation method applied	f date of taking up control / date from which a substantial influence is exercised	g value of shares / interests at purchase price	h provisions for shares	i balance sheet value of shares / interests	j shareholding	k percentage of votes at AGM	l domination form if other than indicated in j) or k)
1	WBK Finanse & Leasing SA	Poznań	lease and rental of fixed assets, instalment sales of goods	subsidiary	excluded from consolidation	10.1998	5 013	—	5 013	100.00%	100.00%	—
2	WBK Nieruchomości SA	Poznań	construction of the Operational-Service Center of WBK SA, its administration after the building completion, organization of various events, catering and hotel services.	subsidiary	excluded from consolidation	07.1998	103	—	103	100.00%	100.00%	—
3	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	Poznań	distribution of insurance products	subsidiary	excluded from consolidation	02.1993 associated	218	—	218	60.00%	60.00%	—
4	AIB WBK Fund Management Sp. z o.o.	Warszawa	management of VI NFI (Magna Polonia SA) management of other funds in Poland	subsidiary	excluded from consolidation	09.1995 associated	2 989	—	2 989	54.00%	54.00%	—
5	Projekty Bankowe Polsoft Sp. z o.o.	Poznań	IT services	subsidiary	excluded from consolidation	12.1996	102	—	102	51.00%	51.00%	—
6	WBK AIB Asset Management SA	Poznań	brokerage services in the area of publicly traded and non-publicly traded securities	associated	excluded from consolidation	04.1997	6 755	—	6 755	50.00%	50.00%	—
7	EUROAD - Leasing Sp. z o.o.	Warszawa	Manufacturing, trade, construction and services on their own or through agents at home and abroad, except for activities which require a license	associated	excluded from consolidation	10.2000	400	400	—	37.50%	37.50%	—
8	eCard SA	Warszawa	software development, data processing, data bases, other activities related to IT	associated	excluded from consolidation	11.2000	1 600	—	1 600	28.57%	28.57%	—

Note 8 cont'd

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

SHARES (INTERESTS) IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (ALL FOR INVESTMENT)																
	a	m							n		o		p	r	s	t
No.	name of the entity (and its legal status)	the entity's equity, of which:							liabilities of the entity, of which:		receivables of the entity, of which:		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	supplemen- tary capital	other own funds, of which:											
					retained profit (uncovered loss) from previous years	profit (loss) net	long-term	long-term								
1	WBK Finanse & Leasing SA	13 955	15 000	—	—	(1 045)	(1 180)	135	149 201	89 177	31 292	19 026	177 048	39 116	—	—
2	WBK Nieruchomości SA	130	100	—	5	25	—	25	187	24	128	—	318	1 261	—	40
3	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	1 699	350	—	417	932	—	927	574	—	735	—	2 347	9 910	—	538
4	AIB WBK Fund Managmenet Sp. z o.o.	3 772	2 469	—	488	815	—	815	1 303	—	5 897	—	6 619	13 422	—	540
5	Projekty Bankowe Polsoft Sp. z o.o.	3 148	200	—	874	2 074	—	2 074	1 859	—	2 616	—	5 021	17 636	—	432
6	WBK AIB Asset Management SA	11 510	13 500	—	—	(1 990)	(2 337)	347	71	—	633	—	11 739	2 137	—	—
7	EUROAD – Leasing S.A.*	1 041	1 065	—	—	(24)	(26)	2	71	—	56	—	1 112	224	—	—
8	eCard S.A.	1 116	1 600	—	—	(484)	—	(484)	1 632	—	306	—	2 744	8	—	—

* balance sheet data as at 31.12.99, profit and loss data as at 30.06.00

Note 9

SHARES AND INTERESTS IN OTHER ENTITIES	current year	previous year
a) in banks	741	854
b) in other financial entities	61 145	66 406
c) in non-financial entities	72 993	50 243
Total of shares and interests in other entities	134 879	117 503

**MOVEMENT IN THE BALANCE OF SHARES AND INTERESTS HELD
IN OTHER ENTITIES**

	current year	previous year
Balance at the beginning of the period	117 503	100 588
a) increase (due to)	141 350	165 034
– purchase of shares/interests	102 219	155 873
– transfer from GBH	924	–
– foreign exchange differences	–	3
– release of provisions	6 328	9 108
– increase in nominal value of GPW (Warsaw Stock Exchange) shares	8	5
– transfer from subsidiaries	31 871	45
b) decrease (due to)	(123 974)	(148 119)
– creation of provisions	(12 983)	(12 031)
– provision for shares and interests taken over from GBH	(924)	–
– disposal of shares/interests	(110 056)	(136 088)
– foreign exchange differences	(11)	–
Balance of shares and interests held in other entities at the end of the period	134 879	117 503

SHARES AND INTERESTS HELD IN OTHER ENTITIES	current year	previous year
a) operational held by the bank brokerage house	3 475	3 667
b) held for trading	3 525	14 322
c) held for investment	127 879	99 514
Total of shares and interests held in other entities	134 879	117 503

Note 9

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

	a	b	c	d	e	f	g	h
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 up by the issuer	dividends received or due for last accounting year
1	Polskie Zakłady Zbożowe*	Piła	purchase, storage, preservation and processing of grain, rape and other agri-products	—	34.24%	34.24%	—	—
2	Polmo Sp. z o.o.	Gniezno	manufacturing of car spare parts	—	18.46%	18.46%	—	—
3	NFI Magna Polonia SA	Warszawa	buying securities issued by the State Treasury, buying or taking up interests or shares in entities registered and operating in Poland	27 815	16.11%	16.11%	—	—
4	Polania Sp. z o.o.	Gniezno	manufacturing and sales of shoes	—	14.14%	14.14%	—	—
5	Scanclimber Sp. z o.o. (Fada Sp. z o.o.)	Gniezno	manufacturing of vertical transport appliances	—	13.62%	13.62%	—	—
6	Huta L.W. Sp. z o.o.	Warszawa	manufacturing and sale of steel products	12 000	12.48%	12.48%	—	—
7	Lubelskie Zakłady Przemysłu Skórzanego Protektor SA	Lublin	manufacturing of military, working and safety shoes	972	12.46%	12.46%	—	38
8	Commercial Union Polska Towarzystwo Ubezpieczeń na Życie SA	Warszawa	life insurance	8 046	10.00%	10.00%	821	594
9	Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych SA	Warszawa	property and general insurance	2 119	10.00%	10.00%	—	50

* Debt/equity swap: 5.330 PLN k.

in PLN '000

Note 9 cont'd

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

	a	b	c	d	e	f	g	h
No.	name of the entity (and its legal status)	registred office	business	balance sheet value of shares (interests)	shareholding	percentage of votes at AGM	value of shares (interests) not paid up by the issuer	dividends received or due for last accounting year
10	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%	—	—
11	Autostrada Wielkopolska S.A.	Poznań	construction of highways	46 020	9.98%	9.98%	—	—
12	Inter Groclin SA	Kropicko k. Wolsztyna	manufacturing of products for car industry	7 018	9.05%	3.23%	—	—
13	Polska Gielda Finansowa SA	Warszawa	organization of trading in financial instruments	—	6.11%	6.11%	—	—
14	Krajowa Izba Rozliczeniowa SA	Warszawa	National Clearing House	313	5.74%	5.74%	—	45
15	Tłocznia Mebli Pressta SA w Bolechowie	Bolechowo	manufacturing of military equipment	—	5.58%	5.58%	—	—
16	Others			2 692			—	80

Note 10**OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS
(BY TYPE)**

	current year	previous year
a) units in trust funds	128 558	7 474
b) pre-emptive rights	—	—
c) derivative rights	—	—
d) other (by type)	—	—
Other securities and other proprietary interests in total	128 558	7 474

OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS

	current year	previous year
a) operational - held by the bank brokerage house	—	—
b) held for trading	—	—
c) held for investment	128 558	7 474
Other securities and other proprietary interests in total	128 558	7 474

**CHANGE IN THE BALANCE OF OTHER SECURITIES
AND OTHER PROPRIETARY INTERESTS**

	current year	previous year
Balance at the beginning of the period	7 474	6 817
a) increase (due to)	184 646	2 717
— purchase of units in trust funds	184 646	2 034
— release of provisions	—	683
b) decrease (due to)	(63 562)	(2 060)
— sale	(63 562)	(2 060)
— creation of provisions	—	—
Balance at the end of the period	128 558	7 474

Note 11**SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS**

	current year	previous year
1. operational - held by the bank brokerage house	3 556	3 709
2. held for trading	411 532	24 442
3. held for investment	2 565 288	2 762 771
Other securities, interests and other proprietary interests in total	2 980 376	2 790 922

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

	current year	previous year
Balance at the beginning of the period	2 790 922	2 941 303
a) increase (due to)	31 033 003	29 434 783
— purchase of shares and interests	103 820	165 955
— taking over of shares and interests from GBH	1 324	—
— foreign exchange differences	—	3
— payment for shares	31 871	—
— release of provisions	9 722	14 796
— increase in the value of NBP bills	18 662 250	25 039 394
— increase in the value of government bonds	5 264 490	2 771 793
— increase in the value of treasury bills	5 896 224	843 819
— increase in the value of NBP bonds	57 179	496 317
— increase in the value of other securities	1 006 115	102 701
— increase in the nominal value of Stock Exchange (GPW) shares	8	5

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

	current year	previous year
b) decrease (due to)	(30 843 549)	(29 585 164)
– sale of debt securities	(110 056)	(147 747)
– repurchase / sale of NBP bills	(18 473 728)	(25 831 486)
– repurchase / sale of government bonds	(5 312 095)	(2 774 954)
– repurchase / sale of treasury bills	(6 007 487)	(763 764)
– repurchase / sale of NBP bonds	(56 942)	–
– repurchase / sale of other debt securities	(868 035)	(49 875)
– creation of provisions	(13 871)	(17 338)
– provisions for securities taken over from GBH	(1 324)	–
– foreign exchange differences	(11)	–
Balance at the end of the period	2 980 376	2 790 922

**SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS
(BY CURRENCY)**

	current year	previous year
a) in zloty	2 956 152	2 550 097
b) in foreign currency (by currency and its equivalent in PLN)	24 224	240 825
b1. currency in thousand/EURO	6 249	–
PLN k	24 085	–
b2. currency in thousand/BEF	1 455	1 459
PLN k	139	151
b3. currency in thousand/USD	–	58 018
PLN k	–	240 674
Total securities, interests and other proprietary interests	2 980 376	2 790 922

**SECURITIES, INTERESTS AND UNITS IN FUNDS
– HELD FOR TRADING**

	current year	previous year
A. With unlimited marketability, listed on stock exchange (balance sheet value)	22 941	23 332
a) shares (balance sheet value):	6 976	17 965
– market value	7 219	18 568
– value at purchase price	7 497	18 047
b) bonds (balance sheet value):	15 965	5 367
– market value	14 564	5 367
– value at purchase price	14 976	5 342
c) other - by category (balance sheet value)	–	–
B. With unlimited marketability, in regulated off Stock Exchange trading (balance sheet value)	300 949	4 819
a) shares (balance sheet value):	24	24
– market value	24	29
– value at purchase price	29	36
b) bonds (balance sheet value):	81	42
– market value	81	42
– value at purchase price	81	42
c) other - by category (balance sheet value):	300 844	4 753
c1) treasury bills	12 506	4 753
– market value	12 508	4 753
– value at purchase price	11 874	4 574

SECURITIES, INTERESTS AND UNITS IN FUNDS**– HELD FOR TRADING**

	current year	previous year
c2) NBP bills	288 338	–
– market value	288 348	–
– value at purchase price	287 728	–
C. With unlimited marketability, not listed and not within regulated off Stock Exchange trading (balance sheet value)	91 198	–
a) shares (balance sheet value):	–	–
– market value	–	–
– value at purchase price	–	–
b) bonds (balance sheet value):	77 217	–
– market value	78 011	–
– value at purchase price	74 490	–
c) other - by category (balance sheet value):	13 981	–
c1) commercial paper	13 981	–
– market value	14 021	–
– value at purchase price	13 945	–
D. With limited marketability	–	–
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)	–	–
Total value at purchase price	410 620	28 041
Total value of revaluation adjustments (balance)	(976)	(379)
Total estimated/market value	414 776	28 759
Total balance sheet value	415 088	28 151

SECURITIES, INTERESTS AND UNITS IN FUNDS**– HELD FOR INVESTMENT**

	current year	previous year
A. With unlimited marketability, listed on stock exchange (balance sheet value)	1 587 295	1 408 343
a) shares and interests (balances sheet value):	35 848	41 504
– revaluation adjustments (balance)	(5 215)	(122)
– value at purchase price	41 063	41 626
b) bonds (balance sheet value)	1 551 447	1 366 839
– revaluation adjustments (balance)	–	(2 369)
– value at purchase price	1 422 824	1 231 201
c) other-by category (balance sheet value)	–	–
B. With unlimited marketability, in regulated off Stock Exchange trading (balance sheet value)	142 307	345 529
a) shares (balance sheet value)	–	–
– revaluation adjustments (balance)	–	–
– value at purchase price	–	–
b) bonds (balance sheet value)	–	1 021
– revaluation adjustments (balance)	–	–
– value at purchase price	–	1 000
c) other-by category (balance sheet value)	142 307	344 508

SECURITIES, INTERESTS AND UNITS IN FUNDS**– HELD FOR INVESTMENT**

	current year	previous year
c1) treasury bills	142 307	244 691
– revaluation adjustments (balance)	–	(623)
– value at purchase price	123 655	236 465
c2) NBP bills	–	99 817
– revaluation adjustments (balance)	–	–
– value at purchase price	–	99 680
C. With unlimited marketability, not listed and not within regulated off Stock Exchange trading (balance sheet value)	261 559	419 070
a) shares (balance sheet value)	93 503	58 573
– revaluation adjustments (balance)	(2 113)	(8 584)
– value at purchase price	95 616	67 157
b) bonds (balance sheet value)	24 189	300 843
– revaluation adjustments (balance)	–	–
– value at purchase price	24 189	295 911
c) other - by category (balance sheet value)	143 867	59 654
c1) commercial paper	–	37 244
– revaluation adjustments (balance)	–	–
– value at purchase price	–	36 845
c2) shares and interests	15 309	14 936
– revaluation adjustments (balance)	(18 341)	(14 930)
– value at purchase price	33 650	29 866
c3) units in trust funds	128 558	7 474
– revaluation adjustments (balance)	–	–
– value at purchase price	128 558	7 474
D. With limited marketability	574 127	589 829
a) shares (balance sheet value)	–	–
– revaluation adjustments (balance)	–	–
– value at purchase price	–	–
b) bonds (balance sheet value)	496 554	496 317
– revaluation adjustments (balance)	–	–
– value at purchase price	487 765	487 765
c) other - by category (balance sheet value)	77 573	93 512
c1) treasury bills	77 573	93 512
– revaluation adjustments (balance)	–	–
– value at purchase price	73 100	87 451
Total value at purchase price	2 430 420	2 622 441
Total revaluation adjustments (balance)	(25 669)	(26 628)
Total balance sheet value	2 565 288	2 762 771

Note 12

INTAGIBLE ASSETS	current year	previous year
a) organization expenses incurred when establishing or expanding a joint stock company	17	24
b) development work capitalised	—	—
c) aquired goodwill	4 307	8 999
d) licences, trademarks, patents	8 861	7 434
e) acquired software	25 912	27 750
f) acquired rights to perpetual usufruct (long term leasehold) of land	300	8 197
g) other intangible assets	7 347	6 310
h) prepayments for intangible assets	70	—
Total intangible assets	46 814	58 714

in PLN '000

MOVEMENTS IN INTANGIBLES (by type)

	a	b	c	d	e	f	g	h	Total intangible assets
	settlement of organisation expenses incurred when establishing and expanding a joint stock company	development work capitalised	goodwill acquired	licences, patents and similar assets	software	titles to perpetual usufruct of land	other intangibles	prepayments for intangible assets	
a) gross value of intangible assets at the beginning of the period	39	—	23 458	13 942	40 972	8 197	6 944	—	93 552
b) increase (due to)	—	—	7 208	4 091	15 101	47	2 026	70	28 543
– purchase	—	—	—	4 091	14 922	—	674	70	19 757
– transfer from assets under construction	—	—	—	—	174	47	1 352	—	1 573
– change in category	—	—	—	—	5	—	—	—	5
– reclassification	—	—	—	—	—	—	—	—	—
– other	—	—	7 208	—	—	—	—	—	7 208
c) decrease (due to)	—	—	—	(215)	(3 933)	(7 944)	(934)	—	(13 026)
– sale	—	—	—	—	—	(7 944)	(914)	—	(8 858)
– liquidation	—	—	—	—	(3 171)	—	(20)	—	(3 191)
– re-classification	—	—	—	—	(210)	—	—	—	(210)
– other	—	—	—	(215)	(552)	—	—	—	(767)
d) gross value of intangible assets at the end of the period	39	—	30 666	17 818	52 140	300	8 036	70	109 069
e) accumulated amortization at the beginning of the period	(15)	—	(14 459)	(6 508)	(13 222)	—	(634)	—	(34 838)
f) amortization for the period (due to)	(7)	—	(4 930)	(2 449)	(13 006)	—	(55)	—	(20 447)
– amortization of intangible assets	(7)	—	(4 930)	(2 449)	(14 253)	—	(215)	—	(21 854)
– amortization of investment relief	—	—	—	—	(114)	—	—	—	(114)
– amortization relating to sold and liquidated intangible assets	—	—	—	1	372	—	33	—	406
– amortization arising from reclassification	—	—	—	(1)	(13)	—	—	—	(14)
– sale of GBH banking enterprise	—	—	—	—	1 002	—	127	—	1 129
g) accumulated amortization (write-off) at the end of the period	(22)	—	(19 389)	(8 957)	(26 228)	—	(689)	—	(55 285)
h) net value of intangible assets at the end of the period	17	—	11 277	8 861	25 912	300	7 347	70	53 784

The position "Other operating costs" includes depreciation related to intangible assets liquidated/sold, taken over for debts and transferred free of charge in the amount of PLN 8,144k.

Note 13

GOODWILL ARISING ON CONSOLIDATION	current year	previous year
a) goodwill arising on consolidation - subsidiaries	1 959	5 287
b) goodwill arising on consolidation - associates	–	–
Goodwill arising on consolidation	1 959	5 287

CHANGE IN GOODWILL ARISING ON CONSOLIDATION

– SUBSIDIARIES	current year	previous year
a) gross value as at the beginning of the period	17 071	17 500
b) increase (due to)	137	51
– purchase of additional shares	137	51
c) decrease (due to)	–	480
– sale of additional shares	–	480
d) gross value at the end of the period	17 208	17 071
e) amortization of goodwill arising on consolidation at the beginning of the period	(11 784)	(8 283)
f) amortization of goodwill arising on consolidation for the period (due to)	(3 465)	(3 501)
– goodwill as at the date of acquisition of control	(3 328)	(3 350)
– goodwill due to the purchase of additional shares	(137)	(151)
g) amortization of goodwill arising on consolidation at the end of the period	(15 249)	(11 784)
h) net value as at the end of the period	1 959	5 287

CHANGE OF GOODWILL ARISING ON CONSOLIDATION

– ASSOCIATED COMPANIES	current year	previous year
a) gross value as at the beginning of the period	–	–
b) increase (due to)	–	–
c) decrease (due to)	–	–
d) gross value at the end of the period	–	–
e) amortization of goodwill arising on consolidation at the beginning of the period	–	–
f) amortization of goodwill arising on consolidation for the period (due to)	–	–
g) amortization of goodwill arising on consolidation at the end of the period	–	–
h) net value at the end of the period	–	–

Goodwill arising on consolidation disclosed in Note 13 relates to Gliwicki Bank Handlowy SA and Dom Maklerski WBK SA.

Goodwill on consolidation of Gliwicki Bank Handlowy SA as at the date of taking control by WBK SA over GBH SA i.e. 31.07.1996 was determined in the following manner:

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

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

from 1.08.1996 – 31.12.1999	–
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
Gross value as at 31.12.2000	17,208

Amortization of goodwill on consolidation from 1.08.1996 to 31.12.2000

in PLN '000

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)

Total amortization of goodwill arising on consolidation at the end of the period	(15,198)
Net value of goodwill arising on consolidation of GBH SA	1,959

Goodwill arising on consolidation of Dom Maklerski WBK SA as at date of acquisition of control by WBK SA, i.e. 23.07.1999 was determined in the following manner:

1. cost at which WBK SA purchased Dom Maklerski shares	44,051
2. net assets of Dom Maklerski WBK 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 arising on consolidation of Brokerage House WBK SA	–

Total amortization of goodwill as at 31.12.2000	15,249
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Note 14

TANGIBLE FIXED ASSETS

	current year	previous year
Tangible assets, of which		
a) fixed assets:	276 058	243 071
– freehold land and buildings occupied by the Bank for its activities	160 332	149 930
– other land and buildings	4 112	4 747
– equipment	93 968	74 609
– motor vehicles	3 248	2 068
– other fixed assets	14 398	11 717
b) assets under construction	46 641	32 174
c) payments in advance for assets under construction	214	97
Total tangible fixed assets	322 913	275 342

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 period (gross)	187 901	5 035	167 614	5 155	59 748
b) increase (due to)	22 039	2	53 942	2 522	9 127
– transfer from assets under construction / purchase	21 015	2	53 939	2 522	9 127
– transfer from assets for sale	1 024	–	–	–	–
– reclassification	–	–	3	–	–
– other	–	–	–	–	–
c) decrease (due to)	(5 367)	(568)	(17 848)	(2 358)	(5 796)
– disposal	(1 748)	(566)	(304)	(1 584)	(177)
– liquidation	(935)	(2)	(14 060)	(226)	(4 859)
– donation	–	–	(197)	–	(1)
– reclassification	–	–	–	–	(3)
– sale of GBH banking enterprise	(2 654)	–	(3 287)	(548)	(756)
– other	(30)	–	–	–	–
d) gross value of fixed assets at the end of the period	204 573	4 469	203 708	5 319	63 079

in PLN '000

e) accumulated depreciation (amortization) at the beginning of period	(37 971)	(288)	(93 005)	(3 087)	(48 031)
f) depreciation for the period (with regard to)	(6 270)	(69)	(16 735)	1 016	(650)
– own fixed assets	(8 673)	(97)	(33 178)	(798)	(6 200)
– depreciation of liquidated/sold fixed assets	520	28	14 036	1 556	4 963
– reclassification	–	–	(3)	–	3
– sale of GBH banking enterprise	1 883	–	2 410	258	584
g) accumulated depreciation at the end of the period	(44 241)	(357)	(109 740)	(2 071)	(48 681)
h) net value of fixed assets at the end of the period	160 332	4 112	93 968	3 248	14 398

“Other operating costs” item includes the depreciation charge related to fixed assets liquidated/sold, taken over for debts and donated, in the amount of PLN 2,804k.

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)

	current year	previous year
a) Bank's own assets	275 967	242 940
b) used under a lease agreement or other similar agreements of which:		
– finance lease	91	131
	91	131
Total balance-sheet fixed assets	276 058	243 071

OFF-BALANCE SHEET FIXED ASSETS

	current year	previous year
used under a lease, rental agreement or other similar agreements, of which:		
– value of land held under perpetual usufruct	1 689	1 707
– motor vehicles	5 849	3 212
– other equipment	5 527	4 707
Total off-balance sheet fixed assets	13 065	9 626

Note 15

OWN SHARES FOR DISPOSAL				
a	b	c	d	e
number	value at purchase price	balance-sheet value	purpose of purchase	held for
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
THE BANK'S SHARES HELD BY SUBSIDIARY UNDERTAKINGS				
a	b	c	d	
name of the entity (company)	number of shares	value at purchase price	balance sheet value	
–	–	–	–	

Note 16

OTHER ASSETS	current year	previous year
1. Assets taken - over for sale	83	1 259
2. Other, of which:	173 073	100 011
– sundry debtors	131 455	80 425
– interbank clearing balances	11 297	10 653
– subordinated loans	8 556	8 933
– premiums on purchased options	21 765	–
Other assets in total	173 156	101 270

ASSETS TAKEN OVER – FOR SALE	current year	previous year
1. Assets under construction	–	–
2. Real estate	–	1 003
3. Inventories	–	–
4. Other	83	256
Total assets taken over - for sale	83	1 259

MOVEMENT IN ASSETS TAKEN OVER – FOR SALE	current year	previous year
1. Balance at the beginning of the period	1 259	1 758
2. Increase (due to)	239	512
– exchanged for debts	211	457
– release of provision	28	55
3. Decrease in the period (due to)	(1 415)	(1 011)
– sale	(368)	(972)
– transfer to fixed assets	(1 025)	–
– creation of provisions	(22)	(39)
4. Balance at the end of the period	83	1 259

Note 17

MOVEMENT IN PREPAYMENTS DUE TO DEFERRED INCOME TAX	current year	previous year
Balance of prepayments due to deferred income tax at the beginning of the period	4 752	4 519
a) increase (due to)	19 950	7 914
– interest taken to costs on an accrual basis	14 283	6 348
– release of provisions for interest taken to income on an accrual basis	3 531	–
– provisions for loans, deferred costs	2 136	799
– loss from previous years	–	598
– other	–	169
b) decreases (due to)	(24 103)	(7 681)
– release of provisions	(2 728)	(7 681)
– income taken to profit on an accrual basis	(122)	–
– interest taken to costs on an accrual basis	(20 655)	–
– loss from previous years	(598)	–
Balance of prepayments due to deferred income tax at the end of the period	599	4 752

OTHER PREPAYMENTS	current year	previous year
a) prepaid expenses, of which:	197 742	36 567
– deferred depreciation concerning investment relief	–	5 394
– costs paid in advance	11 737	8 545
– costs to be settled	–	–
– valuation of SWAP transactions	186 005	22 628
– other	–	–
b) other prepayments, of which:	–	–
Total prepayments	197 742	36 567

SUBORDINATED LOANS

1	2		3	4
Name of the borrower	Value of the loan		Interest rate	Maturity date
	currency	PLN k		
Credit Lyonnais Bank Polska SA	PLN	8 556	3M WIBOR + margin of 1,625%	02.01.2002

CHANGE IN THE BALANCE OF SUBORDINATED LOANS	current year	previous year
1. At the beginning	8 933	8 988
2. Increase	–	1 385
– interest	–	1 385
3. Decrease	(377)	(1 440)
– interest	(377)	(1 440)
At the end of the period	8 556	8 933

Note 18**DEPOSITS OF FINANCIAL SECTOR
(BY CATEGORY)**

	current year	previous year
1. Funds in accounts and deposits	1 427 783	879 839
2. Loans and advances received	64 134	63 600
3. Other liabilities (due to)	6 881	3 761
– investment accounts of brokerage houses	542	85
– funds allocated to special purposes	4 260	3 673
– other	2 079	3
4. Interest	14 726	6 826
Total deposits of financial sector	1 513 524	954 026

**DEPOSITS OF FINANCIAL SECTOR
(BY MATURITY)**

	current year	previous year
1. Current liabilities	36 398	35 534
2. Term liabilities, with residual maturity of:	1 462 400	911 666
a) up to 1 month	976 724	524 493
b) from 1 month to 3 months	75 950	2 639
c) over 3 months to 1 year	193 755	214 920
d) over 1 year to 5 years	103 707	157 464
e) over 5 years	112 264	12 150
f) overdue amounts	–	–
3. Interest	14 726	6 826
Total deposits of financial sector	1 513 524	954 026

**DEPOSITS OF FINANCIAL SECTOR
(BY ORIGINAL MATURITY)**

	current year	previous year
1. Current liabilities	36 398	35 534
2. Term liabilities with original maturity of:	1 462 400	911 666
a) up to 1 month	887 921	482 207
b) from 1 month to 3 months	169 485	21 561
c) over 3 months to 1 year	114 416	23 447
d) over 1 year to 5 years	175 314	320 851
e) over 5 years	115 264	63 600
3. Interest	14 726	6 826
Total deposits of financial sector	1 513 524	954 026

In the balance sheet, interest has been included in the item:

- “Current” as at 31.12.00 in the amount of PLN 41k and as at 31.12.99 in the amount of PLN 1k
- “Term” as at 31.12.00 in the amount of and PLN 14,821k and as at 31.12.99 in the amount of PLN 6,825k.

**DEPOSITS OF FINANCIAL SECTOR
(BY CURRENCY)**

	current year	previous year
a) in zloty	1 042 934	571 373
b) in foreign currency (by currency and its equivalent in PLN)	470 590	382 653
b1. currency in thousand/EURO	85 306	51 216
PLN k	328 805	213 513
b2. currency in thousand/USD	31 937	40 762
PLN k	132 320	169 094
b3. currency in thousand/DKK	11 003	–
PLN k	5 683	–
b4. currency in thousand/DEM	15	20
PLN k	30	43
b5. other currencies (in PLN k.)	3 752	3
Total deposits of financial sector	1 513 524	954 026

DEPOSITS OF FINANCIAL SECTOR

	current year	previous year
a) of consolidated entities	–	–
b) of other entities	1 513 524	954 026
Total deposits of financial sector	1 513 524	954 026

Note 19**DEPOSITS OF NON – FINANCIAL AND PUBLIC SECTOR
(BY CATEGORY)**

	current year	previous year
1. Funds in accounts and deposits	9 829 047	8 165 611
2. Other liabilities (due to):	98 789	112 318
– investment accounts of banking brokerage offices	93 928	104 218
– amounts in transit	3 344	6 438
– funds received from PRIOR for the purchase of receivables	1 517	1 662
– other	–	–
3. Interest	141 382	71 237
Total deposits of non - financial and public sector	10 069 218	8 349 166

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

	current year	previous year
1. Current liabilities	–	–
2. Term liabilities with residual maturity of:	–	–
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	–	–
e) over 5 years	–	–
f) overdue amounts	–	–
3. Interest	–	–
Total deposits of non - financial and public sector		
– savings deposits in total	–	–

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

	current year	previous year
1. Current liabilities	–	–
2. Term liabilities with maturity of:	–	–
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	–	–
e) over 5 years	–	–
3. Interest	–	–
Total deposits of non - financial and public sector		
– savings deposits	–	–

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

	current year	previous year
1. Current liabilities	2 459 415	2 560 961
2. Term liabilities with residual maturity of:	7 468 421	5 716 968
a) up to 1 month	4 170 860	3 475 211
b) from 1 month to 3 months	1 936 185	1 443 305
c) over 3 months to 1 year	1 071 923	751 944
d) over 1 year to 5 years	289 447	46 500
e) over 5 years	6	8
f) for which the maturity date lapsed	–	–
3. Interest	141 382	71 237
Total deposits of non - financial and public sector		
– other deposits in total	10 069 218	8 349 166

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

	current year	previous year
1. Current liabilities	2 459 415	2 560 961
2. Term liabilities with maturity of:	7 468 421	5 716 968
a) up to 1 month	3 075 705	2 485 679
b) from 1 month to 3 months	2 372 014	1 850 524
c) over 3 months to 1 year	1 701 459	1 296 210
d) over 1 year to 5 years	319 243	84 555
e) over 5 years	–	–
3. Interest	141 382	71 237
Total deposits of non - financial and public sector – other deposits	10 069 218	8 349 166

In the balance sheet, interest has been included in the item:

– “Current” as at 31.12.00 and as at 31.12.99 in the amount of PLN 0k,

– “Term” as at 31.12.00 in the amount of PLN 141,382k and as at 31.12.99 in the amount of PLN 71,237k.

DEPOSITS OF NON – FINANCIAL AND PUBLIC SECTOR**(BY CURRENCY)**

	current year	previous year
a) in zloty	8 830 051	7 402 519
b) in foreign currency (by currency and its equivalent in PLN)	1 239 167	946 647
b1. currency in thousand/USD	183 193	127 541
PLN k	759 004	529 078
b2. currency in thousand/DEM	156 698	111 854
PLN k	308 809	238 420
b3. currency in thousand/EURO	25 957	32 393
PLN k	100 049	135 044
b4. currency in thousand/GBP	6 839	4 013
PLN k	42 335	26 908
b5. other currencies (in PLN k.)	28 970	17 197
Total deposits of non - financial and public sector	10 069 218	8 349 166

LIABILITIES OF NON – FINANCIAL AND PUBLIC SECTOR

	current year	previous year
a) toward consolidated entities	–	–
b) toward other entities	10 069 218	8 349 166
Total deposits of non - financial and public sector	10 069 218	8 349 166

Note 20**AMOUNTS PAYABLE ON SECURITIES SOLD WHICH ARE SUBJECT TO REPURCHASE AGREEMENTS**

	current year	previous year
a) to financial sector	98 640	–
b) to non - financial and public sector	–	–
c) interest	93	–
Total amounts payable on securities sold which are subject to repurchase agreements	98 733	–

Note 21

LIABILITIES ARISING FROM THE ISSUE OF SECURITIES BY THE BANK	current year	previous year
1. Bonds	–	–
2. Certificates	–	–
3. Other (due to):	–	–
–	–	–
4. Interest	–	–
Total liabilities due to the issue of securities by the Bank	–	–

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

	current year	previous year
Balance at the beginning of the period	–	–
a) increase (due to):	–	–
b) decrease (due to):	–	–
Balance at the end of the period	–	–

LONG-TERM LIABILITIES ARISING FROM THE ISSUE OF SECURITIES

a	b	c	d	e	f
debt securities by type	nominal value	interest rate	repurchase date	quarantees / collateral given	additional rights
–	–	–	–	–	–

There are no liabilities secured on assets of WBK and consolidated entities.

Note 22

SPECIAL FUNDS AND OTHER LIABILITIES	current year	previous year
1. Special funds (due to):	18 316	13 007
– Company's Social Fund	18 316	13 007
2. Other liabilities (due to):	476 039	315 879
– sundry creditors	83 713	42 090
– clearing / settlements accounts	392 326	273 789
Special funds and other liabilities in total	494 355	328 886

Note 23

ACCRUED (AND SUSPENDED) EXPENSES AND INCOME	current year	previous year
a) accrued expenses, including:	40 911	12 132
– settlements of operations in financial instruments	15 326	2 590
– other	25 585	9 542
b) deferred income, of which:	6 771	3 020
– income taken in advance	29	3 020
– other deferred income	6 742	–
c) suspended income (due to):	106 881	120 607
– suspended interest	105 954	114 427
– interest capitalised	691	5 254
– other income to be settled	236	926
Total accrued (and suspense) expenses and income	154 563	135 759

Note 24

MOVEMENTS IN PROVISION FOR CORPORATE INCOME TAX	current year	previous year
Balance of provision at the beginning of the period	27 478	15 802
a) increase (due to)	87 608	60 563
– accrued interest, taken to P&L account	87 608	55 387
– investment relief	–	5 176
b) decrease (due to)	(110 033)	(48 887)
– interest received this year and taken to last year's P&L account	(67 340)	(63 697)
– negative timing differences	(42 693)	14 810
Balance of provision at the end of the period	5 053	27 478

OTHER PROVISIONS (BY CATEGORY), OF WHICH FOR:	current year	previous year
– contingent off-balance sheet liabilities	2 322	575
– general risk	77 000	57 800
– accrued costs	18 646	19 005
Other provisions in total	97 968	77 380

MOVEMENT IN THE BALANCE OF OTHER PROVISIONS	current year	previous year
Balance of provisions at the beginning of the period	77 380	42 459
a) increase (due to)	31 082	41 668
– transfer from GBH	262	–
– charge for off-balance sheet liabilities	3 075	2 775
– charge for accrued costs	8 545	3 893
– general risk	19 200	35 000
b) utilisation (due to)	(125)	(81)
– write-off of debts	(125)	(81)
c) releases (due to)/of	(10 369)	(6 666)
– accrued costs	(9 043)	(1 145)
– general risk	–	(3 000)
– other	(1 326)	(2 521)
Balance of provisions at the end of the period in total	97 968	77 380

Note 25**SUBORDINATED LIABILITIES**

1	2		3	4	5	6
Name of the entity	Value of loan		Interest rate	Maturity	Balance of subordinated liabilities	Interest
	currency	PLN k.				
Ford Credit Europe plc	PLN	10 000	Fixed interest rate of 1% p.a.	6 years from 10th of July 1996	10 048	48

MOVEMENTS IN SUBORDINATED LIABILITIES	current year	previous year
Balance at the beginning of the period	10 048	10 048
a) increase (due to)	100	100
– interest accrued	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

Note 26

CHANGE IN MINORITY INTERESTS	current year	previous year
Balance at the beginning of the period	852	1 070
a) increase (due to)	55	162
– share in half-year profits	55	162
b) decrease (due to)	(314)	(380)
– increase in investment by a dominant entity	(314)	(202)
– distribution of profit for 1998	–	(178)
Balance at the end of the period	593	852

Note 27

NEGATIVE GOODWILL	current year	previous year
a) negative goodwill - subsidiaries	–	–
b) negative goodwill - associates	–	–
Negative goodwill - in total	–	–

CHANGE IN NEGATIVE GOODWILL
– SUBSIDIARIES

	current year	previous year
a) gross at the beginning of the period	–	–
b) increase (due to)	–	–
c) decrease (due to)	–	–
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 (due to)	–	–
g) amortization of negative goodwill at the end of the period	–	–
h) net value at the end of the period	–	–

CHANGE IN NEGATIVE GOODWILL
– ASSOCIATES

	current year	previous year
a) gross at the beginning of the period	–	–
b) increase (due to)	–	–
c) decrease (due to)	–	–
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 (due to)	–	–
g) amortization of negative goodwill at the end of the period	–	–
h) net value at the end of the period	–	–

Note 28

SHARE CAPITAL			Nominal value of one share = PLN 1.25				
Series / issue	Type of shares	Type of preference	No. of shares	Value of series / issue	Paid in as	Registration date	Right to dividend
A	bearer	NONE	36 592 000	45 740	cash	31.10.1991	31.10.1991
B	bearer	NONE	14 608 000	18 260	cash	04.06.1993	01.01.1993
C	bearer	NONE	6 400 000	8 000	cash	13.02.1995	01.01.1994
D	bearer	NONE	11 216 000	14 020	cash	16.03.1995	01.01.1995
Total number of shares			68 816 000				
Total share capital				86 020			

In the year 2000 there were no changes in the share capital in respect of the number, type, nominal value, issue price and rights from shares.

According to the information possessed by the Bank's Management Board, the shareholders who held more than 5% of WBK SA share capital, as at 31.12.2000, were:

– AIB European Investments Ltd	60.14%
– State Treasury	5.10%

The Management Board is not aware of other shareholders who hold more than 5% of WBK shares.

The number of shares held by the shareholders is equal to the number of votes at the AGM.

Note 29

SUPPLEMENTARY CAPITAL	current year	previous year
a) company's share premium	30 690	30 690
b) created as required by law	7 573	7 573
c) created in line with the Statutes	–	–
d) contributed by shareholders	–	–
e) other	13 084	13 084
Total supplementary capital	51 347	51 347

Note 30

OTHER RESERVE CAPITAL (BY THE PURPOSE OF ALLOCATION), INCLUDING:	current year	previous year
– General banking risk fund	145 000	90 000
– Brokerage operations fund	–	–
– Reserve capital	536 843	450 609
Other reserve capital - total	681 843	540 609

Note 31

RETAINED PROFITS/LOSSES FROM PREVIOUS YEARS	current year	previous year
a) retained profit (positive value)	6 724	14 796
b) uncovered loss (negative value)	–	–
Retained profits/losses from previous years	6 724	14 796

Note 32

CAPITAL ADEQUACY	current year	previous year
1. Risk weighted assets and off-balance sheet liabilities	7 701 898	5 889 605
2. Capital	830 994	686 259
– share capital	86 020	86 020
– reserve capital	51 347	51 347
– other capital reserves	693 627	548 892
3. Deductions from capital	–	–
4. Supplementary funds	53 649	58 094
– reserve capital arising on revaluation	50 316	51 427
– subordinated liabilities	3 333	6 667
5. Deductions from capital and supplementary funds	95 801	108 693
6. Shareholders' equity - for calculation of capital adequacy	788 842	635 660
Solvency ratio in %	10.24	10.79

Data presented in Note 32 refer to WBK and not to WBK Group.

	in PLN '000	
NET BOOK VALUE	current year	previous year
– share capital	86 020	86 020
– supplementary capital	51 347	51 347
– capital reserves	681 843	540 609
– reserve capital arising on revaluation	50 316	51 427
– retained profits from previous years	6 724	14 796
– consolidated net profit of current year	223 698	174 066
– net book value	1 099 948	918 265
– number of shares (in thousands)	68 816	68 816
Net book value per share (in PLN)	15.98	13.34

Note 33

OFF - BALANCE SHEET CONTINGENT LIABILITIES	current year	previous year
Guarantees and bank guarantees to the benefit of:		
a) subsidiaries	162	–
b) associates	–	–
c) dominant entity	–	–
d) other entities	410 391	225 093
Total guarantees granted	410 553	225 093

NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

Note 34

INTEREST INCOME	current year	previous year
1. From financial institutions	232 456	96 040
2. From customers and public sector	852 905	608 987
3. From securities:	431 832	354 535
a) with a fixed yield	431 832	354 535
b) with a variable yield	–	–
4. Other	70 214	38 485
Total interest income	1 587 407	1 098 047

Note 35

INTEREST EXPENSE	current year	previous year
1. On transactions with financial institutions	(170 123)	(82 523)
2. On transactions with customers and public sector	(982 903)	(589 301)
3. Other	(3 672)	(1 878)
Total interest expense	(1 156 698)	(673 702)

Note 36

COMMISSION INCOME	current year	previous year
1. Commissions on Banking operations	230 789	172 342
2. Commissions on brokerage operations	25 408	16 096
Total commission income	256 197	188 438

Note 37

INCOME ON SHARES, INTERESTS, OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS	current year	previous year
1. From subsidiaries	336	4 778
2. From associates	—	(4 154)
3. From other entities	(5)	—
Total income on shares, interests, other securities and other proprietary interests	331	624

Note 38

PROFIT ON FINANCIAL OPERATIONS	current year	previous year
1. Profit on financial operations in securities	6 119	69 996
a) income from operations in securities	10 181	75 763
b) cost of operations in securities	(4 062)	(5 767)
2. profit on financial operations	201 604	59 474
Total profit on financial operations	207 723	129 470

Note 39

OTHER OPERATING INCOME	current year	previous year
a) from management of third party assets	11 394	4 883
b) due to disposal or liquidation of components of fixed assets or assets for disposal	25 583	670
c) recovery of bad debts	—	41
d) received compensations, penalties and fines	93	37
e) received donations	1	105
f) other (due to)	18 221	65 329
— sundry income	5 247	3 104
— income on the purchase of receivables	—	48 724
— income from the sale of pension fund agreements	3 233	9 291
— deferred costs	6 866	1 145
— other	2 875	3 065
Total other operating income	55 292	71 065

Note 40

OTHER OPERATING EXPENSES	current year	previous year
a) due to management of third party assets	(5 063)	(1 783)
b) due to disposal or liquidation of components of fixed assets or assets for disposal	(20 698)	(1 399)
c) recovery of bad debts	(38)	(16)
d) compensations, penalties and fines paid	(692)	(121)
e) donations granted	(1 701)	(158)
f) due to non-planned depreciation charges	(1 856)	–
g) others (due to)	(14 581)	(54 128)
– sundry costs	(352)	(436)
– contributions to organizations where membership is not obligatory	–	(48 744)
– costs due to sale of receivables	–	(889)
– costs of court proceedings	(10 553)	(2 610)
– other	(3 676)	(1 449)
Other operating expenses in total	(44 629)	(57 605)

Note 41

BANK'S OPERATING COSTS	current year	previous year
1. Remuneration	(229 862)	(194 355)
2. Other employment costs	(53 216)	(41 569)
3. Tangible costs	(125 908)	(86 577)
4. Taxes and fees	(6 927)	(5 925)
5. Contributions to Banking Guarantee Fund	(24 399)	(7 073)
6. Other costs, including:	(64 317)	(55 481)
– repairs and renovations	(5 005)	(5 804)
– security costs	(12 885)	(13 320)
– other maintenance costs	(46 427)	(36 357)
Total Bank's operating costs	(504 629)	(390 980)

The item "other employment costs" includes statutory employment costs in the amount of PLN 43,147k (in 1999 - PLN 35,642k)

Note 42

PROVISIONS	current year	previous year
1. Provisions for:	(172 877)	(119 750)
– regular receivables	(637)	(2 479)
– watch receivables	(500)	(1 050)
– problem receivables	(137 141)	(73 713)
– off-balance sheet liabilities	(3 075)	(2 775)
– general banking risk	(19 200)	(35 000)
– depreciation of securities	(11 800)	(4 418)
– other	(524)	(315)
2. Revalsal:	(320)	(11 594)
– diminution of financial assets	(320)	(11 594)
– other	–	–
Provisions	(173 197)	(131 344)

Note 43

RELEASE OF PROVISIONS	current year	previous year
1. Release of provisions for:	123 718	67 603
– regular receivables	3 311	502
– watch receivables	1 024	40
– problem receivables	110 377	58 696
– off-balance sheet liabilities	1 326	2 521
– general banking risk	–	3 000
– depreciation of securities	7 316	2 330
– other	364	514
2. Reversal of diminution:	–	5 004
– financial assets	–	5 004
– other	–	–
Total write back of provisions and revaluation	123 718	72 607

Note 44

EXTRAORDINARY GAINS	current year	previous year
a) force majeure	118	144
b) on disposal of shares and interests in subsidiaries	–	–
c) profit on disposal of shares and interests in associates	–	–
d) other	165	–
Total extraordinary gains	283	144

Note 45

EXTRAORDINARY LOSSES	current year	previous year
a) force majeure	–	(323)
b) on disposal of shares and interests in subsidiaries	–	–
c) profit on disposal of shares and interests in associates	–	–
d) other	(88)	–
Total extraordinary losses	(88)	(323)

In the year 2000 there were no profits or losses due to sale of shares and interests in subsidiary and associated undertakings.

Note 46

CORPORATE INCOME TAX	current year	previous year
1. Profit before taxation (consolidated)	309 364	268 656
2. Consolidation adjustments (amortization of goodwill)	10 614	16 522
3. Permanent differences between accounting profit (loss) and taxable income	(46 618)	(3 710)
4. Timing differences between accounting profit (loss) and taxable income:	76 629	(34 391)
5. Other differences between accounting profit (loss) and taxable income:	4 820	–
– losses from previous years	–	–
– additional tax payment relating to previous years	29	–
6. Taxable income subject to corporate income tax	349 989	247 077
7. Corporate tax according to 30% rate	(104 998)	(84 006)
8. Relinquishment, exemption, deduction, reduction in tax	1 218	1 020

9. Corporate tax due	(103 780)	(82 986)
10. Provision for deferred corporate tax:		
– balance at the beginning of the period	89 344	92 523
– increase	87 733	64 091
– decrease	(70 871)	(67 270)
– at the end of the period	106 203	89 344
11. Deferred corporate income tax asset		
– at the beginning of the period	66 618	81 240
– increase	91 111	69 108
– decrease	(55 983)	(83 730)
– at the end of the period	101 749	66 618
12. Corporate tax charge disclosed in P&L account:	(85 611)	(94 428)

The tax charge was calculated based on the separate profit before taxation of WBK SA (dominant entity), GBH SA and Dom Maklerski WBK SA (fully consolidated subsidiary undertakings), prior to consolidation adjustments. WBK, GBH and Dom Maklerski WBK do not form a taxation group, thus tax calculations are prepared independently by individual companies of WBK Group.

As at 31.12.2000 the Bank's corporate tax liability calculated on the basis of tax regulations amounts to PLN 76,421k (of which the amount of PLN 29k refers to tax liabilities from past years), whereas the income tax charge of WBK SA disclosed in the profit and loss account is PLN 98,817k. Timing differences (provision for deferred tax) of PLN 22,425k represent:

- deferred tax liability in the amount of PLN 87,608k, as at 31.12.2000 relating to deferred income to be received in the future,
- deferred corporate income tax receivables as at 31.12.2000 in the amount of PLN 42,693k,
- utilized deferred tax provisions from previous years in the amount of PLN 63,340k.

In addition, we would like to inform that:

- WBK claimed a tax premium in relation to the investment allowance for 1999 in the amount of PLN 2,586k (including tax premium for previous years),
- charity donations of PLN 429k were deducted from taxable income,
- tax charge was reduced by PLN 1,181k due to tax paid on dividend,
- adjustment was made to the deferred tax provision due to the change in the income tax rate by 2 p.p., in the amount of PLN 361k,
- income tax on the profit on extraordinary operations amounted to PLN (59)k.

As at 31.12.2000, the corporate tax liability of GBH calculated in line with applicable tax regulations amounted to PLN 744k, whereas the income tax charge disclosed in the profit and loss account is PLN 5,538k. Therefore, the difference in the amount of PLN 4,791k is a difference between:

- deferred tax liability of PLN 35k (as at 31.12.2000), due to: deferred income to be earned - interest accrued (but not received in cash) on loans and securities,
- deferred receivables to be recovered in the amount of PLN 38k due to provisions created for costs to be incurred,
- release of the remaining provision for deferred tax in connection with the sale of the bankings enterprise as at 30.09.2000 in the amount of PLN 4,545k, including:
 - interest accrued and taken to income in the amount of PLN 3,428k,
 - interest accrued and taken to costs PLN 3,428k,
 - provision for loans in the amount of PLN 839k,
 - other in the amount of PLN 169k,
 - tax liability due to tax correction in the amount of PLN 246k.

Moreover, we would like to inform that GBH utilised tax losses of PLN 599k from previous year.

As at 31.12.2000, the corporate tax liability of Dom Maklerski calculated in line with applicable tax regulations amounted to PLN 4,407k, whereas the income tax charge disclosed in the profit and loss account is PLN 3,652k. The negative timing difference as at 31.12.2000 in the amount of PLN 395k is a difference between:

- future income tax liability of PLN 16k - on income to be earned in the amount of PLN 16k,
- and deferred income tax asset in the amount of PLN 379k, due to provisions for deferred costs in the amount of PLN 379k.

In addition, we would like to inform that Dom Maklerski made an adjustment of the deferred income tax asset arising from the change in the income tax rate by 2 p.p. in the amount of PLN 40k.

Note 47

OTHER TAXES AND CHARGE DECREASING THE PROFIT (INCREASING THE LOSS)		
	current year	previous year
Other taxes and charges	–	–
Other taxes and charges in total	–	–

Note 48

NET PROFIT/LOSS	current year	previous year
a) net profit/loss of dominant entity (after consolidation adjustments)	455 961	261 812
b) net profit/loss of subsidiary entities (after consolidation adjustments)	(232 263)	(87 746)
c) net profit/loss of associated entities (after consolidation adjustments)	–	–
Net profit/loss	223 698	174 066

Net consolidated profit as at 31.12.2000 in the amount of PLN 223,698k consists of:

- profit on banking operations (after consolidation adjustments) in the amount of PLN 223,698k.

Note 49

FIGURES REQUIRED FOR CALCULATION OF EARNINGS PER ORDINARY SHARE (EPS)		
	current year	previous year
Net profit for 12 months before the balance sheet date	223 698	174 066
Average weighted number of ordinary shares (in thousand)	68 816	68 816
Earnings per share (in PLN k.)	3.25	2.53

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

“Cash at the end of the period” in the cash flow statement includes the following items:

	current year	previous year
Cash	196 260	311 549
Treasury stamps	940	1 218
Current account held with the Central Bank	134 064	555 419
Current accounts held with other banks	24 330	44 039
Funds of Central Brokerage Office held in the Guarantee Fund of the Stock Exchange	5 764	1 913
Total	361 358	914 138

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 format,
- guidelines of the General Inspectorate of Banking Supervision,
- nature of operations performed by WBK Group.

Operating activities comprise those WBK Group activities which are 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 investing activities (e.g. dividends, change in balance of subordinated loans, interest related to investing activities).

The financing activities include:

- increases and decreases:
 - drawdown and repayment of loans and advances from banks and other financial institutions,
 - subordinated liabilities,
 - issue and redemption of bonds and other securities from financial institutions,
- other items related to financial activities (e.g. payment of dividends and other payments from profit, interest related to the financing activities).

The key differences between 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 securities held for investment is disclosed in the following items:
 - “Sale of shares and interests in other entities, other securities and other proprietary interests” (investing activities, - PLN 19,557,894k,
 - “Purchase of shares and interests in other entities, other securities and proprietary interests” (investing activities) - PLN 19,242,930k,
 - “Interest and dividends” (operating activities) - PLN 216,089k,
 - “Other adjustments” (operating activities - provisions for depreciation) - PLN 2,992k.

- 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 and Stock Exchange Guarantee Fund - disclosed in the item "Funds as at end of the period" in the amount of PLN 15,858k.
 - includes the change in the balance of amounts due from financial sector in subsidiary and affiliated undertakings not taken into consolidation in the amount of PLN 525k moved from a separate balance sheet item,
- change in the balance of shares, interests and other securities with a variable yield includes only the change in status of these 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:
 - includes the change in the balance of liabilities to financial sector in subsidiary and associated undertakings not taken into consolidation in the amount of PLN 944k moved from a separate balance sheet item,
 - does not include the change in the balance of the accrued interest on the loans from the Banking Guarantee Fund (including interest) referring to the financing activities - PLN 7,001k,
- change in the balance of amounts due to non-financial and public sector includes a change in the balance of amounts due to non-financial and public sector of subsidiary and affiliated undertakings not taken into consolidation in the amount of PLN 831k - moved from a separate balance sheet item,
- change in the balance of other liabilities includes the change regarding "Other assets" and "Special funds and other liabilities" adjusted by:
 - amounts not paid from profit earmarked for donations - PLN 233k,
 - settlements referring to income tax and the deferred income tax provisions - PLN 18,272k,
- change in the balance of prepayments:
 - includes the change in the balance of prepayments due to deferred depreciation on fixed assets for which investment relief has been claimed in the amount of PLN 5,394k.

In the cash flow from financing activities, the item 'Other expenses' comprises interest paid on loans granted to WBK and GBH by the Guarantee Fund in the amount of PLN 5,226k, and interest paid on the subordinated liability in the amount of PLN 100k.

Note 50

Cash Flow Statement was prepared using the indirect method

ADDITIONAL NOTES

1. Concentration mix of the bank's exposure to individual entities, groups and sectors

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

As at 31 December 2000 the own funds of Wielkopolski Bank Kredytowy SA were PLN 788.84m. The credit exposure toward one customer or a group should not exceed PLN 197.1m. All loans sanctioned by WBK SA are within the set limit.

Within its lending policy, WBK Group applies a policy of lending to relatively low risk sectors which together with the loan portfolio diversification permits the elimination of the potential risk connected with granting too high loans to entities within the same sector.

In 2000, WBK Group introduced credit policies in respect of financing individual sectors and companies representing different industries.

As at 31 December 2000, the mix of sectors in the loan portfolio was as follows:

Sector	% Share
Trade	17.96
Food industry	12.60
Financial agency services	11.21
Wood and paper industry	7.02
Chemical industry	6.25
Power industry	4.59
Telecommunication	4.21
Construction	3.01
Agriculture	2.54
Machine building industry	2.18
Metal industry	1.87
Car industry	1.80
Clothing	1.73
Transport	1.61
Mining	1.27
Other services	7.59
Other	12.56

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

WBK granted loans and guarantees to entities in which it holds equity investments. As at 31 December 2000, the total amount of loans and guarantees utilized by these entities was PLN 410 957.1k, which represents 52.1% of the Bank's own funds.

2. Financial Instruments

The table below 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 derived rights related to proprietary interests that are subject of the issuer's investments and forward transactions.

Financial instruments of WBK

	PLN Interest Rate SWAP	PLN Future Rate Agreements Sell	PLN Future Rate Agreements Purchase	PLN Future Rate Agreements Purchase	FX Swaps /FX Forwards	Operation for IRS in USD sold	Option for IRS in USD bought	Options for Euroindex in PLN bought
Nominal value (PLNk)	278.709,87	85.000,00	135.000,00	74.241,84	4.226.631,37	33.767,08	33.737,08	246.115,43
Purpose	Hedging	Trading	Trading	Hedging	Hedging	Trading	Trading	Hedging
Maturity Date range	from 29.09.03 to 04.12.03	from 17.01.01 to 28.02.01	from 17.01.01 to 22.02.01	from 28.09.01 to 14.10.02	from 02.01.01 to 17.12.01	12.08.02	12.08.02	from 03.09.03 to 04.12.03
Possability of early settlement	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Price/Range of Prices	from 15.13%	from 18.65% to 19.70%	from 18.85% to 19.70%	from 17.75% to 18.26%	from 0.0089 to 7.35231	146,081.76	-69,109.39	-22,684,193.45
Possibility to convert into other assets/liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expected cashflows	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable
Additional collaterals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other terms & conditions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Type of risk	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate/liquidity	Interest rate	Interest rate	Interest rate

3. Off-balance sheet contingent liabilities

As at 31.12.2000, contingent liabilities totaled PLN 2,582,107k, of which:

- granted liabilities: PLN 2,019,565k;
- accepted liabilities: PLN 562,542k.

The granted liabilities include:

- liabilities in relation to financing: PLN 1,609,012k;
- guarantees: PLN 410,553k.

The amount of PLN162.3k accounting for the off-balance sheet liabilities of the subsidiaries comprises guarantees of PLN 143.0k and of PLN 19.3k granted to Dom Maklerski WBK SA and WBK Nieruchomości SA, respectively.

Liabilities related to financing included import letters of credit in the amount of PLN 84.485k.

Liabilities due to buy/sell transactions in the amount of PLN 11,441,581k include:

- liabilities due to f/x transactions in the amount of PLN 8,722,325k comprising:
 - purchased foreign currencies PLN 4,509,586k;
 - sold foreign currencies: PLN 4,212,599k;
 - difference on SWAP transactions PLN 140k;
- liabilities due to transactions in securities in the amount of PLN 294,000k referring to:
 - an agreement on a conditional take-up of municipal bonds granted as part of issue-related services for the Town and Municipality of Pleszew in the amount of PLN 1,000k, which is effective until 31 August 2001;
 - NBP bills of PLN 100,000k - reverse repo;
 - NBP bills of PLN 100,000k - repo;
 - commercial paper of Relpol SA in Żary in the amount of PLN 30,000k, with the maturity date of 3 December 2001;
 - commercial paper of Howell SA in Wrocław in the amount of PLN 13,000k, with the maturity date of 31 August 2001;
 - commercial paper of Art Marketing Syndicate S.A. in Poznań in the amount of PLN 50,000k, with the maturity date of 30 May 2003.

The issue of all commercial paper is based on the regulations of the Civil Code and all the issuers operate accounts with WBK branches. All issued commercial paper is marketable on the secondary market.

- transactions in financial instruments amounted to PLN 1,232,845k, of which:
 - bought: PLN 677,359k;
 - sold: PLN 555,486k;
- assets taken over in the amount of PLN 806,311k;
- other liabilities due to securities in the amount of PLN 386,100k, of which:
 - bonds as a security for a lombard loan: PLN 358,000k;
 - Treasury bills serving as collateral for liabilities to the Bank Guarantee Fund: PLN 28,100k.

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

As at 31.12.2000, WBK Group did not hold any liabilities toward the State budget or the local governments arising from the ownership title to buildings and premises.

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

In 2000, there were no income or costs related to discontinued operations in WBK Group.

The Bank resigned from its investment in the retail outlet in Kędzierzyn Koźle.

In addition, the Bank does not anticipate any income and costs relating to discontinued operations in the upcoming period.

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

As at 31 December 2000, the commenced investments in WBK were at PLN 46.6m. Commenced investments in IT hardware and other investments across the Bank amounted to PLN 7.5m, whereas the construction investments and the original furnishing of outlets amounted to PLN 39.1m.

As at 31 December 2000, pursuant to finance lease contracts, WBK leases fixed assets with a gross value of PLN 201.7k.

Part of fixed assets such as hardware, vehicles and multimedia equipment are used by WBK on the basis of operating lease agreements. The value of these fixed assets is recorded in the accounting records of the lessor. WBK runs an off-balance sheet register of the market value including VAT as on the day of leasing the asset to WBK SA. The value of these assets totals PLN 11,355.5k.

7. Incurred and planned capital expenditure

In 2000, the capital expenditure incurred by the Bank in respect of fixed assets amounted to PLN 124,703k. Equity investments, i.e. purchase of shares and interests for investment purposes were PLN 20,734.5k. The largest of them included raising the capital of WBK Finanse & Leasing as well as investments in the following companies: WBK Nieruchomości i Wspólnicy Sp. komandytowa, eCard SA, Polskie Zakłady Zbożowe Sp. z o.o. and CENTRAST SA. The capital expenditure in respect of fixed assets planned by WBK for the year 2001 amounts to PLN 310.9m, of which:

in respect of information technology:	PLN 218.4m;
in respect of construction, modernization and other items:	PLN 92.5m.

Capital expenditure incurred by Dom Maklerski WBK in 2000 totaled PLN 2,432k. The capital expenditures planned by Dom Maklerski WBK for 2001 amount to PLN 4,664k.

Gliwicki Bank Handlowy does not budget any capital outlays for 2001.

8. Significant inter-company transactions of the issuer and its connected entities

On 1 October 2000, Wielkopolski Bank Kredytowy acquired the ownership title to the banking enterprise of Gliwicki Bank Handlowy SA with its registered office in Gliwice. The purchase price (according to the balance sheet figures as at 30 September 2000) was PLN 13.7m.

As a result, goodwill of PLN 7,208k arose, which in line with the Bank's decision is amortized beginning from 1 November 2000. The goodwill will be amortized over the period of 5 years.

The acquired banking enterprise comprised, among others:

- fixed assets;
- financial assets;
- securities;
- inter-bank deposits.

The main item financing the assets listed above was a loan raised with the Banking Guarantee Fund, two subordinated loans granted by Wielkopolski Bank Kredytowy and Impet and Corporate deposits taken over from GBH.

Pursuant to the decision of the National Bank of Poland, Wielkopolski Bank Kredytowy has been exempted from the obligatory reserve requirement in respect of deposits taken over from Gliwicki Bank Handlowy SA in the total amount of PLN 119,023.56k. The exemption is valid from 30.11.2000 to 30.12.2001 and it is related to the implementation of a GBH recovery program. With funds obtained in such a manner, WBK was obliged to buy securities issued by the State Treasury or NBP. Until the end of 2001, the securities portfolio of WBK cannot be lower than the amount representing the exemption from the obligatory reserve.

Wielkopolski Bank Kredytowy has also taken over the liabilities of Gliwicki Bank Handlowy toward the Banking Guarantee Fund in the amount of PLN 48,125k.

As at 31 December 2000, the value of eliminated transactions between the dominant entity with entities consolidated under the acquisition accounting method is as follows:

Item	PLNk
Amounts due from financial sector	652
Amounts due to financial sector	141,153

Item PLNk	
Interest income	1,990
Interest expense	245,294
Commission income	308
Other operating costs	2,042

As a result of transactions with WBK Group entities, which were excluded from consolidation, the following items were reclassified in the consolidated financial statements:

Item	PLNk
Amounts due from financial sector	12,889
Amounts due to financial sector	2,706
Amounts due to non-financial and public sectors	1,564

9. Management of related companies

Wielkopolski Bank Kredytowy SA participated in the management of its subsidiary or associated undertakings by having its representatives on the company's Managements or Supervisory boards:

Company	No. of persons
Gliwicki Bank Handlowy SA	4 - Bank Council 2 - Management Board
WBK Finanse & Leasing SA	6 - Supervisory Board
Dom Maklerski WBK SA	5 - Supervisory Board
WBK Nieruchomości SA	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 SA	3 - Supervisory Board
Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	1 - Management Board

10. Joint undertakings which are subject neither to the acquisition accounting method nor equity method

On 25 May 2000, the Bank signed an agreement with Bank Zachodni SA related to a license contract with Fiserv (Europe) Limited for the purchase of ICBS software license. WBK and BZ agreed to take joint actions in the area of implementing the branch system in both banks. Pursuant to the license contract, each bank obtained a separate license and incurs independently the purchase costs of both the license and hardware. As agreed by WBK and BZ, the costs will be charged to both banks in the proportion 47% and 53%, respectively.

11. Average staff numbers in WBK Group

In 2000, the average staff number in Wielkopolski Bank Kredytowy SA was 4 470 FTEs, (full time equivalents) of which:

Unit	Number of FTEs
Head Office	804
Branches	3.533
Card Center	94
Training Center in Zakrzewo	30
Mortgage Banking Center	9

The total number of 4,470 FTEs includes the average number of staff employed in GBH branches who at the moment of GBH's acquisition by WBK became the staff of WBK.

From 1.01.2000 to 31.12.2000, the average staff number in GBH was 262.71 FTEs (60.21 FTEs - in the Head Office and 202.50 FTEs - in branches).

As at 31 December 2000, the average staff number in Dom Maklerski WBK was 221.25 FTEs.

12. Remuneration for the Management Board and Bank Council of the dominant entity

The remuneration paid in 2000 to members of WBK Management Board amounted to PLN 5,952k, and to members of the Bank Council - PLN 338,9k

In 2000, no member of the Bank Council or Management Board of WBK received remuneration from any WBK associates or subsidiaries.

13. Advances, loans, borrowings and guarantees granted to members of the Management Board and Bank Council

As at 31.12.2000, the debt due to loans, borrowings and guarantees granted by WBK to members of the Management Board was PLN 190k and to members of the Bank Council - PLN 15k.

All loans were granted in compliance with the regulations on granting loans to individuals applicable in WBK.

Members of the Management Board as well as of the Bank Council did not receive any advances, loans, or guarantees with the Bank's associated and subsidiary undertakings.

As at the end of 2000, amounts owed by employees to Bank amounted to PLN 22,123k.

14. Significant events relating to previous years and included in the financial statements for 2000

No significant events took place in previous years, which were included in the financial statements for 2000.

15. Significant post-balance sheet date events, which were not reflected in the financial statements for 2000

After the balance sheet date, i.e. 31 December 2000, no significant events occurred which would have an impact on the financial statements.

16. Relations between legal predecessor and the entity as well as on the method and range of taking over assets and liabilities

During 2000, no changes to the legal status were made that would require the explanation as to the relationship between the legal predecessor and the successor of the Bank.

17. Inflation rates in the financial statements

Poland is not a country with the inflation rate above 20 % (annualized). Therefore, there is no need to adjust the financial figures in the consolidated financial statements by a relevant inflation rate.

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

In 2000, no changes to the accounting principles (policy) or the format of the financial statements, as compared to the last year, were introduced.

19. Differences between the data disclosed in the financial statements and comparable financial data from the financial statements previously prepared and published

In 2000, the Bank changed its policy for presenting "Provisions for deferred costs" and "Provision for disputable amounts". So far, both items have been disclosed in "Provisions" and in "Releases of provisions" – and in line with the new principles, they are taken now to other operating income and other operating costs. The items "Other operating costs" and "Other operating costs" increased thus by PLN 2,610k and 1,145k, respectively.

20. Subsidiaries or affiliates excluded from consolidation based on separate regulations

WBK has taken advantage of the possibility to exclude from consolidation those subsidiaries and associates towards which the Bank is a dominant entity in the understanding of article 56, sec. 2 of the Accounting act, dated 29 September 1994 and resolution no. 2/90 of the Banking Supervision Commission, dated 3 June 1998.

The parameters for individual financial data which justify exclusion of the subsidiaries and associates, which are members of WBK Group, from the consolidation obligation under the acquisition accounting method are included in the "Introduction" and Note 8 to the consolidated financial statements.

Other Supplementary Information

1. Information on Bank's involvement in the court proceedings

In 2000, 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.

Information on pending significant claims is presented below.

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 guarantee granted by BGŻ SA in favour of WBK for the debts of Spółdzielnia Przetwórstwa Owocowo - Warzywnego "Frutex" in Elk and the interest payment related to the amount adjudged to BGŻ SA.

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 favourable for WBK and adjudicated the payment by WBK to BGŻ of PLN 9,094k together with the statutory interest due for the periods indicated in the ruling as the reimbursement of the amount received by WBK in execution proceedings, conducted due to the BGŻ's re-guarantee of the liabilities of Spółdzielnia Przetwórstwa Owocowo-Warzywnego "Frutex" in Elk towards WBK.

The ruling is not enforceable. WBK has petitioned for the revision of this verdict. The Bank has a provision for this claim.

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

Jerzy Pielin, the plaintiff, petitions the court for the total adjudication of PLN 1,395k from the relevant parties, together with the statutory interest accrued from 30 July 1993. With a decision passed on 9 October 1998, the Lower Court suspended the proceedings. The Court of Appeal overturned the ruling of the Lower Court on suspending the proceedings. The Bank holds a provision for this disputable amount.

With its ruling of 17 June 1998, the Court of Appeal in Poznań dismissed the Bank's appeal against the decision of the Provincial Court in Poznań of 30 December 1997 - pursuant to which the company Inter Asame Sp. z o.o. was adjudicated the claimed amount, which was disbursed by WBK SA on the basis of a forged transfer order. The Bank paid the amount due. At the same time the provision raised in 1997 for the disputable amount in question was released. In July 1998, the Bank lodged an annulment claim (cassation) with the Supreme Court. The date for decision in this respect has not been determined yet.

On 9 July 1999 the receiver in bankruptcy of Wrocławskie Zakłady Wyrobów Papierniczych SA (WZWP) filed the claim to recognise the invalidity of the receivables transfer agreement which constituted the collateral for the agreement on the repayment of debt by WZWP to WBK, due to a granted loan. The receiver claims the invalidity of the agreement because at the time the transfer was made the loan was not mature. The principal debt is PLN 1,448k and the plaintiff did not claim interest. On 10 May 2000, a ruling was passed which is partially favorable for WBK. WBK lodged an appeal against this ruling. The Bank has a provision for this disputable amount.

During the execution proceedings, the debtor Marek Koper instituted a claim to 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 debtor's summons was served on 6 October 1999. The Bank sent to the Court a response to the summons. The date of the trial on establishing the security by suspending the execution proceedings was set for 20 March 2000. The trial scheduled for 12 December was postponed because of the court's announcement of the debtor's bankruptcy. The Court sent an inquiry whether the receiver in bankruptcy will replace the Plaintiff in the proceedings. The Bank holds a provision for the disputable amount.

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

1. 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;
2. to adjudicate for the benefit of the Plaintiff "Interinwest" SA 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;
3. 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 the 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 of consent of the Minister of the State Treasury to transfer the ownership of assets. DZM Dozamet SA did not have such a consent. According to the information obtained from the Risk Management Department, in the course of negotiations with the Plaintiff on the debt disposal, the Bank presented the legal status of the debt to the Plaintiffs in detail. It also provided access to all the documents held. In the course of negotiations, the Bank did not conceal the fact that "Dozamet" SA did not have a consent of the Minister of the State Treasury, required for concluding the repossession agreement. 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. The Bank holds a provision for this disputed amount.

2. Funding sources and use of funds in relation to the main geographical regions of the country

The provinces according to the new administrative division were taken as the main geographical regions in the country.

Customer and public sector deposits and loans of WBK and DM WBK with a break - down into provinces

Province	Amounts due from customers and public sector - Net		Deposits of customers and public sector	
	31.12.1999	31.12.2000	31.12.1999	31.12.2000
	%	%	%	%
Dolnośląskie	4.44	5.25	7.53	6.34
Kujawsko-Pomorskie	6.04	6.66	4.69	4.26
Łódzkie	2.45	2.61	2.37	2.15
Małopolskie	0.14	0.62	0.15	0.53
Mazowieckie	12.66	16.04	9.27	9.53
Opolskie	0.18	0.27	0.09	0.16
Lubuskie	8.66	8.88	8.48	6.91
Pomorskie	4.04	4.92	6.69	6.17
Śląskie	6.19	5.29	1.71	8.07
Zachodnio-pomorskie	0.60	1.00	0.86	0.89
Wielkopolskie	54.60	48.47	58.16	54.99
Total	100.0	100.0	100.0	100.0

Signatures of Members of the Management Board and of the person responsible for maintenance of the accounting records

<u>19.02.2001</u> Date	Jacek Kseń	President of the Management Board
<u>19.02.2001</u> Date	Cornelius A. O'Sullivan	I V-ce President of the Management Board
<u>19.02.2001</u> Date	Romuald Szeliga	V-ce President of the Management Board
<u>19.02.2001</u> Date	Declan Flynn	Management Board Member
<u>19.02.2001</u> Date	Joanna Oświecimska	Management Board Member
<u>19.02.2001</u> Date	Marcin Prell	Management Board Member
<u>19.02.2001</u> Date	Grzegorz Ziolkowski	Bank Director Chief Accountant of the Bank

CONSOLIDATED FINANCIAL STATEMENTS
in accordance with
International Accounting Standards (IAS)
for the year ended 31 December 2000

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Adres do korespondencji:
PricewaterhouseCoopers Sp. z o.o.
ul. Nowogrodzka 68
02-014 Warszawa
Polska
Telefon +48 (22) 523 4000
Fax +48 (22) 523 4040
<http://www.pwcglobal.com/pl>

INDEPENDENT AUDITORS' REPORT to the Shareholders of Wielkopolski Bank Kredytowy S.A.

We have audited the consolidated financial statements of Wielkopolski Bank Kredytowy S.A. Group set out on pages 2 to 60. These financial statements are the responsibility of the Management Board. Our responsibility is to express an opinion on the truth and fairness of the consolidated 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 as to 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material aspects, the financial position of the Group at 31 December 2000, the results of its operations and changes in its cash flows for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion on the truth and fairness of the financial statements we draw attention to the approval on 20 December 2000 of Resolution No. 1 an Extraordinary General Meeting of shareholders of Wielkopolski Bank Kredytowy S.A. (WBK SA) proposing a merger of WBK SA and Bank Zachodni SA (BZ SA). As approved, the merger will take place through the transfer of the assets and liabilities of WBK SA to BZ SA in exchange for new shares of BZ SA, which will be issued to the shareholders of WBK SA.



Antoni F. Reczek

PricewaterhouseCoopers Sp. z o.o.

Registered Auditor
President of the Board
PricewaterhouseCoopers Sp. z o.o.

Warsaw, 21 March 2001

INCOME STATEMENT

for the year ended 31 December 2000

	Note	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Interest income	3	1,848,503	1,182,588
Interest expense	3	(1,222,622)	(703,223)
Net interest income		625,881	479,365
Commission income	4	267,591	193,321
Commission expense		(42,135)	(24,617)
Dividend income		10,844	5,957
Net result on trading portfolio securities		5,339	7,660
Net result on sale of investment portfolio securities		(1,259)	57,442
Foreign exchange result		79,026	54,376
Net profit on financial operations		945,287	773,504
Other operating income		14,980	65,081
Provisions for loans and guarantees	5	(56,050)	(55,057)
Provision for shares and other securities	6	(6,541)	(5,003)
Operating expenses	7	(580,156)	(501,677)
Amortisation of goodwill		(8,156)	(8,192)
Profit before taxation		309,364	268,656
Taxation	8	(85,611)	(94,428)
Profit after taxation before minority interests	9	223,753	174,228
Minority interests		(55)	(162)
Net profit for the year		223,698	174,066
Earnings per share (PLN)	10	3.25	2.53

BALANCE SHEET as at 31 December 2000

Assets	Note	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Balances with the Central Bank	11	134,064	555,419
Cash in hand and current accounts with banks	12	222,158	358,341
Placements with, and loans to other banks	13	3,504,269	1,398,460
Debt securities	14	2,608,936	2,554,001
Loans to customers and the public sector	15	5,699,813	5,016,329
Accrued interest receivable and other assets	16	548,645	274,194
Shares and other securities	17	280,214	140,475
Goodwill	18	6,266	14,286
Tangible fixed assets	19	372,481	336,155
Total assets		13,376,846	10,647,660
Liabilities and Equity			
Amounts due to banks	20	1,355,205	712,183
Amounts due to customers and the public sector	21	10,170,220	8,512,944
Accrued interest and other liabilities	22	712,819	452,612
Subordinated liabilities	23	10,000	10,000
Provisions	24	28,061	40,804
Total liabilities		12,276,305	9,728,543
Minority interests	25	593	852
Share capital and reserves	26	876,250	744,199
Net profit	26	223,698	174,066
Total liabilities and equity		13,376,846	10,647,660

The financial statements on pages 2 to 60* were approved by the Management Board of Wielkopolski Bank Kredytowy S.A. on 21 March 2000 and signed on behalf of the Board:

President of the Management Board

Jacek Kseń



Bank Director

Chief Accountant

Grzegorz Ziolkowski



CASH FLOW STATEMENT

for the year ended 31 December 2000

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Cash flow from operating activities		
Net profit	223,698	174,066
Adjusted for:		
Depreciation of tangible fixed assets	74,261	62,540
Minority interests	55	162
Amortisation of goodwill	8,156	8,192
Foreign exchange gains/(losses)	11	3
Interest and dividends received and paid	(225,944)	41,485
Provisions for loans and guarantees	56,050	55,057
Other provisions	(2,963)	7,094
Taxation charge for the period	85,611	94,428
Corporate income tax paid	(109,710)	(60,566)
Net profit on the sale or liquidation of fixed assets and non-trading securities	(3,972)	(44,366)
Change in shares held for trading purposes	10,989	(7,620)
Change in debt securities	9,874	(9,827)
Change in amounts due from banks	(1,201,892)	(181,028)
Change in amounts due from customers and the public sector	(736,103)	(1,429,749)
Change in amounts due to banks	643,022	86,703
Change in amounts due to customers and the public sector	1,657,276	2,118,132
Change in other assets and liabilities	(23,344)	(68,585)
Other items	(15,452)	(6,438)
Net cash flow from operating activities	449,623	839,683
Cash flow from investing activities		
Purchase of tangible fixed assets	(105,207)	(97,013)
Sale of tangible fixed assets	26,401	557
Purchase of shares in non-consolidated subsidiary and associated companies	(1,600)	(8,048)
Sale of shares in non-consolidated subsidiary and associated companies	0	7,861
Purchase of other shares and securities	(19,336,110)	(28,467,948)
Sale of other shares and securities	19,488,763	27,878,063
Other items	14,258	7,259
Net cash flow from investing activities	86,505	(679,269)

CASH FLOW STATEMENT

for the year ended 31 December 2000 (cont.)

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Cash flow from financing activities		
Dividend paid	(37,849)	(36,473)
Other items	(6,593)	(4,164)
Net cash flow from financing activities	(44,442)	(40,637)
Net change in cash and cash equivalents	491,686	119,777
 Cash and cash equivalents at the beginning of the year	 2,296,155	 2,176,378
Cash and cash equivalents at the end of the year (a)	2,787,841	2,296,155
Net change in cash and cash equivalents	491,686	119,777
 (a) Cash and cash equivalents:		
Balances with the Central Bank	134,064	555,419
Cash and current amounts due from banks	222,158	358,341
Placements with, and loans to other banks	2,129,306	1,225,389
Debt securities with an initial period to maturity within 3 months	302,313	157,006
	2,787,841	2,296,155

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	General risk reserve	Other reserves	Net profit of the Group	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance at 1 January 1999	86,020	30,690	51,427	35,000	395,425	185,294	783,856
Appropriation of 1998 profit							
a) Other reserves	—	—	—	—	90,367	(90,637)	—
b) General risk reserve	—	—	—	55,000	—	(55,000)	—
c) Dividend	—	—	—	—	—	(36,473)	(36,473)
d) Other	—	—	—	—	—	(3,184)	(3,184)
Net profit for 1999	—	—	—	—	—	174,066	174,066
Balance at 31 December 1999	86,020	30,690	51,427	90,000	486,062	174,066	918,265

	Share capital	Share premium	Revaluation reserve	General risk reserve	Other reserves	Net profit of the Group	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance at 1 January 2000	86,020	30,690	51,427	90,000	486,062	174,066	918,265
Appropriation of 1999 profit:							
a) Other reserves	—	—	—	—	77,717	(77,717)	—
b) General risk reserve	—	—	—	55,000	—	(55,000)	—
c) Dividend	—	—	—	—	—	(37,849)	(37,849)
d) Other	—	—	(1,111)	—	445	(3,500)	(4,166)
Net profit for 2000	—	—	—	—	—	223,698	223,698
Balance at 31 December 2000	86,020	30,690	50,316	145,000	564,224	223,698	1,099,948

STRUCTURE OF THE WIELKOPOLSKI BANK KREDYTOWY SA GROUP

Name	Registered office	Interest held by WBK SA	Status	Consolidation method	Auditor	Reporting period	Share capital PLN'000	Total assets PLN'000	Net profit for the period ended 31.12.00 PLN'000
Wielkopolski Bank Kredytowy SA (WBK SA)	Poznań, Plac Wolności 16	—	parent company	—	PricewaterhouseCoopers Sp. z o.o.	12 months to 31 December 2000	86,020	13,404,432	224,066
Dom Maklerski WBK SA (DM WBK SA)	Poznań, Plac Wolności 16	100.00%	subsidiary	acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	12 months to 31 December 2000	44,000	174,030	8,429
Gliwicki Bank Handlowy S.A. (GBH S.A.)	Gliwice, Królowej Bony 2-4	97.05%	subsidiary	acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	12 months to 31 December 2000	21,314	20,314	1,872

NOTES TO THE FINANCIAL STATEMENTS

1. General information about the Wielkopolski Bank Kredytowy S.A. Group

Wielkopolski Bank Kredytowy SA (the parent company), Gliwicki Bank Handlowy S.A. and Dom Maklerski WBK S.A. (subsidiary companies consolidated using the acquisition accounting method) carry out their trading activities exclusively in the territory of Poland. The principal activity of WBK S.A. is retail banking. Gliwicki Bank Handlowy S.A. ceased banking activities on 1 October 2000. Dom Maklerski WBK S.A. is engaged in the provision of brokerage services.

WBK S.A. is listed on the Warsaw Stock Exchange.

The parent company of the Group is AIB European Investments Limited which holds 60.14% of the share capital of WBK S.A. AIB European Investments Limited is a wholly owned subsidiary of Allied Irish Banks p.l.c. Both AIB European Investments Limited and Allied Irish Banks p.l.c. have their registered offices in Dublin, Republic of Ireland.

On 20 December 2000 resolution No. 1 of an Extraordinary General Meeting of shareholders of WBK S.A. approved the proposed merger of WBK S.A. and Bank Zachodni S.A. (BZ S.A.). The merger will take place through the transfer of the assets and liabilities of WBK S.A. to BZ S.A. in exchange for new shares of BZ S.A., which will be issued to the shareholders of WBK S.A.

2. Principal accounting policies

(a) Presentation of financial statements

The Group financial statements have been prepared in accordance with International Accounting Standards. The financial statements have been prepared under the historical cost convention, except for tangible fixed assets which are subject to periodic revaluation. The latest revaluation of tangible fixed assets was carried out as at 1 January 1995.

(b) Consolidation

Gliwicki Bank Handlowy S.A. and Dom Maklerski WBK SA. are consolidated using the acquisition accounting method. Other subsidiary and associated companies were not consolidated as they are insignificant in relation to the scale of activities of the Group or they were not acquired with the intention of exercising permanent influence over their financial policies and current operations. Subsidiary companies are consolidated for the period starting from the date when the Group gained actual control over them and they are no longer consolidated after the date of their disposal.

All intercompany transactions, balances and unrealised surplus and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the parent company. Separate disclosure is made of minority interests.

NOTES TO THE FINANCIAL STATEMENTS

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated the balance date at the official mid rate for that date established by the President of the National Bank of Poland (NBP).

Realised and unrealised foreign exchange gains and losses arising between the date of inception of a transaction and the date of settlement or balance date where this precedes the settlement date, are treated as financial income or expenses and shown within the „foreign exchange result”.

(d) Interest income

Interest income comprises interest received or receivable from interbank deposits, customer loans, debt securities and SWAP transactions. Accrued interest income including unpaid interest on loans classified as “normal” is recognised in the income statement and is included in the balance sheet within “accrued interest receivable and other assets”. Interest due but not received is eliminated from income and included within “suspended interest” at the moment when the receivable becomes overdue or is reclassified from “normal” to “irregular”. Interest on non-performing loans is recognised in the income statement when received. Income received in advance is shown in the balance sheet within “accrued costs and deferred income” and recognised in the income statement of the period to which it relates.

(e) Interest expense

Interest expense is charged to the income statement on an accruals basis. Interest expense also includes amounts arising on SWAP transactions.

(f) 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 except for commissions on loans and guarantees where the amount of the loan or guarantee is at least PLN 1 million, and the repayment period is longer than 12 months. Such commissions are recognised in the income statement on an accruals basis.

(g) Dividends and result on sale of securities

Dividends are recognised in the income statement when the Group becomes entitled to their receipt. The result on sale of securities is calculated as the difference between the net book value of securities at the time of sale and the net sale proceeds.

(h) Provisions

Provisions general or specific are principally created in respect of normal loans watch category loans, irregular loans, interbank placements, financial investments, tangible fixed assets and off-balance sheet commitments.

Specific provisions are set up in respect of the risk associated with individual transactions where the receivable or other exposure has been assessed on an individual basis and classified as lost, doubtful, sub-standard or watch (100%, 50%, 20%, and 1.5% respectively).

The Group creates a general provision to cover losses that are believed to be present in the loan portfolio at the balance date, but which have not been specifically identified

NOTES TO THE FINANCIAL STATEMENTS

(i) Taxation

Corporate income tax is calculated at 30% (1999: 34%) of profit before tax which is determined on the basis of accounting regulations and adjusted for exempt income and non-deductible costs.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. At the balance date the deferred tax provision was calculated at the rate of 28% (1999: 30%).

(j) Amounts due from banks, customers and the public sector

Amounts due from banks, customers and the public sector are stated net of provisions and capitalised and overdue interest.

(k) Debt securities and shares

Debt securities and shares include:

- long-term securities, including debt securities to be held until redemption by the issuer;
- shares in other companies, including shares in limited liability and joint stock companies which were purchased with the intention of exercising long-term control over the activities of those companies;

Debt securities and shares held for investment purposes are stated at cost net of provisions for permanent diminution in value. Debt securities and shares held for trading purposes are shown at the lower of cost and market value.

The purchase price of debt securities may be higher or lower than their nominal value. The resulting discount/premium is credited/charged to the income statement on an accruals basis over the period between their acquisition and expected redemption date.

The purchase price of government bonds purchased on the secondary market includes interest accrued in the period prior to their purchase. Such bonds are shown at cost adjusted for any purchase discount or premium. The carrying cost is reduced by the amount of pre-acquisition interest received subsequent to acquisition.

NBP bonds issued by the National Bank of Poland in connection with the lowering of obligatory deposit rates are valued at cost plus accrued interest. These bonds bear interest at a rate equal to the rate of inflation.

Accrued interest on securities is included within "accrued interest and other assets".

(l) Sale and repurchase agreements

Securities sold under sale and repurchase agreements ("repos") are retained in the financial statements and the counterparty liability is included in deposits from banks or customers as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as placements with, and loans to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of the repo or reverse repo agreements.

NOTES TO THE FINANCIAL STATEMENTS

(m) Tangible fixed assets

Tangible fixed assets with the exception of land and capital work in progress, are shown net of depreciation. Tangible fixed assets comprise assets which are owned or jointly owned by the Group, are complete and ready for use when commissioned, have an expected useful life over one year and are designated for use by the Group or for rental to third parties.

Tangible fixed assets are periodically revalued in accordance with the provisions of the law.

Land held in perpetual usufruct (long term leasehold) is also included in tangible fixed assets.

Tangible fixed assets are shown at purchase price or construction cost less accumulated depreciation and taking into account the results of any revaluation performed.

(n) Depreciation

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.

(o) Liabilities

Liabilities, including inter-bank deposits and placements, are recorded at the amount of principal due as at the balance date.

(p) Provision for long service awards and one-off retirement payments to employees

The Group creates a provision for long service awards and one-off retirement payments to employees. The provision is determined taking into account life-time employment history and years of employment with the Group.

(q) 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.

With the exception of share capital of the equity of consolidated subsidiary companies 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.

NOTES TO THE FINANCIAL STATEMENTS

(q) Equity (cont.)

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 its the entry in the commercial register.

Supplementary capital is principally created from appropriations of profit and share premiums arising on the issue of shares. In accordance with the Polish Commercial Code, at least 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 minimum balance is not distributable.

Reserve capital is utilised in accordance with the Bank articles of association. It is principally created from appropriations of profit and in certain circumstances is 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.

(r) Cash and cash equivalents

Cash comprises cash on hand and cash on current accounts with other banks.

Cash equivalents represent interbank deposits and debt securities with an initial maturity date within 3 months which can be exchanged into cash at any time and which bear a very low risk of change in value

(s) Off-balance sheet items

Off-balance sheet items relating to purchase/sale transactions include the purchase and sale of foreign currencies, differences on SWAP transactions, amounts payable with respect to securities as well as deposits related to financial instruments. Off- balance sheet items also include guarantes, letters of credit unutilised lending facilities.

(t) Derivative transactions

Unrealised losses on trading activities involving Forward Rate Agreements (FRA) and Interest Rate SWAPs (IRS) are taken to the income statement using the mark to market basis of accounting. Unrealised profits on trading activities are taken to the income statement using the mark to market method of accounting to the extend that such profits offset unrealised losses. If unrealised profits exceed unrealised losses, then the net unrealised profit is not taken to the income statement until it is realised.

Income and expenses associated with foreign currency SWAP hedging activities are taken to the income statement on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

3. Interest income and expense

	Income	Expense	Income	Expense
	12 months to 31.12.2000 PLN '000	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000	12 months to 31.12.1999 PLN '000
Financial institutions	739,022	(485,212)	182,388	(110,946)
Business entities, state-financed (budget) entities and private individuals	607,231	(736,892)	608,987	(589,300)
Treasury bills and bonds	275,672	0	260,702	0
Securities of non-financial institutions	157,915	0	90,842	0
Other	68,663	(518)	39,669	(2,977)
	1,848,503	(1,222,622)	1,182,588	(703,223)

In the 12 months to 31.12.2000 average interest earning assets amounted to PLN 10,390,904 thousand earning an average interest rate of 17.8%. The average interest bearing liabilities of the Group during the period amounted to PLN 10,376,276 thousand with an average interest expense of 11.8%.

4. Commission income - gross

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Banking activities	239,322	174,057
Brokerage activities	28,269	19,264
	267,591	193,321

5. Provisions for loans and guarantees - net charge

Provisions for loans	(144,457)	(82,842)
General provision	(23,520)	(30,800)
Provisions for off-balance sheet liabilities	(3,782)	(3,174)
Release of provisions for loans	114,256	59,159
Release of provisions for off-balance sheet liabilities	1,453	2,521
Release of provisions for placements with other banks	0	79
	(56,050)	(55,057)

6. Provisions for shares and other securities

Provisions created	(10,865)	(13,021)
Provisions released	4,324	8,018
	(6,541)	(5,003)

NOTES TO THE FINANCIAL STATEMENTS

7. Operating expenses

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Salaries and wages	(215,629)	(188,282)
Other employment costs	(43,147)	(35,642)
Depreciation	(74,261)	(62,540)
Advertising and promotional expenses	(20,645)	(12,702)
Administrative and other expenses	(223,067)	(200,412)
Accrual for long-service awards and one-off retirement payments	(3,232)	(1,273)
Provisions for other assets:	(175)	(826)
– provisions created	(700)	(1,060)
– provisions released	525	234
	(580,156)	(501,677)

The average number of employees during the year was 4,864 (1999: 5,073).

8. Taxation

Corporate income tax - current charge (a)	103,883	82,986
Deferred income tax (b)	(18,272)	11,442
	85,611	94,428

(a) Corporate income tax - current charge

Gross profit	309,364	268,656
Consolidation adjustments	10,614	16,522

Permanently non tax - allowable costs:

Provisions for loans regarded as permanently disallowable for deferred tax purposes	57,046	33,329
Other costs	15,741	9,487
	72,517	42,816

Temporarily non tax - allowable costs:

Provisions for loans and other costs	167,963	149,269
Accrued interest payable	152,658	80,432
	320,621	229,701
To carry forward	713,116	557,695

NOTES TO THE FINANCIAL STATEMENTS

8. Taxation (cont.)

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Brought forward	713,116	557,695
Costs disallowed in previous years, allowed in the current year:		
Interest paid, accrued for in previous years	(60,098)	(103,478)
	(60,098)	(103,478)
Permanently non-taxable income:		
Release of provisions for loans and other costs previously treated as permanently disallowed for tax purposes	(101,117)	(26,511)
Income received, previously taxed when accrued	(10,594)	(1,268)
Domestic dividends	(12,147)	(6,978)
Other income	10,790	(31)
	(113,068)	(34,788)
Temporarily non-taxable income:		
Accrued interest income	(313,175)	(196,162)
Other	(148)	(811)
	(313,323)	(196,973)
Provisions temporarily disallowed in previous years, released in the current year		
Release of provisions	(72,851)	(104,898)
	(72,851)	(104,898)
Income not taxable in previous years, taxable in the current year:		
Interest received, accrued in previous years	198,696	165,718
Income received in advance	4,448	(1,832)
Capitalised interest	397	(9,079)
	203,541	154,807
Gross taxable income	357,317	272,365
Tax deductible items:		
Donations made	(1,422)	(939)
Investment relief claimed	0	(17,253)
Investment relief premium claimed	(8,619)	(5,356)
Tax loss of GBH S.A.	(998)	(4,740)
Taxable income	346,278	244,077
Corporate income tax charge 30%/34%	103,883	82,986

NOTES TO THE FINANCIAL STATEMENTS

8. Taxation (cont.)

Corporate income tax charge - by consolidated Group company:

	12 months to 31.12.2000 PLN'000
WBK S.A.	98,846
DM WBK SA	4,047
GBH S.A.	990
	103,883

(b) Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes:

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Cumulative temporary differences between the tax bases of assets and liabilities:		
Accrued discount, SWAP points and other unrealised income	275,529	188,715
Accrued interest payable	(152,495)	(81,175)
Investment relief	37,149	58,054
Loan provisions	(116,562)	(69,473)
Other provisions	(80,846)	(60,114)
Accrued interest receivable	60,759	45,183
Capitalised interest	(509)	411
Income received in advance	(7,120)	(3,407)
Tax loss of GBH S.A. available for set off against taxable income in 2000/1999	0	(1,996)
Other	3	(445)
Total temporary differences	15,908	75,753
Deferred tax provision (28%/30%)	4,454	22,726

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Movements in deferred tax provision during the financial year:		
Deferred tax provision at the beginning of the year	22,726	11,284
Deferred tax charge for the year	0	11,442
Deferred tax credit for the year	(18,272)	0
Deferred tax provision at the end of the year	4,454	22,726

NOTES TO THE FINANCIAL STATEMENTS

9. Profit after tax before minority interests

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Net profit of WBK S.A.	224,066	184,973
Net profit of GBH S.A.	1,872	3,352
Net profit of DM WBK S.A.	8,429	2,425
Consolidation adjustments	(10,614)	(16,522)
	223,753	174,228

10. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	12 months to 31.12.2000	12 months to 31.12.1999
Net profit attributable to shareholders (PLN'000)	223,753	174,228
Weighted average number of ordinary shares in issue (PLN'000)	68,816	68,816
Earnings per share	3.25	2.53

Diluted earnings per share have not been calculated as Wielkopolski Bank Kredytowy S.A. has no potential dilutive ordinary shares.

11. Balances with the Central Bank

	31.12.2000 PLN '000	31.12.1999 PLN '000
PLN denominated current account	134,064	555,419

Banks are obliged to calculate and maintain obligatory deposits with the NBP. The average daily balance that Wielkopolski Bank Kredytowy S.A. was obliged to maintain on current account with the NBP during December 2000 was PLN 325,718 thousand.

12. Cash in hand and current accounts with banks

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Cash - PLN	129,699	196,408
Cash - foreign currencies	66,561	115,223
Current accounts with other banks - PLN	16,003	7,041
Current accounts with other banks - foreign currencies	9,895	39,669
	222,158	358,341

NOTES TO THE FINANCIAL STATEMENTS

Cash in hand and current accounts with banks - by territory

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Poland	143,456	210,020
USA	24,385	54,827
Other European countries	51,926	90,147
Other countries	2,391	3,347
	222,158	358,341

13. Placements with, and loans to other banks

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Placements with other banks	3,379,744	1,357,720
Loans to other banks	25,899	41,483
Receivables from reserve repo transactions	99,369	0
Gross placements with, and loans to other banks (a), (b), (c)	3,505,012	1,399,203
Provisions (d)	(743)	(743)
Net placements with, and loans to other banks	3,504,269	1,398,460

Annual interest rates achieved on placements with, and loans to other banks during the 12-month period ended 31 December 2000 ranged from 2.50% - 28.0% for PLN denominated amounts (1999: 0.50% to 23.50%) and from 0.05% to 9.80% for foreign currency amounts (1999 : 0.02% to 10.50%).

(a) Placements with, and loans to other banks by currency:

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
PLN	826,400	169,782
Foreign currencies	2,678,612	1,229,421
	3,505,012	1,399,203

NOTES TO THE FINANCIAL STATEMENTS

13. Placements with, and loans to other banks (cont.)

(b) Placements with, and loans to other banks - by territory:

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Austria	140,869	79,209
Canada	0	20,742
Czech Republic	41,432	0
Denmark	61,081	2,240
France	33,146	45,858
Germany	499,253	433,134
Great Britain	785,367	120,110
Italy	103,580	0
Norway	20,716	0
Poland	1,011,900	208,410
Republic of Ireland	284,382	103,708
Spain	41,432	0
Switzerland	165,728	0
USA	316,126	385,792
	3,505,012	1,399,203

(c) Placements with, and loans to other banks by maturity:

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Within 1 month	2,274,519	1,204,556
Between 1 to 3 months	477,218	55,330
Between 3 months to 1 year	463,886	74,685
Between 1 year to 5 years	215,992	57,639
After 5 years, including overdue amounts	73,397	6,993
	3,505,012	1,399,203

NOTES TO THE FINANCIAL STATEMENTS

(d) Provisions created for irregular amount due from other banks - changes during the year:

	As at to 31.12.2000 PLN'000	As at to 31.12.1999 PLN'000
Provisions at the beginning of the year	743	822
Provisions released	0	(79)
Provisions at the end of the year	743	743

14. Debt securities

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Trading portfolio bonds and other securities (a)	404,800	9,874
Investment portfolio bonds and other securities (b)	2,204,136	2,544,127
Total net bonds and other securities	2,608,936	2,554,001

(a) Bonds and other securities - trading portfolio:

– fixed interest:		
• Treasury bonds (i), (ii)	15,965	5,079
• treasury bills (ii)	12,506	4,753
• NBP bills (ii)	288,338	0
• commercial paper	13,425	0
• omunicipal bonds	81	0
– variable interest:		
• communal bonds and commercial paper	74,485	0
• municipal bonds	0	42
	404,800	9,874

(i) Fixed interest Treasury bonds have initial maturities of 2 and 5 years.

(ii) A liquid market exists for fixed interest Treasury bills, NBP bills and fixed interest Treasury bonds.

NOTES TO THE FINANCIAL STATEMENTS

(b) Bonds and other securities - investment portfolio:

– fixed interest:	1,376,566	1,428,929
• NBP bills (iv)	0	99,817
• Treasury bills (i), (iv)	219,880	338,203
• Treasury bonds (ii), (iv)	1,132,497	953,664
• Other	24,189	37,245
– variable interest:	827,570	1,115,198
• Treasury “Brady bonds”	0	237,727
• Treasury bonds (iii)	339,805	337,028
• NBP bonds	487,765	481,279
• Other	0	59,164
Total investment bonds and other securities	2,204,136	2,544,127

The NBP bonds which the Group purchased in place of the non-interest bearing obligatory deposit bear an interest rate equal to the annual inflation rate measured from 1 August to 31 July. These bonds may not be transferred, therefore there is no market by reference to which their value can be determined. In view of the legal requirement for Polish banks to purchase these bonds and hold them to maturity and taking account the creditworthiness of the issuer, these bonds are carried at cost. Accrued interest is included in the “accrued interest receivable and other assets”.

- (i) Treasury bills include securities with a net book value of PLN 27,206 thousand that are pledged, in accordance with the terms of the Bank Guarantee Fund Act, as collateral for potential future liabilities to the Guaranteed Deposits Protection Fund.
- (ii) Fixed interest Treasury bonds have initial maturities of 2.5 and 10 years.
- (iii) Variable interest Treasury bonds have initial maturities of 3 and 10 years.
- (iv) A liquid market exists for fixed and variable interest Treasury bonds, Treasury bills and NBP bills.

(c) The returns achieved on debt securities during the 12-month period ended 31 December 2000 were as follows:

	2000		1999	
	min %	max %	min %	max %
• Treasury bills	2.69	17.59	10.04	25.24
• NBP bills	16.39	19.01	12.97	16.97
• 2-year Treasury bonds	0.00	12.00	12.00	14.00
• 5-year Treasury bonds	8.50	13.00	10.00	14.00
• 10-year fixed interest Treasury bonds	6.00	6.00	6.00	6.00
• 3-year Treasury bonds	13.39	17.93	12.89	17.69
• 10-year Treasury bonds	13.36	19.43	13.36	22.13
• Polish government “Brady bonds”	7.00	7.67	5.94	7.00

(d) The total market value of listed debt securities held by the Group in its trading and investment portfolios as at 31.12.2000 amounted to PLN 2,561,308 thousand.

(e) Gross debt securities - by currency:

	As at 31.12.2000 PLN ‘000	As at 31.12.1999 PLN ‘000
PLN	2,584,851	2,316,275
Foreign currencies	24,085	237,726
	2,608,936	2,554,001

NOTES TO THE FINANCIAL STATEMENTS

(f) Gross debt securities
– by maturity:

Within 1 month	378,770	164,274
Between 1 and 3 months	151,969	330,347
Between 3 months and 1 year	433,554	281,384
Between 1 and 5 years	1,050,108	883,941
More than 5 years	594,535	894,055
	2,608,936	2,554,001

(g) Debt securities - by liquidity:

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Debt securities with unlimited transferability listed on the Warsaw Stock Exchange.	1,488,268	1,295,771
Debt securities with unlimited transferability traded on the OTC market	443,232	255,937
Debt securities with unlimited transferability not listed on the Warsaw Stock Exchange and not traded on the OTC market	112,098	427,503
Debt securities with limited transferability	565,338	574,790
	2,608,936	2,554,001

15. Loans to customers and the public sector

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Overdrafts	1,014,316	807,413
Charge card balances	25,847	763
Term loans	4,977,134	4,502,236
Other	87,847	92,746
Gross loans (a), (b), (c), (d)	6,105,144	5,403,158
Specific provisions (e)	(261,565)	(250,284)
General provision (f)	(64,320)	(40,800)
Capitalised interest	(691)	(5,254)
Suspended interest	(78,755)	(90,491)
Net loans	5,699,813	5,016,329

Annual interest rates achieved on loans to customers and the public sector during the 12-month period ended 31 December 2000 ranged from 18.21% to 33.42% for PLN loans (1999: 15.00% to 30.96%) and from 1.08% to 15.95% for foreign currency loans (1999: 1.64% to 14.08%).

NOTES TO THE FINANCIAL STATEMENTS

(a) Loans to customers and the public sector - by currency:

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
PLN	4,682,124	4,464,974
Foreign currencies	1,423,020	938,184
	6,105,144	5,403,158

(b) Loans to customers and the public sector - by maturity:

Within 1 month	1,422,962	1,023,883
Between 1 to 3 months	315,830	675,048
Between 3 months to 1 year	1,400,705	1,411,801
Between 1 to 5 years	1,908,070	1,230,073
After 5 years	548,125	587,780
Overdue amounts	509,452	474,573
	6,105,144	5,403,158

(c) Loans to customers and the public sector - by credit risk category:

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Normal	5,073,765	4,442,002
Watch	481,944	418,881
Substandard	172,547	153,812
Doubtful	65,658	65,630
Loss	228,947	230,087
Interest due not received, unallocated amounts and other amounts	82,283	92,746
	6,105,144	5,403,158

(d) Loans to customers and the public sector - by type of entity:

Public sector	80,495	225,693
Enterprises	5,063,984	4,256,577
Agricultural sector	124,858	138,549
Retail loans	748,652	539,064
Interest due, not received; unallocated amounts and other amounts	87,155	243,275
	6,105,144	5,403,158

NOTES TO THE FINANCIAL STATEMENTS

The aggregate amount of loans on which interest is not recognised in the income statement on an accruals basis as at 31 December 2000 is PLN 467,152 thousand (1999: PLN 449,529 thousand).

(e) Specific provisions - changes during the year:

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Provisions at the beginning of the year	250,284	247,974
Provisions created	144,457	82,842
Provisions released	(114,256)	(59,159)
Foreign exchange differences	(516)	(486)
Utilisation of provisions	(18,404)	(20,887)
Provisions at the end of the year	261,565	250,284

(f) general provision - changes during the year:

General provision at the beginning of the year	40,800	10,000
Created during the year	23,520	30,800
General provision at the end of the year	64,320	40,800

(g) Value of loans granted by the Group and guaranteed by the Polish or foreign governments or other banks:

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Polish government	0	0
Foreign governments	0	0
Polish banks	418	178
Foreign banks	84,411	3,041
	84,829	3,219

Net amounts due from non-consolidated subsidiaries as at 31 December 2000 amounted to PLN 12,889 thousand.

NOTES TO THE FINANCIAL STATEMENTS

16. Accrued interest receivable and other assets

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Accrued interest receivable	392,111	186,266
Deferred cost of option premiums	21,765	0
Prepaid costs	11,737	13,916
Interbank clearing accounts	7,104	7,324
Sundry debtors	118,441	69,932
Total gross	551,158	277,438
Provisions (a)	(2,513)	(3,244)
Total net	548,645	274,194

Sundry debtors comprise mainly balances from ATM operations, corporate income tax, receivable and settlements with the Polish Post Office network.

(a) Provisions - changes during the year

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Provisions at the beginning of the year	3,244	2,418
Increases:		
• provisions created	700	1,060
Decreases:		
• release of provisions	(525)	(234)
Utilisation of provisions	(906)	0
Provisions at the end of the year	2,513	3,244

17. Shares and other securities

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Investment portfolio:		
Shares in subsidiary companies (a), (b), (c)	8,425	12,888
Shares in associated companies (d), (e), (f)	8,755	7,163
Mutual fund participation units (g)	128,558	7,475
Other shares (h)	153,114	118,597
Shares held by Dom Maklerski (i)	34	0
Total gross value	298,886	146,123
Trading portfolio:		
Shares held by Dom Maklerski WBK S.A. (i)	5,046	4,511
Other shares (j)	1,953	13,477
Total gross value	6,999	17,988
Total gross shares and other securities	305,885	164,111
Provisions (k)	(25,671)	(23,636)
Total net shares and other securities	280,214	140,475

NOTES TO THE FINANCIAL STATEMENTS

17. AShares and other securities (cont.)

(a) Shares in subsidiary companies as at 31 December 2000 - additional information:

	Company	Registered office	Activity	Status	Consolidation method applied	Date of acquisition of control	Shares at costs	Provisions	Book value	Percentage of share capital and voting rights held
							PLN'000	PLN'000	PLN'000	%
1	WBK Finanse & Leasing SA	Poznań	Leasing of fixed assets, credit intermediation	subsidiary	not consolidated	X 1998	5,013	0	5,013	100.00
2	WBK Nieruchomości S.A.	Poznań	Construction and subsequent management operations and service centre	subsidiary	not consolidated	VII 1998	103	0	103	100.00
3	Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU S.A.	Poznań	Distribution of insurance products	subsidiary	not consolidated	II 1993 (initially as an associated company)	218	0	218	60.00
4	PB Polsoft Sp z o.o.	Poznań	IT services	subsidiary	not consolidated	XII 1996	102	0	102	51.00
5	WBK AIB Fund Management Sp. z o.o.	Warsaw	Management of VI National Investment Fund Magna Polonia S.A.	subsidiary	not consolidated	IX 1995 (initially as an associated company)	2,989	0	2,989	54.00
Gross value of shares subsidiary companies							8,425			

NOTES TO THE FINANCIAL STATEMENTS

17. Shares and other securities (cont.)

(b) Shares in subsidiary companies as at 31 December 2000 - additional information:

Company	Share capital (fully paid up)	Supplementary and other capital	Unappropriated profits/uncovered losses brought forward	Net profit /loss	Total assets	Dividends received or receivable/for previous year
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
1 WBK Finanse & Leasing S.A.	15,000	(1,045)	(1,180)	135	177,048	0
2 WBK Nieruchomości S.A.	100	30	0	25	318	40
3 Brytysjo-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	350	1,349	0	927	2,347	538
4 PB Polsoft Sp. z o.o.	200	2,948	0	2,074	5,021	432
5 WBK AIB Fund Management Sp. z o.o.	2,469	1,303	0	815	6,619	540

NOTES TO THE FINANCIAL STATEMENTS

17. Shares and other securities (cont.)

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN
(c) Shares in subsidiaries - changes during the financial year:		
Balance at the beginning of the year	12,888	11,364
Purchase	0	5,564
Sales	(4,463)	(4,040)
Balance at the end of the year	8,425	12,888

NOTES TO THE FINANCIAL STATEMENTS

17. Shares and other securities (cont.)

(d) Shares in associated companies as at 31 December 2000 - additional information:

	Company	Registered office	Activity	Relationship	Consolidation method applied	Date of acquisition of significant influence	Shares at cost	Provisions	Book value of shares	Percentage of share capital and voting rights held
							PLN'000	PLN'000	PLN'000	%
1	WBK AIB Asset Management S.A.	Poznań	Advisory services relating to public trading in securities	associated company	not consolidated	IV 1997	6,755	0	6,755	50.00
2	Euroad - Leasing Sp. z o.o.	Warsaw	Manufacturing, trading provision of services and construction	associated company	not consolidated	X 2000	400	400	0	37.50
3	eCard S.A..	Warsaw	Software, data processing and other database-related activities	associated company	not consolidated	XI 2000	1,600	0	1,600	28.57
Gross value of shares in associated companies							8,755			

NOTES TO THE FINANCIAL STATEMENTS

17. Shares and other securities (cont.)

(e) Shares in associated companies as at 31 December 2000 - additional information:

Company	Share capital (fully paid up)	Supplementary and other capital	Unappropriated profits/uncovered losses brought forward	Net profit/loss for the period	Total assets	Dividends received or receivable for previous year
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
1 WBK AIB Asset Management SA	13,500	(1,990)	(2,337)	347	11,739	0
2 Euroad – Leasing Sp. z o.o. (*)	1,065	(24)	(26)	2	1,112	0
3 eCard SA	1,600	(484)	0	(484)	2,744	0

* balance sheet as at 31.12.1999, income statement as at 30.06.2000.

NOTES TO THE FINANCIAL STATEMENTS

17. Shares and other securities (cont.)

(f) Shares in associated companies - changes during the year:

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Balance at the beginning of the year	7,163	10,283
Purchase	2,000	5,473
Decrease due to:		
• sale	(400)	(5,604)
• reclassification	0	(2,989)
Provisions	(8)	0
Balance at the end of the year	8,755	7,163

(g) The market value of mutual fund units as at 31 December 2000 amounted to PLN 129,488 thousand (31.12.1999: PLN 8,577 thousand).

(h) Other shares held as follows:

Company	Registered	Activity office	Book value of shares PLN '000	Interest held %	Shares not paid paid up as at 31 December 2000 PLN '000
Huta Lucchini Warszawa Sp. z o.o.	Warsaw	Metallurgy	22,221	12.48	0
Commercial Union Powszechne Towarzystwo Emerytalne BPH, CU, WBK SA	Warsaw	Pension fund formation and management	21,013	10.00	0
Autostrada Wielkopolska S.A.	Poznań	Motorway construction	46,020	9.98	0
NFI Magna Polonia S.A. (*)	Warsaw	Asset management	32,900	16.11	0
Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych S.A.	Warsaw	Property and personal insurance	2,119	10.00	0
Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A.	Warsaw	Life insurance	8,046	10.00	821
Inter Groclin S.A. (**)	Karpicko	Production of motor vehicle components	7,018	9.05	0
Other			13,777	—	0
Gross value of shares			153,114		

(*) The market value of NFI Magna Polonia S.A. shares as at 31.12.2000 amounted to PLN 17,047 thousand. At 31.12.2000 the Group had created a provision of PLN 5,085 thousand for these shares. In the opinion of the Management Board of WBK S.A. no further provision is required for this investment.

(**) The market value of Inter Groclin S.A. shares as at 31.12.2000 amounted to PLN 13,025 thousand.

NOTES TO THE FINANCIAL STATEMENTS

17. Shares and other securities (cont.)

(i) As at 31.12.2000 the market value of shares held by Dom Maklerski WBK S.A. amounted to PLN 5,229 thousand.

(j) Other shares:

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Impexmetal S.A.	0	6,344
Polski Koncern Naftowy S.A.	1,457	5,347
Inter Groclin S.A.	0	1,679
Lubelskie Zakłady Przemysłu Skórzanego S.A.	496	107
	1,953	13,477

As at 31.12.2000 the market value of other shares amounted to PLN 2.096 thousand.

(k) Provisions for shares - changes during the year:

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Balance at the beginning of the year	23,636	18,633
Increases:		
• Provisions created	10,865	13,021
Decreases:		
• Provisions releases	(4,324)	(8,018)
Provisions utilised	(4,506)	0
Balance at the end of the year	25,671	23,636

18. Goodwill

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Gross goodwill (a)	40,666	40,530
Accumulated amortisation	(34,400)	(26,244)
	6,266	14,286

NOTES TO THE FINANCIAL STATEMENTS

18. Goodwill (cont.)

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
(a) Change in goodwill:		
Gross value at the beginning of the year (i)	40,530	40,959
Increases due to the purchase of additional shares of GBH SA/DM WBK SA	136	51
Decreases due to the redemption of preferential shares by GBH SA	0	(480)
Gross goodwill at the end of the year	40,666	40,530
Accumulated amortisation at the beginning of the year	(26,244)	(18,052)
Amortisation charge for the year relating to KBS Zielona Góra	(788)	(788)
Amortisation charge for the year relating to BBB S.A.	(3,903)	(3,903)
Amortisation charge for the year relating to GBH S.A.	(3,465)	(3,501)
Accumulated amortisation at the end of the year	(34,400)	(26,244)
Net goodwill	6,266	14,286

(i) Gross goodwill at the beginning of 2000 comprises: PLN 19,515 thousand relating to the purchase of the business of a branch of Bydgoski Bank Budownictwa S.A. in Bydgoszcz (BBB S.A.), PLN 3,943 thousand relating to the acquisition of KBS Zielona Góra, PLN 17,021 thousand relating to GBH S.A and PLN 51 thousand relating to DM WBK S.A.

19. Tangible fixed assets

	Land and buildings	Plant and machinery	Vehicles	Capital work in progress	Total
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Gross value					
Balance as at 31 December 1999	192,933	301,938	8,367	32,271	535,509
Increases	2,963	21,445	2,895	106,818	134,121
Decreases	(11,365)	(23,002)	(1,810)	(9,286)	(45,463)
Transfers	34,055	47,081	1,810	(82,946)	0
Balance as at 31 December 2000	218,586	347,642	11,262	46,857	624,167
Accumulated depreciation					
Balance as at 31 December 1999	36,917	158,035	4,402	0	199,354
Increases	10,377	61,068	2,816	0	74,261
Decreases	(813)	(19,498)	(1,618)	0	(21,929)
Transfers	377	(387)	10	0	0
Balance as at 31 December 2000	46,858	199,218	5,610	0	251,686
Net book value					
Balance as at 31 December 1999	156,016	143,903	3,965	32,271	336,155
Balance as at 31 December 2000	171,728	148,244	5,652	46,857	372,481

As at 31 December 2000 net leasehold improvements amounted to PLN 38,325 thousand (gross value - PLN 54,543 thousand, accumulated depreciation - PLN 16,218 thousand).

NOTES TO THE FINANCIAL STATEMENTS

20. Amounts due to banks

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Current	9,644	14,294
Term	1,246,919	697,889
Repo transaction	98,642	0
	1,355,205	712,183

(a) Term amounts due to banks - by maturity:

Within 1 month	954,785	401,136
Between 1 and 3 months	47,853	598
Between 3 months and 1 year	186,462	204,142
Between 1 and 5 year	66,850	100,057
Over 5 year	99,255	6,250
	1,355,205	712,183

(b) Amounts due to banks - by currency:

PLN	930,808	333,443
Foreign currencies	424,397	378,740
	1,355,205	712,183

The annual interest expense on interbank deposits accepted during the 12 months to 31 December 2000 varied from 0.5% to 24% (1999: 0.2% to 22.17%) and from 1.1% to 7.16% (1999: 0.10% to 10.00%) for PLN and foreign currency denominated term deposits respectively.

21. Amounts due to customers and the public sector

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Deposits (a), (b)	10,164,797	8,506,502
Other	5,423	6,442
	10,170,220	8,512,944

The annual interest expense on interbank deposits accepted during the 12 months to 31 December 2000 varied from 3% to 9% (1999: 3.00% to 9.25%) and from 0.5% to 7.0% for PLN (1999: 0.10% to 8.00%) and foreign currency denominated deposits respectively, and from 13% to 17% (1999: 8.65% to 14.75%) and from 0.75% to 8.75% for PLN and foreign currency denominated term deposits respectively (1999: 0.15% to 9.25%).

NOTES TO THE FINANCIAL STATEMENTS

21. Amounts due to customers and the public sector (cont.)

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
(a) Deposits - by maturity:		
Within 1 month	6,781,982	5,798,916
Between 1 and 3 months	1,964,281	1,546,044
Between 3 months and 1 year	1,079,216	1,045,481
Between 1 and 5 years	326,304	110,161
Over 5 years	13,014	5,900
	10,164,797	8,506,502

(b) Deposits - by currency:		
PLN	8,891,922	7,569,743
Foreign currencies	1,272,875	936,759
	10,164,797	8,506,502

At 31 December 2000 amounts due to non-consolidated subsidiary and associated companies totalled PLN 4,270 thousand.

22. Accrued interest and other liabilities

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Accrued interest	156,263	80,699
Interbank clearing accounts	283,809	220,432
Interbranch clearing accounts	84,432	53,780
Accrued costs and deferred income	47,682	36,829
Other	140,633	60,872
	712,819	452,612

Interbranch clearing account balances arise as the result of the structure of the national clearing system. All liabilities in this category are matched by receivables and were settled immediately after the year end.

23. Subordinated liabilities

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Subordinated liabilities	10,000	10,000

In accordance with the 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. The loan represents the contribution of Ford Credit Europe plc to the restructuring process of the Polish banking system and was granted to WBK S.A. in connection with its acquisition of the business of a branch of Bydgoski Bank Budownictwa S.A. in 1996.

NOTES TO THE FINANCIAL STATEMENTS

24. Provisions

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Deferred tax provision (a)	4,454	22,726
Provision for off-balance sheet liabilities (b)	3,302	973
Provision for long-service awards and one-off retirement payments (Note 34)	20,305	17,073
Other	0	32
	28,061	40,804
(a) Deferred tax provision		
- changes during the year:		
Balance at the beginning of the year	22,726	11,284
Deferred tax charge /(credit) for the year	(18,272)	11,442
Balance at the end of the year	4,454	22,726
(b) Provision for off-balance sheet liabilities		
- changes during the year		
Balance at the beginning of the year	973	320
Provisions created	3,782	3,174
Provisions released	(1,453)	(2,521)
Balance at the end of the year	3,302	973

25. Minority interests

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Minority interests in net assets of GBH S.A.	593	852
	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Minority interests in net assets of GBH S.A.		
- changes during the year		
Balance at the beginning of the year	852	1,070
Minority interest in net profit for the year	55	162
Decrease due to purchase of additional GBH S.A. shares by the Group	(314)	(202)
Minority interest in redemption of GBH S.A. preferential shares	0	(178)
Balance at the end of the year	593	852

26. Equity

	As at 31.12.2000 PLN '000	As at 31.12.1999 PLN '000
Share capital (27)	86,020	86,020
Share premium (not distributable)	30,690	30,690
Revaluation reserve (not distributable) (28)	50,316	51,427
Other reserves (29)	564,224	486,062
General risk reserve (not distributable) (30)	145,000	90,000
	876,250	744,199
Net profit for the year (31)	223,698	174,066
	1,099,948	918,265

NOTES TO THE FINANCIAL STATEMENTS

27. Share capital

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Share capital issued and fully paid up	86,020	86,020

The share capital of WBK S.A. as at 31 December 2000 consisted of 68,816,000 ordinary shares with a nominal value of PLN 1.25 per share.

As at 31 December 2000 shareholders with over 5% of voting rights were as follows:

AIB European Investments Ltd	60.14%
Polish State Treasury	5.10%

28. Revaluation reserve

	12 months to 31.12.2000 PLN '000	12 months to 31.12.1999 PLN '000
Revaluation reserve	50,316	51,427

The change in the revaluation reserve during the year resulted from the sale of fixed assets which were revalued as at 11 January 1995.

29. Other reserves - changes during the year

	12 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Balance at the beginning of the year	486,062	395,425
Appropriation of prior year profit	77,717	90,637
Other changes	445	0
Balance at the end of the year	564,224	486,062

30. General risk reserve - changes during the year

	112 months to 31.12.2000 PLN'000	12 months to 31.12.1999 PLN'000
Balance at the beginning of the year	90,000	35,000
Appropriation of prior year profit	55,000	55,000
Balance at the end of the year	145,000	90,000

NOTES TO THE FINANCIAL STATEMENTS

31. Net profit

The proposed appropriation of the net profit of the WBK S.A. Group for the 12 months to 31 December 2000 and the actual appropriation of the net profit for the 12 months to 31 December 1999 are presented below:

	As at to 31.12.2000 PLN'000	As at to 31.12.1999 PLN'000
Reserves	123,968	77,717
General risk reserve	55,000	55,000
Dividend	44,730	37,849
Other	0	3,500
	223,698	174,066

32. Remuneration of the Bank Council and the Management Board of Wielkopolski Bank Kredytowy S.A. Group

	As at to 31.12.2000 PLN'000	As at to 31.12.1999 PLN'000
Bank Council	412	420
Management Board	7,527	3,572
	7,939	3,992

33. Loans to the Bank Council, the Management Board and non-consolidated related parties

	As at to 31.12.2000 PLN'000	As at to 31.12.1999 PLN'000
Management Board	190	8
Bank Council	15	17
Related parties - loans and guarantees (i)	121,585	32,390
Employees	22,123	18,582
Shareholders	0	9,664
	143,913	60,661

(i) This represents loans and guarantees to non-consolidated related parties. Loans and guarantees to the Bank Council, the Management Board and related parties were granted on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

34. One-off retirement benefits and long-service bonuses

There are no contractual or other legally binding agreements with employees regarding continuing retirement benefits. Continuing retirement benefits are paid out of the State Social Security System which require employees and employers to contribute to the funding of benefits during an employee's working life. The Group's obligations in this respect are on the basis of defined contributions which represent a fixed percentage of employee remuneration. These amounts are settled with the State Social Insurance body (ZUS) on a monthly basis and treated as period costs.

The Group has contractual arrangements with employees in respect of one-off retirement payments and long-service awards. The amount of these benefits vary depending on life-time employment history and years of employment with the Group. The Group has a provision of PLN 20,305 thousand in respect of its estimated liability in respect of one-off retirement payments and long-service awards (note 24).

35. Contingent liabilities

In the period 1994 - 2000 WBK SA utilised basic investment tax reliefs and additional investment relief premiums totalling PLN 200,820 thousand.

In certain circumstances of breach of taxation regulations relief may be reclaimed by the taxation authorities. As at the date of approval of the financial statements for the year ended 31 December 2000 the Management Board of WBK SA did not believe that any significant liabilities would arise as a result of taking advantage of investment relief.

Assets pledged as collateral

Treasury bills held by the Group as collateral for liabilities with respect to the State Guaranteed Deposits Protection Fund under the Banking Guarantee Fund amounted to PLN 27,206 thousand as at 31 December 2000.

WBK SA additionally holds PLN 487,765 thousand of NBP obligatory deposit related bonds. The bonds are registered and must not be sold before their redemption dates on 30 September of the five consecutive years commencing 2005.

36. Contingent liabilities extended

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Guarantees and accepted bills of exchange, cheques and letters of credit	474,171	246,833
Other	42,817	33,507
	516,988	280,340

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit which irrevocably oblige the Group to make a payment when a customer is not in a position to fulfil their obligation to third parties, bear the same credit risk as loans. Documentary and trade letters of credit which constitute a written obligation of the Group on behalf of a client, and authorise a third party to draw a specified sum of money from the Group, provided that certain conditions are met, have collateral in the form of the underlying trade goods to which they pertain and as a result bear much lower risk. In general, the Group does not expect third parties to draw funds on the basis of such agreements.

NOTES TO THE FINANCIAL STATEMENTS

37. Liabilities arising from purchase/sale transactions

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Currency transactions	8,722,324	3,775,791
Financial instruments transactions	1,232,845	454,729
Other	294,001	59,000
	10,249,170	4,289,520

38. Credit risk in respect of irrevocable lending commitments

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
To subsidiary companies	16,768	7,989
To associated companies	0	0
Other	1,488,132	1,203,905
	1,504,900	1,211,894

Irrevocable commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. The Group is potentially exposed to loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers continuing to service existing borrowing in a satisfactory manner. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results from the possibility of unused portions of loan authorisations being drawn by the customer and, second, from these drawings subsequently not being repaid as due.

39. Derivative transactions

	As at 31.12.2000 PLN'000 Nominal	As at 31.12.2000 PLN'000 Fair value	As at 31.12.2000 PLN'000 Fair value
		Assets	Liabilities
Currency swap	4,226,631	245,906	(69,056)
Interest rate swap	278,710	6,452	(9,509)
Forward rate agreement	294,242	1,928	148
Interest rate options	67,534	15	(15)
Euroindex options	246,115	0	(16,096)
	5,113,232	254,301	(94,528)

NOTES TO THE FINANCIAL STATEMENTS

39. Derivative transactions (cont.)

1999	As at 31.12.1999 PLN '000 Nominal	As at 31.12.1999 PLN '000 Fair value	As at 31.12.1999 PLN '000 Fair value
		Assets	Liabilities
Forward exchange contracts	18,305	(447)	15
Currency swap	1,739,008	1,752	(1,253)
Interest rate swap	107,365	8,662	(9,923)
Forward rate agreement	240,000	(2,019)	1,422
	2,104,678	7,948	(9,739)

The above tables present contractual or nominal amounts as well as the fair values of derivative financial instruments of the Group as at the balance sheet date.

Derivative financial instruments which pertain to currency exchange rates and interest rates allow the Group and its clients to transfer, modify or reduce exchange and interest rate risks.

The Group utilises the following derivative instruments for both hedging and non-hedging purposes.

Currency Forwards represent commitments to purchase foreign and domestic currency.

Forward rate agreements are individually negotiated interest rate agreements that call for cash settlement at a future date for the difference between a contracted rate interest and current market rate, based on a notional principal amount. The Group's risk is limited to the potential costs of replacing contracts in the marketplace if counterparties fail to perform their obligations.

Currency and interest rate swaps are commitments to exchange of currencies or interest rates or combination of these. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. The risk is monitored on a daily basis with reference to the current estimated value of unwinding these swaps in the market place, by reference to the current fair value and estimated volatility to maturity of the underlying instruments.

The Group has dealt in **options** on a fully matched basis, i.e. the Group's risk is limited to the potential cost of replacing contracts if counterparties fail to perform their obligations in the event of the Group exercising its entitlements. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

40. Capital commitments

	Plan for year 2001 PLN '000	Plan for year 2000 PLN '000
Buildings and equipment	88,265	55,130
Computer hardware and software	216,861	123,599
Expenditure on property security	1,696	2,716
Other	2,062	560
	308,884	182,005

The total capital expenditure of the Group during 2000 was 127,135 thousand.

At 31 december 2000 the value of capital commitments for which binding contracts had been concluded was 5,457 thousand.

NOTES TO THE FINANCIAL STATEMENTS

41. Dividend per share

Dividends are not accounted for until they are approved by the Annual General Meeting (AGM). At the AGM planned for 4 April 2001, a dividend of PLN 0.65 per share will be proposed for 2000 (the dividend paid in relation to 1999 was PLN 0.55 per share).

42. Business segments

Year ended 31.12.2000	Banking	Brokerage	Total
Net profit on financial operations	920,085	26,457	946,542
Operating expenses, including:	(556,199)	(23,957)	(580,156)
– depreciation	(72,978)	(1,283)	(74,261)
Profit/(loss) before tax	306,839	2,525	309,364
Taxation	(81,959)	(3,652)	(85,611)
Minority interest	(55)	0	(55)
Profit/(loss)	224,825	(1,127)	223,698
Segments assets	13,342,959	33,887	13,376,846
Segment liabilities	13,214,569	162,277	13,376,846

Year ended 31.12.1999	Banking	Brokerage	Total
Net profit on financial operations	768,881	4,623	773,504
Operating expenses, including:	(496,892)	(4,785)	(501,677)
– depreciation	(61,688)	(852)	(62,540)
Profit/(loss) before tax	268,168	488	268,656
Taxation	(93,198)	(1,230)	(94,428)
Minority interest	(162)	0	(162)
Profit/(loss)	174,808	(742)	174,066
Segments assets	10,634,570	13,090	10,647,660
Segment liabilities	10,502,785	144,875	10,647,660

The Group's activities are organised into two main business segments:

- Banking - maintenance of current and savings accounts, accepting term deposits from individuals, offering investment products, credit and debit cards, consumer and mortgage loans.
- Brokerage - offering securities admitted to public trading, purchase and sale of securities on behalf of clients, custody of securities, proprietary trading in securities management of client portfolios.

NOTES TO THE FINANCIAL STATEMENTS

43. Concentration of assets

(a) Concentration of loans to individual clients

The value of loans granted to the 10 largest customers and their share in the combined loan portfolio of the Group at 31 december 2000 are as follows:

No.	Portfolio exposure %	Industry	Exposure PLN'000
1	2.7	Financial intermediation	166,106
2	2.0	Food	123,280
3	1.9	Pulp and paper	118,179
4	1.8	Financial intermediation	107,778
5	1.7	Pulp and paper	103,048
6	1.6	Telecommunications	95,820
7	1.5	Telecommunications	95,000
8	1.4	Oil refining	85,859
9	1.4	Food	83,352
10	1.4	Oil refining	82,864
Total	17.4		1,061,286

The value of loans granted to the 10 largest customers and their share in the combined loan portfolio of the Group at 31 december 1999 are as follows:

No.	Portfolio exposure %	Industry	Exposure PLN'000
1	3.2	State Agency	180,000
2	2.8	Insurance	160,000
3	2.6	Oil refining	150,000
4	2.3	Food	129,844
5	2.2	Wood and paper	119,737
6	1.8	Wood and paper	103,258
7	1.5	Telecommunications	86,595
8	1.5	Food	86,146
9	1.4	Food	82,211
10	1.4	Oil refining	64,885
Total	20.7		1,162,676

(b) Concentration of loans to groups

The value of loans granted to the 5 largest groups and their share in the loan portfolio of the Group banks at 31 December 2000 are as follows:

No.	Portfolio exposure %	Industry	Exposure PLN'000
1	1.8	Trade, finance	111,790
2	1.8	Food	108,234
3	1.1	Trade, finance	65,155
4	1.2	Food	64,063
5	0.7	Food	42,644
Total	6.4		391,886

NOTES TO THE FINANCIAL STATEMENTS

43. Concentration of assets (cont.)

(b) Concentration of loans to groups (cont.)

The value of loans granted to the 5 largest groups and their share in the loan portfolio of the Group banks at 31 December 1999 are as follows:

No.	Portfolio exposure %	Industry	Exposure PLN'000
1	1.8	Sugar	101,163
2	1.5	Trade, financial services	82,044
3	1.4	Trade, financial services	77,658
4	1.2	Trade, telecommunication	67,858
5	1.2	Trade, construction	51,207
Total	7.1		379,930

(c) Concentration of loans to particular industry sectors

Concentration of loans to particular industry sectors at 31 December 2000

Industry	Portfolio exposure %
Agriculture	3
Mining	1
Food	12
Clothing	2
Pulp and paper	7
Chemical	7
Metal	2
Machine	2
Automotive	2
Power sector	4
Construction	3
Trade	18
Transport	2
Telecommunication	4
Financial intermediation	11
Individuals	12
Other services	8
	100.0

NOTES TO THE FINANCIAL STATEMENTS

43. Concentration of assets (cont.)

(c) Concentration of loans to particular industry sectors (cont.)

Concentration of loans to particular industry sectors at 31 December 1999

Industry	Portfolio exposure %
Trade	18
Food	13
Electrical	4
Financial services	0
Agriculture	4
Energy	8
Clothing	2
Services	18
Retail loans	10
Construction	4
Wood and paper	6
Mineral extraction	2
Chemical	2
Other	9
	100.0

44. Concentration of receivables from the Polish and other governments and the National Bank of Poland

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
Balances with, and securities issued by the National Bank of Poland	910,167	1,136,515
State Treasury bonds - restructuring of London Club debt („Brady bonds”)	0	237,727
Debt securities issued by the Polish government	1,720,653	1,641,719
Amounts due from the State budget and municipal authorities	80,495	276,086
	2,711,315	3,292,047

The above assets represent 20.27% (1999: 30.9%) of the total assets of the Group as at 31 December 2000.

NOTES TO THE FINANCIAL STATEMENTS

45. Assets and liabilities - maturity analysis

The principal assets and liabilities of the Group analysed by their maturity date at 31 December 2000 are as follows:

	Within 1 month	Between 1 to 3 months	Total within 3 months	Between 3 months to 1 year	Between 1 to 5 years	After 5 year	Irregular assets	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Assets:								
Balances with the Central Bank	134,064	0	134,064	0	0	0	0	134,064
Cash in hand and current amounts with banks	222,158	0	222,158	0	0	0	0	222,158
Placements with, and loans to other banks	2,274,519	477,218	2,751,737	463,886	215,992	72,654	743	3,505,012
Loans to customers and the public sector	1,422,962	315,830	1,738,792	1,400,705	1,908,070	548,125	509,452	6,105,114
Debt securities (i)	2,093,965	0	2,093,965	0	514,971	0	0	2,608,936
Other shares and securities quoted on Warsaw Stock Exchange SA	6,999	0	6,999	0	0	0	0	6,999
	6,154,667	793,048	6,947,715	1,864,591	2,639,033	620,779	510,195	12,582,313
Liabilities:								
Amounts due to banks	954,785	47,853	1,002,638	186,462	66,850	99,255	0	1,355,205
Amounts due to customers and the public sector	6,781,982	1,964,281	8,746,263	1,079,216	326,304	13,014	0	10,164,797
Subordinated liabilities	0	0	0	0	10,000	0	0	10,000
	7,736,767	2,012,134	9,748,901	1,265,678	403,154	112,269	0	11,530,002
Net liquidity gap	(1,582,100)	(1,219,086)	(2,801,186)	(598,913)	(2,235,879)	508,510	—	—
Liquidity ratio	0.79		0.71					
	(liquidity ratio I)		(liquidity ratio II)					

(i) Debt securities at the end of the year have been included in assets maturing within 1 month, except for Treasury bills amounting to PLN 27.206 thousand which are held by WBK S.A. as collateral for potential liabilities to the Guaranteed Protection Fund and NBP bonds amounting to PLN 487.765 thousand held in connection with obligatory reserve requirements. The above securities were classified as maturing within 1 to 5 years in accordance with the actual maturity dates of individual securities.

NOTES TO THE FINANCIAL STATEMENTS

45. Assets and liabilities - maturity analysis (cont.)

The principal assets and liabilities of the Group are analysed by their maturity date at 31 December 1999 as follows:

	Within 1 month	Between 1 to 3 months	Total within 3 months	Between 3 months to 1 year	Between 1 to 5 years	After 5 year	Irregular assets	Total
Assets:	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balances with the Central Bank	555,419	0	555,419	0	0	0	0	555,419
Cash in hand and current amounts with banks	358,341	0	358,341	0	0	0	0	358,341
Placements with, and loans to other banks	1,204,556	55,330	1,259,886	74,685	57,639	6,250	743	1,399,203
Loans to customers and the public sector	1,023,883	675,048	1,698,931	1,411,801	1,230,073	587,780	474,573	5,403,158
Debt securities (i)	1,979,211	0	1,979,211	0	574,790	0	0	2,554,001
Other shares and securities quoted on Warsaw Stock Exchange SA	17,988	0	17,988	0	0	0	0	17,988
	5,139,398	730,378	5,869,776	1,486,486	1,862,502	594,030	475,316	10,288,110
Liabilities:								
Amounts due to banks	401,136	598	401,734	204,142	100,057	6,250	0	712,183
Amounts due to customers and the public sector	5,798,916	1,546,044	7,344,960	1,045,481	110,161	5,900	0	8,506,502
Subordinated liabilities	0	0	0	0	10,000	0	0	10,000
	6,200,052	1,546,642	7,746,694	1,249,623	220,218	12,150	0	9,228,685
Net liquidity gap	1,060,654	(816,264)	(1,876,918)	236,863	1,642,284	581,880	—	—
Liquidity ratio	0.83		0.76					
	(liquidity ratio I)		(liquidity ratio II)					

- (i) Debt securities at the end of the year are included in assets maturing within 1 month, except for Treasury bills amounting to PLN 67.932 thousand held by GBH S.A. which are blocked as a result of that Bank's exemption from the obligatory reserve requirement, serve as collateral for a loan received from the Bank Guarante Fund or serve as collateral for potential liabilities to the Guaranteed Deposits Protection Fund. The other exceptions are Treasury bonds amounting to PLN 25.579 thousand held by WBK S.A. which serve as collateral for potential liabilities to the Guaranteed Deposits Protection Fund and NBP bonds amounting to PLN 481.279 thousand held in connection with obligatory reserve requirements. The above securities were classified as maturing within 1 to 5 year in accordance with the actual maturity dates of individual securities.

NOTES TO THE FINANCIAL STATEMENTS

45. Assets and liabilities - maturity analysis (cont.)

The above tables present the maturities of Group assets and liabilities by the remaining maturity as at the balance sheet date.

The matching and controlled mismatching of assets and liabilities is of fundamental importance to the management of the Group. It is unusual for banks to be fully matched since transaction types vary and often have uncertain maturity dates. A mismatched position potentially increases profitability but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace as well as the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are key factors that influence Group liquidity and its exposure to interest rate and exchange rate fluctuations.

46. Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations of market interest rates on its financial position. The following tables summarise the Group's exposure to interest rate risks. Included in the table are Group's assets and liabilities at carrying amounts, categorised by the maturity dates.

Controllable short-term interest rate risk is managed by the Group through the incorporation of clauses in deposit and lending agreements which enables interest rates to be adjusted in accordance with market rates and the decisions of the Management Boards of WBK S.A. The Management Board of WBK S.A. monitors market interest rate trends with a view to reacting quickly to structural interest rate changes.

The matching of the level and maturity of assets, liabilities and off-balance sheet items, which are sensitive to interest rate fluctuations is closely monitored by the ALCO Committee of WBK S.A.

NOTES TO THE FINANCIAL STATEMENTS

47. Assets and liabilities - interest sensitivity gap

The assets and liabilities of the Group categorised by the earlier of contractual repricing or maturity dates as at 31 December 2000 were as follows:

	Within 1 month	Between 1 to 3 months	Total within 3 months	Between 3 months to 1 year	Between 1 to 5 years	After 5 year	Irregular assets	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Assets:								
Balances with the Central Bank	0	0	0	0	0	0	134,064	134,064
Cash in hand and current amounts with banks	0	0	0	0	0	0	222,158	222,158
Placements with, and loans to other banks	1,021,345	216,335	515,764	801,281	54,211	0	2,608,936	
Loans to customers and the public sector	2,389,662	472,035	443,170	199,402	0	0	3,504,269	
Debt securities	5,462,162	59,322	83,995	51,771	42,563	0	5,699,813	
Other	0	0	0	0	0	1,207,606	1,207,606	
	8,873,169	747,692	1,042,929	1,052,454	96,774	1,563,828	13,376,846	
Liabilities:								
Amounts due to banks	1,106,276	37,290	198,287	0	0	13,352	1,355,205	
Amounts due to customers and the public sector	6,642,275	1,451,909	1,663,089	313,116	0	99,831	10,170,220	
Other	0	0	0	0	0	1,851,421	1,851,421	
	7,748,551	1,489,199	1,861,376	313,116	0	1,964,604	13,376,846	
Interest sensitivity gap	1,124,618	(741,507)	(818,447)	739,338	96,774			

NOTES TO THE FINANCIAL STATEMENTS

47. Assets and liabilities - interest sensitivity gap (cont.)

The assets and liabilities of the Group categorised by the earlier of contractual repricing or maturity dates as at 31 December 1999 were as follows:

	Within 1 month	Between 1 to 3 months	Total within 3 months	Between 3 months to 1 year	Between 1 to 5 years	After 5 year	Irregular assets	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Assets:								
Balances with the Central Bank	0	0	0	0	0	0	555,419	555,419
Cash in hand and current amounts with banks	4,671	0	0	0	0	0	353,670	358,341
Placements with, and loans to other banks	1,210,806	55,330	74,685	57,639	0	0	1,398,460	
Loans to customers and the public sector	3,937,892	706,142	243,811	73,321	55,163	0	5,016,329	
Debt securities	161,856	531,184	1,191,778	654,251	14,932	0	2,554,001	
Other	0	0	0	0	0	765,110	765,110	
	5,315,225	1,292,656	1,510,274	785,211	70,095	1,674,199	10,647,660	
Liabilities:								
Amounts due to banks	407,386	598	304,199	0	0	0	712,183	
Amounts due to customers and the public sector	6,530,377	1,339,299	522,468	120,800	0	0	8,512,944	
Other	0	0	0	0	0	1,422,533	1,422,533	
	6,937,763	1,339,897	826,667	120,800	0	1,422,533	10,647,660	
Interest sensitivity gap	(1,662,538)	(47,241)	683,607	664,411	70,095			

NOTES TO THE FINANCIAL STATEMENTS

48. Foreign exchange risk

Concentration of assets and liabilities

The Group has the following significant foreign exchange positions:

	USD	DEM	PLN	Other	Total
As at 31 December 2000					
Assets					
Balances					
with the Central Bank	0		134,064	0	134,064
Cash in hand and current amounts					
with banks	24,069	32,019	145,702	20,368	222,158
Debt securities	0	0	2,584,851	24,085	2,608,936
Placements with, and loans					
to other banks	2,103,295	0	825,657	575,317	3,504,269
Loans to customers					
and the public sector	414,983	375,829	4,290,696	618,305	5,699,813
Accrued interest receivable and other assets	29,114	10,193	506,205	3,133	548,645
Shares and other securities	0	0	280,075	139	280,214
Goodwill	0	0	6,266	0	6,266
Tangible fixed assets	0	0	372,481	0	372,481
Total assets	2,571,461	418,041	9,145,997	1,241,347	13,376,846
Equity and liabilities:					
Amounts due to banks	94,795	0	930,808	329,602	1,355,205
Amounts due to customers					
and the public sector	787,481	307,399	8,897,345	177,995	10,170,220
Accrued interest and other					
liabilities	19,999	2,447	614,305	76,068	712,819
Subordinated liabilities	0	0	10,000	0	10,000
Provisions	0	0	28,061	0	28,061
Total liabilities	902,275	309,846	1,480,519	583,665	12,276,305
Net balance sheet position	1,669,186	108,195	(1,334,522)	657,682	1,100,541

NOTES TO THE FINANCIAL STATEMENTS

48. Foreign exchange risk (cont.)

	USD	DEM	PLN	Other	Total
As at 31 December 1999					
Assets					
Balances with the Central Bank	0	0	555,419	0	555,419
Cash in hand and current amounts with banks	57,144	41,162	203,449	56,585	358,340
Debt securities	237,726	0	2,316,275	0	2,554,001
Placements with, and loans to other banks	914,700	0	169,039	314,721	1,398,460
Loans to customers and the public sector	144,515	436,830	4,084,985	350,000	5,016,330
Accrued interest receivable and other assets	8,468	1,003	258,286	6,437	274,194
Shares and other securities	0	0	140,324	151	140,475
Goodwill	0	0	14,286	0	14,286
Tangible fixed assets	0	0	336,155	0	336,155
Total assets	1,362,553	478,995	8,078,218	727,894	10,647,660
Equity and liabilities:					
Amounts due to banks	166,637	6	333,443	212,096	712,182
Amounts due to customers and the public sector	523,040	236,940	7,576,185	176,779	8,512,944
Accrued interest receivable and other assets	16,525	1,618	410,147	24,323	452,613
Subordinated liabilities	0	0	10,000	0	10,000
Provisions	0	1	40,787	16	40,804
Total liabilities	706,202	238,565	8,370,562	413,214	9,728,543
Net balance sheet position	656,351	240,430	(292,344)	314,680	919,117

NOTES TO THE FINANCIAL STATEMENTS

49. Geographical distribution of assets and liabilities

	As at 31.12.2000 PLN'000	As at 31.12.1999 PLN'000
(a) Assets		
Poland	11,106,435	9,447,278
Other countries, including:	2,270,411	1,200,382
• Austria	140,877	79,458
• Germany	471,840	414,653
• Great Britain	787,051	129,146
• Italy	103,771	117
• Republic of Ireland	84,979	103,720
• Switzerland	165,728	84,633
• USA	316,499	388,655
	13,376,846	10,647,660
(b) Liabilities and equity		
Poland	13,278,559	10,327,009
Other countries, including:	98,287	320,651
• Republic of Ireland	98,287	309,342
	13,376,846	10,647,660

In the opinion of the Management Board of WBK S.A., the Group has no foreign operations, except for nostro accounts or deposits held in correspondent banks within the scope of normal banking practice and which generated less than 10% of the Group's total income.

The "Other countries" item relating to assets comprises current and term accounts at foreign banks. The "Other countries" item relating to liabilities comprises funds deposited with the Group banks by non-residents.

50. Capital adequacy ratio

As at 31 December 2000 the capital adequacy ratio of the parent company calculated according to guidelines issued by the Bank for International Settlements (BIS), was 9.51% (1999: 9.60%).

51. Foreign exchange rates

The following exchange rates were applied at 31 December 2000:

– USA dollar	PLN 414.32 per 100 dollars
– German mark	PLN 197.07 per 100 marks
– British pound sterling	PLN 619.03 per 100 pounds

NOTES TO THE FINANCIAL STATEMENTS

52. Hyperinflation

The 2000 consumer price index was 8.5% (1999: 9.8%).

International Accounting Standard 29 (Financial Reporting in Hyperinflationary Economies) requires the adjustment of historic cost financial statements to take cognisance of the effects of hyperinflation. In the opinion of the Management Board of WBK S.A., the conditions set out in the standard for hyperinflationary economies no longer apply in Poland. These financial statements have not been adjusted for the effects of inflation as this effect would not have a significant influence.

53. Post balance date events

There were no significant post balance date events that would have impact on the financial statements as at and for the year ended 31 December 2000.

On 20 December 2000 an Extraordinary General Meeting of Shareholders of WBK SA approved the proposed merger of the bank with Bank Zachodni SA. The merger is planned to take place in May 2001.

54. Reconciliation of the Group profit/loss and net assets under IAS and Polish Accounting Regulations (PAR)

	PAR	IAS
Net assets	1,099,948	1,099,948
Net profit	223,698	223,698

* In this Report - pages 92 to 144.