

**WBK**  
**WIELKOPOLSKI BANK KREDYTOWY SA**

**ANNUAL REPORT**

**1999**



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

## Ladies and Gentlemen,

Financial performance of every bank reflects its customers' standing, which, in turn, mirrors conditions of the macroeconomic environment. In 1999, Poland's GDP was up by 4.1%. This is one of the highest growth rates in Europe and more than we had expected in the first half of the year. Yet, it is ca 1 p.p. less than in 1998.

The slow-down in the economic growth was driven primarily by adverse tendencies in foreign trade. Despite the recent recovery, exports still do not offset the fast growing imports. Low exports seem to arise from insufficient competitiveness of our companies in the world markets, as well as from lower demand from the European Union countries, Germany, in particular, which is Poland's major foreign trade partner.

Last year, the growth in GDP stemmed mainly from the flourishing domestic consumption and investment demand, which was additionally fuelled by a less restrictive monetary policy. The expectations of lower inflation (down to 8.5%) led to a decrease in the NBP rates which, in turn, triggered a decline in the market interest rates in the first half of the year. The lower inflation projections, however, did not materialise and inflation surged above the targeted 8.5%. As a result, the Monetary Policy Council increased

the interest rates twice in the second half of the year. The inflation target was not achieved primarily because of the growth in the world oil prices, zloty depreciation and higher food and electrical power prices. Ultimately, the inflation rate was close to 10% and was 1.2 p.p. up on 1998.

The second half of the year, especially the last quarter, was significantly better for the economy and, as a result, for the Bank. The GDP growth accelerated again and the lower obligatory reserve requirements helped WBK widen its margins. The macroeconomic improvement in the fourth quarter combined with the expected recovery in the Eurozone justify optimistic forecasts both for Poland's economy and WBK in the year 2000.

In 1999, Poland continued its systemic transformations and effected four socially sensitive reforms in respect of the administrative division of the country, health care, education and pension system. WBK actively participated in the latter and acquired a 10% shareholding in the company managing the largest pension fund, which enjoys a 20% market share.

In addition, last year witnessed important changes in the banking sector. The Minister of the State Treasury finalised a number of significant privatisation projects, as a result of which some European banks took control over privatised financial institutions. The most important development from the perspective of WBK was the purchase of an 80% shareholding in Bank Zachodni by our strategic investor - AIB Group.

On behalf of the members of the Bank Council, I would like to express my belief that under these circumstances we have not failed to meet the expectations of WBK Shareholders. Results achieved by Wielkopolski Bank Kredytowy are good. I wish to thank the Management Board and all staff for their contribution.

A handwritten signature in black ink, appearing to be 'M. G. K.', written in a cursive style.



Jacek Kseń  
President of the Management Board of WBK

## Ladies and Gentlemen,

I wish to present you with the consolidated financial statements of WBK Group. Although 1999 was difficult for the Polish banking sector, I am pleased to inform you that Wielkopolski Bank Kredytowy, Gliwicki Bank Handlowy and other companies in WBK Group reported good results.

The banking industry in Poland continues to undergo a dynamic transformation, which is accompanied both by growing competitive pressures and customer expectations. However, owing to the investments we have made so far, the position of WBK Group gets stronger each year and the range of our services and products continuously expands. We are a major player in Poland in the area of e-banking and card business. An increase in the number of WBK customers proves best that our efforts are appreciated by the public. The expanding branch network, improved processes, one-stop service system, transaction capability available via the Internet to customers of our brokerage house, savings products, good interest rates on our deposits and an easy access to information and to deposited funds - these are the key advantages which help us to attract new customers. We are particularly proud of good ratings received from such global rating agencies as Standard & Poor's, Moody's and Thompson BankWatch.

The best example of our capabilities is the excellent sales performance of pension fund agreements through our distribution network. We were the leading Bank in Poland in terms of the number of agreements sold by each sales person.

In 1999, WBK's share in the loan market increased to nearly 3%. Deposits in our Bank were up by 32%, whereas the same ratio for the entire banking sector was 13%.

The year was also favourable for our asset management (WBK AIB Asset Management) and investment fund (WBK AIB Investment Fund Corporation). The latter developed modern products for individuals including "Safe Child Start" and the "Guaranteed Pension" savings schemes. We expect that the importance of systematic savings schemes will be growing over the next few years.

I would like to express my acknowledgements to the Bank Council for good co-operation and confidence.

I thank all the employees for their hard work for Wielkopolski Bank Kredytowy.

A handwritten signature in dark ink, appearing to read "Jacek Winiarski". The signature is written in a cursive, flowing style with a large initial 'J' and 'W'.

# EXTERNAL ENVIRONMENT OF WBK GROUP

## Macroeconomic environment

**GDP** In 1999 economic growth was lower than in the previous year. This downturn reflected the impact of the Russian crisis which limited not only internal demand in Poland (which still remained strong) but also business activity in the Eurozone. GDP growth in 1999 was 4.1%, mainly on the back of less restrictive fiscal and monetary policies. Nevertheless, it is estimated that the Russian crisis knocked ca 30 b.p. off GDP growth in 1998 and ca 70 b.p. in 1999.

The growth of internal demand was lower than in 1998, which mainly reflected lower growth of investments. At the same time, domestic demand grew faster than GDP, which had a negative impact on the balance of payments. This was additionally hampered by lower exports.

**Inflation** In the second half of the year, inflation trends reverted and in the fourth quarter of 1999, inflation began to rise. This resulted mainly from the increase in food and fuel prices, a weaker zloty and an increase in excise duty.

The year-on-year inflation figure in December was 9.8% and substantially exceeded the government assumptions (8.1%) which were taken while constructing the central budget. Average inflation in 1999 was 7.3% as opposed to 11.8% in 1998.

**Monetary policy** As general comment, monetary policy in 1999 was not very restrictive. This was reflected in a substantial interest rate cut in January and a weak zloty at the beginning of the year.

**Changes in interest rates** As a result of growing inflation in the third and fourth quarter of the year, the Monetary Policy Board increased the NBP official interest rates: a slight increase in September and a more dramatic one in November.

Date of introduction	Lombard rate	Re-discount rate	Intervention rate
1.01.1999	20.00%	18.25%	15.50%
21.01.1999	17.00%	15.50%	13.00%
18.11.1999	20.50%	19.00%	16.50%

The Monetary Policy Board also changed the exchange rate mechanism during the year - in March the crawling peg rate was decreased and the band was widened to +/- 15% from parity. This prepares the way for a widely expected introduction of the free float of the zloty.

The fourth quarter of 1999 was characterised by a tightening of monetary policy. WIBOR increased significantly which reflected higher demand for liquidity in December.

The rate of unemployment was 13% at the end of 1999. The current account deficit increased to 7.6% of GDP (USD 11.7bn) and was somewhat offset by foreign direct investments, which exceeded USD 4.9bn.



In 1999, three major systemic reforms were begun in the following areas: health-care, education and pensions. The latter was marked by launching privately owned pension funds.

### **Situation in the banking sector**

In 1999, the banking system in Poland underwent further consolidation and privatisation processes were continued.

The government selected strategic investors for Pekao SA and Bank Zachodni. These were UniCredito/Allianz and Allied Irish Banks respectively. There were also some changes in other banks: Bayerische Hypo-und Vereinsbank and Kredit Bank of Belgium who increased their stakes in Bank Przemyslowo-Handlowy and Kredyt Bank respectively.

The most important transactions in the sector

The increase in inflation and interest rates in the second half of the year helped banks improve their financial performance. In 1999, total assets of the system grew by 17%. Deposits continued to grow at a slower pace (+13.4%) than loans (+53%).

Financial performance

The narrowing of interest margins still appears to be one of the main features in the Polish banking system. However, recent changes in obligatory reserve requirements combined with higher interest rates should result in a recovery in the nearest future. Higher rates will allow banks to reprice their loans and deposits, and will increase yields on debt securities.

Margins

During the year, obligatory reserve rates were decreased from 20% (PLN demand deposits), 11% (PLN term deposits) and 5% (all f/x-denominated deposits) to a flat rate of 5%. As part of this change, banks accepted the NBP proposal to substitute the difference between reserves calculated on deposits as at 30 June 1999 according to the old rules and the new rules with long-term inflation indexed NBP bonds.

Obligatory reserve

The main issue for most banks is increasing the accessibility of banking services and improving service quality. Some banks are now offering internet and telephone banking services to clients. In addition, many banks are continuing to increase the size of their branch networks. Ongoing investments in these areas contribute to higher costs and to a slow down in the growth of after tax profit.

Directions of development

# ORGANISATION OF WBK GROUP

## WBK Group characteristics

WBK Group includes WBK SA and the following are some of the Bank's main subsidiaries:

No. Company	Total Assets in PLNk
	As at 31.12.1999
<b>1. Gliwicki Bank Handlowy SA</b>	<b>1,380,628</b>
<b>2. Dom Maklerski WBK SA</b>	<b>158,185</b>
3. WBK Finanse & Leasing SA	61,474
4. AIB WBK Fund Management Sp. z o.o.	7,195
5. Projekty Bankowe POLSOFT Sp. z o.o.	3,216
6. Brytyjsko-Polskie Towarzystwo Finansowe WBK CU Sp. z o.o.	2,656

The Group also includes WBK AIB Asset Management, an affiliate with total assets of PLN 11,305k.

## Companies included in the consolidated financial statements

The consolidated financial statements of WBK Group include Wielkopolski Bank Kredytowy SA, Gliwicki Bank Handlowy SA (GBH) and Dom Maklerski WBK SA. Other subsidiaries and affiliates were not consolidated as their contribution to total assets and interest income of the parent company was insignificant (under both IAS and PAS). At the end of 1999, only Gliwicki Bank Handlowy SA met this requirement and Dom Maklerski WBK SA is consolidated to provide full comparability with 1998 when the brokerage operation was an integral part of the Bank.

## Organisation of WBK SA

### AGM of Shareholders of WBK

On 15 April 1999, the Annual General Meeting of Shareholders of WBK was held. The AGM approved the profit distribution proposed by the Bank's Management Board and due to the expiry of current term of the office, the new Bank Council was appointed.

### Bank Council

Since 15 April 1999, the following persons have been members of the Bank Council: Marian Górski - Chairman, David McCrossan - Vice-Chairman, William Andrews, Waldemar Frąckowiak, Gary Kennedy, Franciszek Pospiech, Aleksander Szwarc and Andrzej Wierciński.

### EGM of WBK

On 29 October 1999, an Extraordinary General Meeting of Shareholders of WBK accepted the resignation of Mr. William Andrews from the position of the Bank Council Member. This meeting also appointed Mr. Michael Buckley as a Member of WBK Bank Council.



Aleksander Kompf

Joanna Oświecimska

Cornelius A. O'Sullivan

Jacek Kseń

Romuald Szeliga

Brendan Holton

In 1999, members of the Management Board were:

Jacek Kseń - President of 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,  
 Brendan Holton - Member of the Management Board,  
 Joanna Oświecimska - Member of the Management Board.

On 25 November 1999, the Bank Council appointed Mr. Declan Flynn to the position of Member of the Management Board with effect from 1 January 2000.

### **The Group's staff**

As at 31 December 1999 the number of employees in WBK Group (FTEs) was 5,107 which was a decrease of 3.6% on December 1998.

Within the employment structure, employees under the age of thirty represent the biggest group.

In addition, over 42% of employees hold university degrees.

In 1999, the Group's training activities focused on the following areas:

- customer service,
- credit risk analysis and management,
- sales techniques,
- languages (over 330 employees attended foreign language courses),
- pension fund,
- housing loans,
- life insurance (Commercial Union),
- ARKA investment funds,
- leasing.

Additionally, the Bank assisted more than 177 people to continue evening or post-graduate studies.

# THE GROUP'S BUSINESS ACTIVITY IN 1999

## Important events in 1999

### WIELKOPOLSKI BANK KREDYTOWY SA

- Strategic assumptions** The key objectives defined in the Bank's strategy were focused on combining balanced growth with good profitability. It assumed further development of the branch network in our core marketplace (i.e. Central and Western Poland) but also in attractive urban areas in other regions. In 1999 WBK opened 23 new outlets (three branches in Poznań, one in each of Koszalin and Bielsko-Biała, and 20 sub-branches) and two outlets changed their locations. Development of the branch network and improvements in the range of products and services resulted in increased market share, increased numbers of customers as well as of deposit and credit accounts. The number of personal accounts grew by 7.1% in 1999.
- Equity investments** In 1999, the Bank increased its stake in GBH by the acquisition of further 2.38% of shares. The Bank also disposed of a number of its non-core investments: BPH (banking), Agema (security services), Korund (abrasive materials).
- Mortgage banking** WBK submitted an application for a mortgage banking license to the National Bank of Poland on 2 April 1999. As at year-end, the license had not been issued. However, WBK has begun developing its mortgage business within the existing structures of the Bank and now offers a variety of mortgage products (loans for purchase of real estate on the primary and secondary market, mortgage-based construction loans, etc.)
- BKB Perspektywa** On 30 December 1999, WBK sold all its shares in Perspektywa (Building Society) to its subsidiary - WBK Finance & Leasing. Revenue on this transaction amounted to PLN 0.05m. So far, the government has not issued relevant regulations, which effectively put the idea of building societies into a standstill.
- Year 2000** WBK did not experience any year 2000 related problems. This success resulted from two years of intensive preparations, which covered IT systems, technical infrastructure and the Bank's major business counterparts. This project encompassed 1,200 tasks covering all areas of the Bank's activity. WBK also took part in a Y2K test conducted by institutions such as the National Clearing Chamber, Securities Exchange, PolCard, New York Clearing House, SWIFT and VISA International. WBK received a positive opinion on its Y2K readiness from the General Inspectorate of Banking Supervision.

### DOM MAKLECKI WBK SA

In July 1999, WBK set up a new subsidiary WBK Brokerage House with PLN 44m of share capital. On 9 August, the new entity received all relevant permissions and started operations in November as the successor of WBK Central Brokerage Office.

## GLIWICKI BANK HANDLOWY SA

In 1999, GBH reported profit before tax of PLN 5.1m and profit after tax of PLN 3.3m. GBH operated through 27 outlets most of which are located in Upper Silesia.

The important events in 1999 include:

- introduction of a new branch IT system (SEZAM),
- introduction of high interest rate IMPET deposits distributed also through WBK branch network,
- receipt of a subordinated loan (PLN 6.25m) from WBK.

## OTHER SUBSIDIARIES AND AFFILIATES

On 19 February 1999, Arka Funds changed their legal status from trust funds into investment funds which has increased the funds' business capability.

Asset Management and  
ARKA Funds

Since December 1999, assets of 'Capital Protection' Fund, 'Small Companies' Fund and 'Large Companies' Fund have been managed by WBK AIB Asset Management. This change was intended to increase the efficiency of the Funds' investments and achieve better utilisation of resources. In November 1999, the Bank started selling these ARKA Investment Funds which has broadened the range of savings products offered by WBK. The number of outlets selling the funds units increased to 161.

WBK Finance & Leasing was incorporated on 27 October 1998 and commenced business on 1 February 1999. This company offers a variety of leasing products complementing the product range of WBK.

WBK Finance & Leasing

In 1998, together with Commercial Union and Bank Przemysłowo Handlowy, WBK established a pension fund - Commercial Union Powszechnie Towarzystwo Emerytalne BPH-CU-WBK. This fund became a market leader during 1999 achieving a 20% market share with a total of 10.4m pension fund customers. WBK branch network was very successful in distributing pension policies and generated a good commission income from this activity.

BPH-CU-WBK  
Pension Fund

WBK investment in BPH-CU-WBK pension is a strategic long-term investment of the Bank.

## WBK Group operations on the capital markets

The Group's brokerage operation is one of the most active traders on the Warsaw Stock Exchange and deals with equities, bonds and futures as well as over-the-counter transactions.

Market share

In 1999, WBK Brokerage House increased its turnover by over 20% to PLN 2,318m and maintained its share in total turnover of the Exchange on the bond and equity markets at a level exceeding 3%.

WBK Brokerage House operates through a network of 36 outlets. In 1999, the number of orders received amounted to 649,000 (27.5% up on 1998).

WBK Brokerage House acts as a Broker-Specialist on the Warsaw Stock Exchange for 12 issuers: ZPJ Wistil SA, Mostostal Kraków SA, Inter Groclin Auto SA, LZPS Protektor SA, Powszechny Bank Kredytowy SA, KGHM Polska Miedź SA, NFI Magna Polonia SA, Izolacja SA, Gdańskie Przedsiębiorstwo Robót Drogowych SA, Mostostal Gdańsk SA and Bydgoska Fabryka Kabli SA, LZPS Protektor SA.

WBK Brokerage House as  
Broker-Specialist at WSE

At the end of 1999 WBK Brokerage House managed assets of WBK AIB Asset Management clients totalling PLN 141m (approximately 50% increase compared with the previous year).

**PKN Offer** WBK Brokerage House took part in the privatisation of Polski Koncern Naftowy SA and having achieved a 24% market share became the second best broker for domestic institutional investors. A 6% share in the sale of shares for individual investors was also achieved.

**Brokerage House as equity custodian** WBK Brokerage House is a custodian for 84 issuers (70 companies from the National Investment Funds programme, eight other non-public companies, six municipalities) and non-public companies' convertible bonds.

In 1999 WBK was a leader in terms of providing services for NIF companies - it signed agreements with 76 companies (a 15% share in the market). Regular quotations are provided for 14 companies.

### **WBK Group operations on the international markets**

The introduction of a new currency, the EURO, at the beginning of 1999 caused substantial changes in the European payments systems. This resulted in changes to the banks' policy regarding co-operation with domestic and foreign financial institutions. WBK analysed its relationships with its existing partners and defined its strategic partners as those operating in the most important markets, i.e. Germany, Great Britain and Italy.

WBK is an active participant in the SWIFT system and thanks to an extensive correspondent network, customers' orders are executed in a fast and safe manner. Last year the Bank implemented further changes in automation of international transfers. These changes increased the efficiency and reliability of the transfer operations. The quality of transfers ensured a steady increase in payment volumes and 1999 was another year when an increase was noted in both transaction quality and volumes.

### **Capital Expenditure of WBK Group**

In 1999 WBK Group capital investments were aimed at achieving improvements in operational efficiency and making the Bank more attractive and accessible for existing and potential customers. Total capital expenditure of the Group in 1999 amounted PLN 94.3m, including IT expenditure of PLN 64.4m. WBK invested in the ongoing development of its branch and ATM networks and by the end of 1999 had a total of 158 outlets and 160 ATMs.

### **IT Development**

In 1999, the Group continued its investment in the development of IT systems. The Group's product range was broadened by the introduction of new hi-tech products. Efforts were focused on implementation of new systems and improvement of the existing ones in order to simplify processes.

**On-line projects** In 1999, works on projects supporting on-line operations were completed which created basic tools facilitating fast data delivery, processing and utilisation. At present, WBK customers can actively manage their accounts and benefit from on-line actualisation of transactions made in all branches.

The Bank carried out work on the automation of personal lending procedures. Systems for Internal Credit Bureau and the external Bureau of Credit Information were prepared. In addition, the Bank implemented new IT solutions supporting new services such as the pension fund system (FILAR) and the trust funds system (ARKA).

Bank's Systems

In 1999, 800 POS terminals were installed in 96 outlets of WBK as a part of our Customer Identification System implementation, which has significantly improved the quality of personal customer service in branches.

Customer Identification System

The Bank prepared new IT environments for 21 new sub-branches, four branches, the Credit Centre, Mortgage Banking Centre and the Human Resources Department. Our Management Information Systems, the key management support and decision making tools were enhanced.

IT environment

### **Electronic Banking and Card Centre**

In 1999 the Bank made significant progress in the development of our electronic banking business. Following the introduction of our WBK24 package last September, WBK clients can now have 24-hour access to their accounts in the following ways:

Electronic Banking

- WBK infotext - WBK SA was the first bank in Poland to introduce GSM banking services,
- WBK online - internet banking,
- WBK telekonto - phone banking.

During 2000, the Bank will upgrade WBK24 to introduce a wider range of services including transaction capability.

During 1999, Wielkopolski Bank Kredytowy became the fourth bank in Poland to issue credit cards: WBK SA VISA Classic and WBK SA VISA Gold. The Bank also introduced the following cards: WBK SA VISA Business Gold and WBK SA VISA Electron Young. At the end of 1999, WBK had over 506,000 cards issued i.e. 50% more than at the end of 1998.

Cards

WBK Card Centre also co-operated with Powszechnie Towarzystwo Emerytalne BPH-CU-WBK SA (pension fund) in issuing, personalising and accepting PTE cards in the Bank's ATMs. Customers of this pension fund can now obtain information on the balance of their pension account through WBK ATM network.

Co-operation with PTE BPH-CU-WBK

In 1999, the number of WBK ATMs increased by 48% and the number of monthly transactions through the ATM network in December of 1999 increased to 1.07m i.e. a 98% increase on December 1998.

### **Marketing**

In 1999, WBK undertook various promotional activities designed to improve the Bank's image and support sales of our products and services.

One of the main marketing strategy objectives was developing a segmented approach in dealing with our customers and preparing products for particular customer groups.



In October 1999, the Bank further broadened its product range with the introduction of a new package of services for SMEs. This package includes current accounts, overdraft facilities, WBK VISA Business cards, Minibank, leasing and the provision of WBK 24 services.

Similarly as in previous years, the Bank continued to sponsor cultural and sporting activities.

## RISK MANAGEMENT

Risk management on the Group level is exercised through ownership, supervision and co-ordination of actions between WBK and other members of the Group. The nature of capital and functional links allows a strict risk control in WBK Group.

A detailed description of risk management objectives and methods, and ownership supervision policy is presented below.

### **Capital management**

The Bank's policy is to maintain a strong capital base and to utilise it efficiently for the development of the Bank. In 1999, the Bank's capital resources (calculated according to the Polish SEC regulations) increased by PLN 145.6m. Assuming further stable development of its activities, the Bank plans to maintain the proportion of retained earnings at the level of ca 80% of net profit.

Capital management in the Bank is conducted in line with capital adequacy standards set by the Banking Supervision Commission. Although official guidelines require a capital adequacy ratio of not lower than 8%, it is the Bank's internal policy to keep this at the level exceeding 10%.

### **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 prudent 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,
- liquidity risk.

Particular risk areas are managed by the WBK Asset and Liability Committee (ALCO) and the WBK Credit Committee. The Bank's Management Board, which is responsible for risk management within the Bank has delegated authority to the two committees which monitor the Bank's risk profile and which set current policies within the framework set by the Management Board.

The level of market risk in WBK depends on its exposure to the negative consequences of changes in interest rates, foreign exchange rates and other market conditions. Undertaking market risks within strictly established limits is a part of bank's regular business.



Both the policy and practice of WBK market risk management are in line with the following three rules:

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

The Bank reported a substantial increase in treasury turnover in 1999. A number of IT improvements made it possible to service higher volumes with a lower number of front and back office staff.

The situation on the money markets in 1999 was not as favourable as in 1998. However, an increase in volume of customer transactions helped generate higher foreign exchange gains which offset lower income on interbank foreign exchange trading.

## **Credit risk**

The Group'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 the system of delegated discretionary limits which reflect the knowledge and experience of our individual managers. The Bank operates its internal credit grading system which enables early detection of factors which may cause a deterioration in the loan portfolio quality.

In 1999, the Group's lending activity was focused on growing its portfolio in a way which would ensure high quality, good profitability and customer satisfaction (see: "Financial Performance of WBK Group in 1999" for more details on the Bank's lending activity).

The Bank's lending policy was based on the following assumptions:

- professionalism,
- prudence,
- meeting customer needs,
- direct contact with customers,
- improvement in the knowledge and skills of lending staff.

In 1999, WBK conducted a review of its lending processes. This was aimed at efficiency improvements, customer segmentation, shortening of the turnaround time and standardisation of relevant documents.

Work was also continued on improving personal lending with the main focus being on the development of credit scoring systems and a customer database. Implementation of automated loan application processing systems combined with access to credit bureau and an arrears database is expected to improve the profitability and quality of the Group's lending.

In 1999 WBK continued works on the package for small and medium-sized enterprises. Taking into account its plans to expand in this sector, the Bank signed an agreement with EBRD.

In March 1999, WBK International Desk was established. It works mainly with foreign customers and offers relationship banking of the quality comparable to this in West European banks. Also the Bank started cooperation with selected German banks to serve their customers in Poland.

Sources of credit risk

Improvement in lending processes

Services for foreign customers

## **Liquidity risk**

**Liquidity policy** WBK policy on liquidity defines minimum proportions of liquid assets (both zloty- and foreign exchange-denominated) in total assets. Responsibility for compliance with the policy resides with the Bank's Treasury. ALCO monitors the Bank's performance and all exceptions are presented to the Management Board. In 1999, the level of compliance with the limits was satisfactory.

**Liquidity Management at the year-end** The main objective of liquidity management in 1999 was the preparation of the Bank for the potential negative implications of the Y2K effect (i.e. threat of a substantial outflow of deposits resulting from customers' panic, erosion of liquidity on the interbank market, substantial cash outflow, growth in demand for liquidity from customers). A detailed emergency plan was prepared by ALCO and introduced on 1 July 1999. WBK asset and liability composition at year end ensured a strong liquidity position in December 1999 and January 2000.

The increase in interest rates in December 1999 did not have any major impact on the Bank's liquidity position. Growth in interbank rates had a positive impact on WBK net interest margin. Also, changes in the obligatory reserve regime (see: "Situation in the banking sector") resulted with a substantial decrease in the cost of obligatory reserve.

## **Operational risk**

It is vital for WBK to prevent potential negative consequences of faults in the operation of its IT, communication and clearing systems. The absence of any problems associated with the Y2K problem proves the Bank's success in preventing this sort of threat. WBK has developed and tested emergency procedures and has modernised systems vital for the continuous maintenance of operations in crisis situations. This work has decreased the overall level of operational risk within the Bank.

## **Supervision over capital investments**

**Ownership supervision** WBK exercises a strict control over its strategic investments. The first form of control is ownership supervision conducted through participation of Bank's representatives in supervisory boards of strategic subsidiaries/affiliates. Ownership supervision is performed in the following ways:

- monitoring of financial performance and ratios,
- influencing companies' policies and management practices aimed at increasing the value of investment and acting in line with the Bank's strategy,
- creation and implementation of policies designed for particular investments,
- on-going assessment of the capital exposure associated with particular investments.

**Business supervision** Additionally, the Bank exercises business supervision in the following ways:

- participation in setting subsidiaries'/affiliates' strategies,
- accepting subsidiaries'/affiliates' corporate plans,
- monitoring of sales performance,
- monitoring of an overall financial performance,
- monitoring of markets where subsidiaries/affiliates operate and their market shares,

- monitoring of terms of cooperation with subsidiaries'/affiliates' strategic partners,
- monitoring of products/distribution channels development,
- monitoring of implementation of agreements between WBK and its subsidiaries/affiliates.

Financial performance of the Group indicates that risk management methods are adequate to the level of risks.

## FINANCIAL PERFORMANCE OF WBK GROUP IN 1999

### Profit and loss account

WBK is the dominant entity within the Group and accordingly its performance greatly influences the Group's results. It is expected that in line with the growth of the Bank's subsidiaries, their influence on the Group's performance will increase.

In 1999, the Bank's net interest income grew by 15% and non-interest income by 19%, the latter mainly from transfer fees, current account maintenance fees and card fees. Commission income showed good growth: in 1999, it increased by 35% and constituted over a fifth of the Bank's total income. The one-off income on equity disposal amounted to PLN 40m. Additionally, in 1999 the Bank purchased and disposed of receivables which is reflected in the Bank's operating income and expenses.

In PLNk	1999	1998
Net interest income	424,345	368,761
Net fee & commission income	165,604	122,492
Income on securities	624	23,304
Net income on financial operations	129,470	92,251
Net foreign exchange gains	54,376	59,483
Other income (net)	14,925	9,322
<b>Total income</b>	<b>789,344</b>	<b>675,613</b>
<b>Total non-interest income</b>	<b>364,999</b>	<b>306,852</b>
<b>Non-interest income/Total income (%)</b>	<b>46.24</b>	<b>45.42</b>

In 1999, the Group reported a substantial costs increase which is attributable to higher rental fees, marketing costs, consultancy fees on re-engineering of the lending process and customer service training. Strong investments in WBK new outlets (+23) and ATMs (+51) and IT development resulted in the growth of depreciation costs by 26%.

Also, provisions created in 1999 were higher than in 1998 due mainly to the growth in general provisions (+PLN 32m) and provisions for some of the Bank's equity stakes.

## Assets and liabilities

### Changes in the balance sheet structure

Changes in the composition of some of the income and cost items were somewhat caused by changes in the structure of WBK balance sheet. The most important changes include:

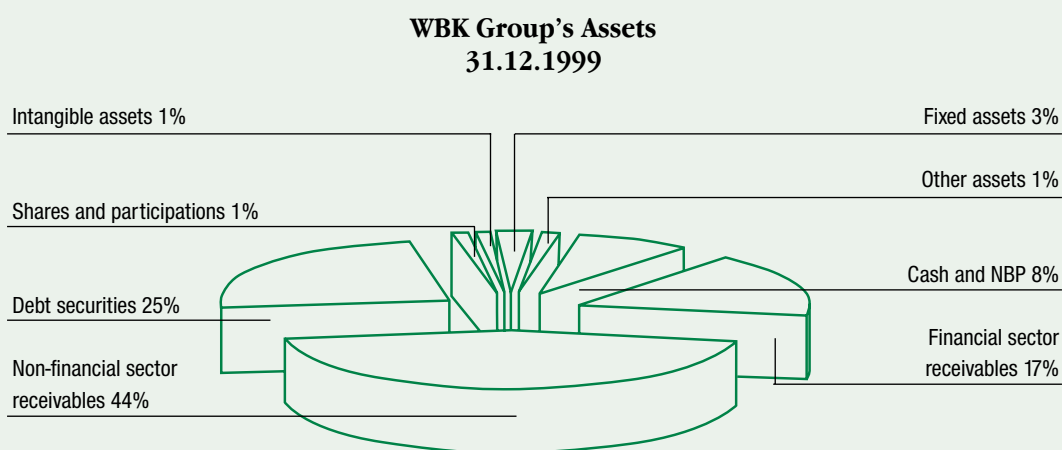
- increase in total assets - at the end of 1999 they exceeded PLN 10bn,
- increase in the proportion of corporate lending in the Bank's loan portfolio,
- replacement of a part of non-earning obligatory reserve with government bonds bearing interest rate at inflation rate,
- increase in the proportion of more expensive term deposits in the funding structure.

### Assets

In 1999, total assets increased by 27%. This growth resulted from a 33% increase in the Bank's loan book (mainly on the back of corporate lending). Interbank placements doubled, which reflects a good growth in customer deposits. Debt securities portfolio decreased by 6%, which reflects shift in asset composition towards loan portfolio. Shares and participations made up a mere 1% of total assets.

### Asset quality

Despite less favourable macroeconomic environment the proportion of problem loans in total lending decreased from 9.23 at the end of 1998 to 8.96% at the end of 1999. Decrease in the proportion of loan loss reserve coverage was balanced by essential growth in high quality collateral eligible for deduction from the basis of loan loss reserves calculation. Change in the Bank's policy in this respect followed the liberalisation of the relevant regulation at the end of 1998. It allows a more effective utilisation of resources without compromising prudential standards. Additionally, we expect that improved credit procedures and better macroeconomic climate will result with a better asset quality in 2000.

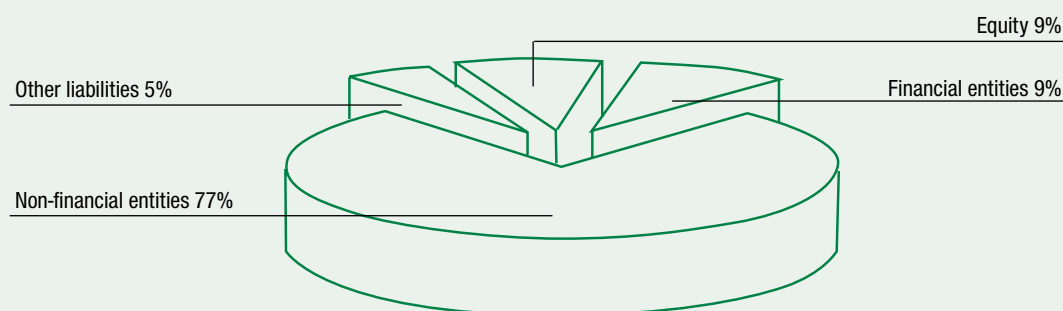


### Liabilities

In 1999, the main feature of WBK liabilities was an increase in customer deposits (+32%), which was substantially enhanced by the high interest rate on GBH deposits collected through networks of both, WBK and GBH.

### WBK Group's liabilities

31.12.1999 r.



At the end of 1999, the Group's off-balance sheet liabilities totalled PLN 1,491.3m. Irrevocable credit commitments made up almost 85% of this amount and guarantees amounted to PLN 225.1m. More detailed breakdown of off-balance sheet liabilities is included in the "Additional Explanatory notes".

Off-balance sheet  
operations

## PROJECTED FINANCIAL STANDING OF WBK GROUP

The Group's performance in 1999 was positively affected by some one-off factors such as equities disposal, which will not be repeated in 2000. Additionally, the Bank will increase significantly its investments in a new centralised branch IT system, e-commerce, card business, leasing, investment funds and branch network all of which will have an impact on the Bank's results. Profit after tax for 2000 is expected to be lower than in 1999.

The main objectives of the Bank in 2000 include:

- increase in the scale of the Group's operations,
- customer service quality improvement,
- development of mortgage banking,
- improvement of the risk management system,
- product and distribution channels development,
- increase in the proportion of the SME-driven business in the Bank's balance sheet.



# CONSOLIDATED FINANCIAL STATEMENTS

## in accordance with Polish Accounting Standards

### for the year ended 31 December 1999

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**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 WBK SA Group"), which are attached to this opinion and comprise:

- (a) the introduction;
- (b) the consolidated balance sheet as at 31 December 1999, showing total assets and total liabilities and equity of PLN 10,801,860 thousand;
- (c) the consolidated income statement for the year ended 31 December 1999, showing a net profit of PLN 174,066 thousand;
- (d) the cash flow statement for the year ended 31 December 1999, showing a decrease in cash and cash equivalents of PLN 388,659 thousand;
- (e) the schedule of changes in consolidated equity;
- (f) the schedule of off-balance sheet items totalling PLN 8,201,149 thousand;
- (g) the notes to the financial statements;

and the consolidation records which constitute the basis for their preparation.

The preparation of the consolidated financial statements and the Directors' Report is the responsibility of the Management Board of the holding 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 and standards in force in Poland:

- (a) the provisions of the Accounting Act of 29 September 1994 (Journal of Laws No. 121/591 as amended) applicable to the audit of annual consolidated financial statements;
- (b) auditing standards issued by the National Board 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, amounts and disclosures in the consolidated financial statements. The audit also included an assessment of the accounting policies employed by the Bank 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.

In addition, we noted that the information presented in the Directors' Report for the year ended 31 December 1999 is consistent with the information presented in the audited consolidated financial statements.

In our opinion the attached consolidated financial statements have been prepared, in all material respects, on the basis of properly maintained consolidation records and in accordance with the consistently applied provisions of the Accounting Act, Resolution No. 1/98 of the Banking Supervision Committee about specific accounting policies for banks and the preparation of notes to financial statements, Resolution No. 2/98 of the Banking Supervision Committee about the specific rules for preparation of consolidated financial statements by banks, the Decree of the Chairman of the Securities Commission dated 19 November 1999 about the scope of information to be presented in

**REGISTERED AUDITOR'S OPINION**

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

consolidated financial statements of issuers of securities which have been admitted to or have applied for admittance to public trading, the Decree of the Ministry of Finance dated 19 November 1999 about the scope of additional information to be presented in financial statements of banks and consolidated financial statements of banks who are issuers of securities admitted to public trading or have applied for admittance of their securities to public trading, and the Decree of the Council of Ministers of 22 December 1998 on the type, format and scope of current and periodical information published by issuers of securities admitted to public trading.

The consolidation records and consolidated financial statements have been prepared on the basis of the financial statements of the consolidated Group entities, with the application of generally uniform accounting policies.

The consolidation records and consolidated financial statements have been prepared on the basis of the financial statements of three Group entities, i.e.:

- Wielkopolski Bank Kredytowy SA - the holding company;
- Subsidiary companies
  - Gliwicki Bank Handlowy SA
  - Dom Maklerski WBK S.A.

The other Group subsidiaries and associates have not been consolidated due to the immateriality of their scale of operations in relation to that of Wielkopolski Bank Kredytowy SA or due to the fact that they were not acquired with a view to exercising permanent control or significant influence over the financial and operating policies of those entities.

The entity financial statements of Wielkopolski Bank Kredytowy SA as at and for the year ended 31 December 1999 were audited by us and we issued an unqualified audit opinion thereon on 15 March 2000.

The entity financial statements of Gliwicki Bank Handlowy SA as at and for the year ended 31 December 1999 were audited by us and we issued an unqualified opinion thereon on 14 February 2000.

The financial statements of Dom Maklerski WBK S.A., as at and for the year ended 31 December 1999, were reviewed by us. During our review, we did not note any matters requiring material adjustments to the consolidated financial statements.

The form and contents of the consolidated financial statements comply with relevant laws. They give a clear view of all information relevant to the assessment of the Group's profitability.

On the basis on our audit of the consolidated financial statements of the WBK SA Group and the consolidation records, we believe that the attached consolidated financial statements give, in all material respects, a true, fair and clear view, of the Group's financial position as at 31 December 1999 and the results of its operations for the year ended on that date.

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



Antoni F. Reczek  
Chairman of the Board  
PricewaterhouseCoopers Sp. z o.o.



Adam Celiński  
Proxy  
PricewaterhouseCoopers Sp. z o.o.



Registered Auditor  
No. C-11/503

Warsaw, 15 March 2000

Registered Audit Company  
No. 144

# INTRODUCTION

Wielkopolski Bank Kredytowy (WBK SA), the dominant entity of WBK Group was registered, pursuant to a legally effective ruling of the Court of Registers in Poznań, on 31 October 1991 under no RHB 6308 in the Register of Companies. The Bank's registered office is located in Poznań, Pl. Wolności 16.

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

The Bank operates in line with Banking Law Act, Commercial Code, Accounting Act, the Bank Statutes and other regulations of Polish law. WBK is a universal bank offering a wide range of bank services nationally as well as internationally. The main areas of activities comprise:

- granting of working capital and investment loans for business customers,
- granting personal loans,
- term financial operations,
- operating current, auxiliary and saving accounts as well as term deposits for both business and personal customers,
- granting bank guaranties,
- services with regard to domestic and international settlements,
- buying and selling monetary liabilities
- accepting deposits of goods and securities as well as rendering safes,
- electronic banking services,
- acting as an intermediary in selling insurance products and pension funds.

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

- Entities consolidated under acquisition accounting method:
  - Gliwicki Bank Handlowy S.A.;
  - Dom Maklerski S.A.;
- Other affiliates and subsidiaries presented below - excluded from the consolidation requirement in view of their immateriality in comparison with the scale of WBK's operations or because they were not purchased with the view to exercise a permanent control over them.

Gliwicki Bank Handlowy, in which WBK has a 95.33% shareholding, is also a universal bank, whose main activity according to EKD (European Business Classification) is "other monetary intermediation" (6512).

Dom Maklerski, wholly owned by WBK, was established on 23 July 1999. It commenced brokerage operations on 2 November 1999. Dom Maklerski offers the following services:

- buying or selling securities on the customer's account
- buying or selling securities on its own account in order progress tasks related to the organization of the regulated market
- operating securities accounts and securities-related accounts;
- offering securities in the primary trading or initial public offer (IPO);
- undertaking actual and legal actions aimed at taking up or purchasing by a customer the securities which are not admitted to the public trading;
- undertaking actions related to servicing trust funds, pension funds as well as investment funds;
- undertaking actions in the CTO market - regulated off stock exchange trading.

The affiliated and subsidiary undertakings listed in the table below were not consolidated in the financial statements due to immaterial volumes of their financial figures as compared to WBK's figures for 1999:

- |                       |                 |
|-----------------------|-----------------|
| • balance sheet total | PLN 10,567,410k |
| • interest income     | PLN 1,052,396k  |

**Selected financial highlights of companies (not consolidated) composing WBK Group:**

<b>Company</b>	<b>Percentage of share capital held</b>	<b>Balance sheet total PLN k</b>	<b>Income on sales of goods, products and financial operations PLN k</b>
<b>Subsidiaries of WBK SA</b>			
WBK Finanse & Leasing SA	99.99%	61,474	6,597
WBK Nieruchomości SA	99.80%	265	894
Masa upadłości - Lubuska			
Wytwórnia Win Sp. z o.o.	81.69%	261	594
Brytyjsko Polskie Towarzystwo			
Finansowe WBK-CU Sp. z o.o.	60.00%	2,656	3,804
AIB WBK Fund Management Sp. z o.o.	54.00%	7,195	12,922
PB Polsoft Sp. z o.o.	51.00%	3,216	10,963
<b>Affiliates WBK SA</b>			
WBK AIB Asset Management SA	50.00%	11,305	873
<b>Subsidiaries GBH SA</b>			
Agrotechma Sp. z o.o. - in bankruptcy	68.00%	717	0
<b>Affiliates of GBH SA</b>			
Euroad Leasing Sp. z o.o.	37.50%	1,112	No data
NOTA Sp. z o.o. - in bankruptcy (*)	25.00%	70	No data

\* data as at 9.05.97

The entities composing the Group do not hold shares in other companies making up the Group.

The consolidated financial statements include data for the period from 1 January to 31 December 1999 as well as comparative data for the period from 1 January 1998 to 31 December 1998. In case of Dom Maklerski WBK, the accounting period begins on 23 July 1999, i.e. with the day it was established and ends on 31 December 1999.

Due to the fact that Dom Maklerski WBK commenced its actual operations on 2 November 1999, i.e. from the moment the Central Brokerage Office was bought from WBK, and the financial data of the CBO for 10 months are disclosed in WBK financial statements, the financial data for the year 1999 are fully comparable with the financial figures for 1998.

In order to ensure the comparability of figures disclosed in the financial statements for 1999, the presentation of some items was changed. The changes were introduced in line with the Ordinance of the Cabinet dated 22 December 1998 on the type, format and frequency of current and periodic information to be provided by issuers of securities admitted to public trading. The above reclassifications do not have any influence on the balance sheet total, capitals nor financial profit/loss.

The explanation of the differences in the presentation of figures for 1999 is included in the additional explanatory note to the financial statements.

The consolidated financial statements for 1999 were prepared based on the consistently run and maintained consolidation documentation, application of accounting principles and policies, including the valuation of assets and liabilities as well as calculation of the financial result, as defined in the Accounting Act of 29 September 1994, Resolution no 1/98 of the Banking Supervision Commission of 3 June 1998 relating to specific policies to be employed by banks in the preparation of additional information, 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. Financial statements of Dom Maklerski for the purposes of consolidation were prepared in line with the regulations which were applicable for the CBO till the time it was operating within WBK structures. Under the acquisition accounting method a consolidated balance sheet and profit and loss accounted are prepared

by adding the respective items of the balance sheet as well as profit and loss account are then subject to appropriate adjustments, transfers and eliminations on consolidation.

As at the date of gaining a control over a subsidiary, the value of its net assets is determined and the arising (due to elimination of the subsidiary's shares acquisition cost by the dominant entity and relevant value of the share capital of the subsidiary) goodwill or reserve on consolidation are amortised over a period of five years beginning with the month following the date of gaining the control over the subsidiary.

Detailed data referring to establishment and amortisation of goodwill of the subsidiaries are included in the Note 13.

WBK Group employs the following principles of assets and liabilities valuation as well as calculation of the financial result:

- Amounts due from financial, non financial and public sectors are presented in the financial statements as a net value, i.e. in the nominal value increased by matured and accrued interest and decreased by specific provisions raised for receivables.
- 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 acquisition price adjusted by the accrued interest, discount and the premium, however, not higher than the net sale price. When the value defined in such a way is higher than the net sale price, the difference is taken to the costs of financial operations. As to the debt securities held for investment, they are shown in the Bank's ledger according to their purchase price adjusted by the accrued interest, discount and the premium, including write downs due to the permanent loss of their value.
- Equity shares, which are held for trading, are shown in the balance sheet at their purchase price, however not higher than the net sale price. In case the net sale price is lower than the acquisition price, the difference is incorporated into costs of financial operations. Equity shares purchased and classified as investments are shown according to their purchase price, including write downs due to the permanent loss of their value.

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

Brady bonds, commercial paper and municipal bonds included in that category were valued according to their market price; in case of Brady bonds, it was calculated based on the average market price provided by the Reuter's system as at 31.12.99 and the commercial paper and municipal bonds were valued according to the average yield of treasury bills (increased by the margin for credit risk) with same residual maturity as the period to the nearest revaluation of the interest rate.

- Units in trust funds are disclosed at their purchase price adjusted by the write downs due to the permanent loss of their value.
- Tangible and intangible fixed assets are valued at their purchase price, which comprises the amount due to the vendor and other costs directly related to the purchase, after adjustments of charges for depreciation calculated using linear method according to the WBK amortisation schedule for the year 1999. The amortisation related to the liquidated, sold or given away tangible and intangible fixed assets is disclosed as other operating costs.
- Assets taken over for debts are disclosed at the value of the debt for which the asset was taken over. Some of the items are valued in line with § 28 sec. 1 point 5 of the Resolution of the Banking Supervision Commission dated 3 June 1998. There is a specific provision created for the possible difference between the amount of debt and the value set in line with the regulations referred to above.
- Liabilities, of which amounts placed with banks, are to be disclosed in the amount required to be paid, including the interest.

- Assets and liabilities being balance sheet and off balance sheet items, expressed in foreign currency are shown in PLN, calculated according to the average exchange rate for each currency set up by the President of National Bank of Poland, (NBP) applicable on the last business day of the accounting period. The rules used in the calculation of selected items of the financial statements as at 31 December 1999 are presented below.
- Interest income and expense are presented in the P&L Account on the accrual basis, i.e. showing all income in a given period (except for interest matured and non-matured on sub-standard receivables, capitalised interest and interest received downward related to succeeding accounting periods) and incurred costs (interest matured and non-matured related to the given period), irrespective of their payment date.
- Commissions comprising income on granting loans, guarantees and bank guarantees are taken to profit of the accounting period when that loan or a guarantee was granted except for loans fulfilling following criteria at the same time: the minimum loan amount is 1 million PLN and the repayment period is longer than 12 months. Commission on these loans is disclosed from 1 January 1999 in the financial result proportionally, in the amount related to the given accounting period.
- Profit on foreign currency operations in the inter-bank market is shown in the item "Profit on financial operations", however, profit on zloty operations in the inter-bank market is shown under "Net interest income"..
- Specific provisions for receivables categorized as regular - in the range of personal consumer loans (except for home loans), substandard and doubtful, as well as for off balance sheet liabilities, are created in line with the Resolution of the Banking Supervision Commission dated 22 December 1998.
- Within WBK Group only WBK raised a general risk provision. It is taken 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.
- Provision for corporate income tax is created for timing tax differences relating to the recognition of income and cost in different periods for accounting and taxation purposes. In WBK Group there are negative timing differences, in the accounts disclosed as prepayments and positive timing difference for which a provision is raised. In the consolidated balance sheet positive and negative balances of the timing differences occurring in these entities are disclosed:
  - In WBK SA - as a provision for corporate income tax;
  - In GBH and Dom Maklerski WBK - as prepayments;

The entities of WBK Group do not constitute an income tax group. The corporate income tax on the gross profit as well as the corporate income tax based on the tax regulations is calculated separately in each company.

Financial data concerning balance sheet and profit and loss account items for the year 1999 are calculated in line with the following rules:

- Balance sheet items and book value per share ratio - according to the average EURO rate as at the balance sheet date, announced by the NBP - 4.1689,
- Profit and loss account items and earnings for 12 months per one ordinary share - according to the rate which is an arithmetical average of rates applied for the last day of every ended month of 1999 - 4.2373 (January - 4.1650, February - 4.3450, March - 4.3000, April - 4.1890, May - 4.1500, June - 4.0593, July - 4.1340, August - 4.1936, September - 4.3977, October - 4.4140, November - 4.3306, December - 4.1689);

Summary financial statements of non-consolidated subsidiary and affiliated companies, in the format defined by § 3 item 2 point 2 in the Ordinance of the Chairman of the Securities Commission, dated 19 November 1999 constitute an appendix to the consolidated annual financial statements.

The financial data of WBK Finanse & Leasing SA covers the financial performance from the moment the company commenced its operations, i.e. from 27 October 1998 to 31 December 1999.

The auditor, PricewaterhouseCoopers Sp. z o.o., after reviewing financial accounts of companies composing WBK Group for 1999 and 1998 did not raise any qualifications in their report. Therefore, there was no need to make any adjustments to the data presented in the financial statements.

There are no internal organisational units in the dominant entity or consolidated subsidiaries, which would have to prepare separate financial statements.

# CONSOLIDATED BALANCE SHEET

			PLN '000	
	as at	Note	31.12.1999 current year	31.12.1998 previous year
<b>ASSETS</b>				
I. Cash and balances with the Central Bank		1	868 186	488 778
II. Debt securities with the right to rediscount at the Central Bank			-	-
III. Amounts due from financial sector		2	1 823 276	935 011
1. In current account			46 233	36 800
2. Term			1 777 043	898 211
IV. Amounts due from non-financial and public sector		3	4 825 180	3 641 148
1. In current account			825 985	525 455
2. Term			3 999 195	3 115 693
V. Amounts due from non-consolidated subsidiaries and affiliated undertakings		2,3	12 364	40 136
VI. Amounts due from consolidated subsidiaries and affiliated undertakings		2,3	-	-
VII. Amounts receivable on purchased securities which are subject to repurchase agreement		4	-	-
VIII. Debt securities		5, 11	2 650 446	2 819 777
IX. Shares and interests in non-consolidated subsidiaries and affiliated undertakings		6, 8, 11	15 499	14 121
X. Shares and interests in consolidated subsidiaries and affiliated undertakings		7, 8, 11	-	-
XI. Shares and interests in other entities		9, 11	117 503	100 588
XII. Other securities and proprietary interests		10, 11	7 474	6 817
XIII. Intangible assets		12	58 714	49 195
XIV. Goodwill arising on consolidation		13	5 287	9 217
XV. Tangible fixed assets		14	275 342	243 323
XVI. Bank's own shares for disposal		15	-	-
XVII. Other assets		16	101 270	103 633
1. Assets taken over - for sale			1 259	1 758
2. Other			100 011	101 875
XVIII. Prepayments		17	41 319	38 334
1. Deferred taxation			4 752	4 519
2. Other prepayments			36 567	33 815
<b>TOTAL ASSETS</b>			<b>10 801 860</b>	<b>8 490 078</b>



	as at	Note	31.12.1999 current year	PLN '000 31.12.1998 previous year
LIABILITIES				
I. Deposits of the Central Bank			—	—
II. Deposits of financial sector		18	952 264	796 783
1. Current			34 520	40 420
2. Term			917 744	756 363
III. Deposits of non-financial and public sector		19	8 346 771	6 317 178
1. Savings deposits, of which:			—	395
a) current			—	—
b) term			—	395
2. Other, of which:			8 346 771	6 316 783
a) current			2 558 566	2 326 761
b) term			5 788 205	3 990 022
IV. Deposits of non-consolidated subsidiaries and affiliates		18,19	4 157	12 653
V. Deposits of consolidated subsidiaries and affiliates		18,19	—	—
VI. Amounts payable on securities sold which are subject to repurchase agreement		20	—	—
VII. Liabilities arising from the issue of Bank's securities		21	—	—
VIII. Special funds and other liabilities		22	328 886	324 223
IX. Prepayments and deferred income		23	135 759	186 006
X. Provisions		24	104 858	58 261
1. Provision for income tax			27 478	15 802
2. Other provisions			77 380	42 459
XI. Subordinated liabilities		25	10 048	10 048
XII. Minority shareholders' own capital		26	852	1 070
XIII. Capital reserve due to consolidation		27	—	—
XIV. Share/core capital		28	86 020	86 020
XV. Due contributions to the share/core capital (negative value)			—	—
XVI. Supplementary capital (funds)		29	51 347	51 347
XVII. Capital reserve (funds) from revaluation of fixed assets			51 427	51 427
XVIII. Other reserve capital (funds)		30	540 609	401 683
XIX. Effect of exchange translation in relation to outlets abroad			—	—
XX. Exchange rate differences arising on consolidation			—	—
XXI. Retained profit or uncovered loss from previous year		31	14 796	8 085
XXII. Net profit (loss)			174 066	185 294
TOTAL LIABILITIES			10 801 860	8 490 078
Solvency ratio		32	10,79	10,09
Net book value			918 265	783 856
Number of shares (in thousands)			68 816	68 816
Net book value per share (in PLN)		32	13,34	11,39
Predicted number of shares			—	—
Diluted book value per share (in PLN)			—	—

## OFF–BALANCE SHEET ITEMS

			PLN '000	
	as at	Note	31.12.1999 current year	31.12.1998 previous year
I. Off balance–sheet contingent liabilities			1 858 532	1 392 568
1. Committed:			1 491 281	1 224 073
a) in relation to financing			1 266 188	1 023 995
b) guarantees		33	225 093	200 078
2. Received:			367 251	168 495
a) in relation to financing			–	–
b) guarantees			367 251	168 495
II. Commitments arising out of sale/purchase transactions			6 342 617	2 169 665
III. Other contingent liabilities, of which:			–	–
<b>TOTAL OFF BALANCE SHEET ITEMS</b>			<b>8 201 149</b>	<b>3 562 233</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	for period	Note	31.12.1999 current year	31.12.1998 previous year
I. Interest income		34	1 098 047	1 227 002
II. Interest expense		35	(673 702)	(858 241)
<b>III. Net interest income (I–II)</b>			<b>424 345</b>	<b>368 761</b>
IV. Commission income		36	188 438	139 755
V. Commission expense			(22 834)	(17 263)
<b>VI. Net commission income (IV–V)</b>			<b>165 604</b>	<b>122 492</b>
VII. Income on shares, other securities and other proprietary interests		37	624	23 304
<b>VIII. Profit on financial operations</b>		<b>38</b>	<b>129 470</b>	<b>92 251</b>
IX. Foreign exchange profit			54 376	59 483
<b>X. Profit on banking operations</b>			<b>774 419</b>	<b>666 291</b>
XI. Other operating income		39	69 920	20 058
XII. Other operating expenses		40	(54 995)	(10 736)
XIII. Bank's operating expenses before depreciation		41	(390 980)	(312 988)
XIV. Depreciation of fixed assets and intangible assets			(65 826)	(52 426)
XV. Charges for provisions and revaluation		42	(133 954)	(103 658)
XVI. Write–back of provisions		43	73 752	73 324
<b>XVII. Balance of provisions (XV– XVI)</b>			<b>(60 202)</b>	<b>(30 334)</b>
<b>XVIII. Profit on operations</b>			<b>272 336</b>	<b>279 865</b>
XIX. Profit and loss balance on extraordinary items			(179)	(41)
1. Extraordinary gains		44	144	777
2. Extraordinary losses		45	(323)	(818)

			PLN '000
	for period	Note	31.12.1999
			31.12.1998
			current year
			previous year
XX. Amortization of goodwill arising on consolidation			(3 501)
XXI. Amortization of capital reserve arising on consolidation			–
<b>XXII. Gross profit (loss)</b>			<b>268 656</b>
XXIII. Corporate income tax	46		(94 428)
XXIV. Other taxation	47		–
XXV. Share in profit (losses) of consolidated entities			–
XXVI. (Profit) loss of minority shareholders			(162)
<b>XXVII. Net profit (loss)</b>			<b>174 066</b>
			<b>185 294</b>
<b>Net profit (loss) (for 12 months)</b>			<b>174 066</b>
			<b>185 294</b>
<b>Weighted average number of ordinary shares (in thousands)</b>			<b>68 816</b>
			<b>68 816</b>
<b>Net earnings (loss) per ordinary share (in PLN)</b>	48		<b>2,53</b>
			<b>2,69</b>

## MOVEMENTS IN CONSOLIDATED OWN FUNDS

	for period	31.12.1999	31.12.1998
		current year	previous year
<b>I. Balance of own funds at the beginning of the period</b>		<b>783 856</b>	<b>631 806</b>
a) changes in the adopted accounting policy		–	–
b) correction of fundamental errors		–	–
<b>I.a Balance of own funds at the beginning of the period after adjustment to comparable data</b>		<b>783 856</b>	<b>631 806</b>
<b>1. Balance of share capital at the beginning of period</b>		<b>86 020</b>	<b>86 020</b>
1.1 Movements in the share capital			
a) increase (due to)		–	–
– issue of shares		–	–
– rise of nominal value		–	–
b) decrease (due to)		–	–
– redemption		–	–
<b>1.2 Balance of share capital at the end of the period</b>		<b>86 020</b>	<b>86 020</b>
<b>2. Balance of due contributions to share capital at</b>			
2.1. Movements in due contributions to share capital at the beginning of the period		–	–
a) increase		–	–
b) decrease		–	–
<b>2.2 Balance of due contributions to share capital at the end of the period</b>		<b>–</b>	<b>–</b>
<b>3. Balance of supplementary capital at the beginning of the period</b>		<b>51 347</b>	<b>51 347</b>
3.1 Movements in supplementary capital			
a) increase (as a result of)		–	–
– sale of shares over their nominal value (share premium)		–	–
– profit allocation (as required by law)		–	–
– profit allocation (in the amount higher than required by law)		–	–

	PLN '000	
	for period 31.12.1999 current year	31.12.1998 previous year
b) decrease (as a result of)	—	—
— loss cover	—	—
<b>3.2 Balance of supplementary capital at the end of the period</b>	<b>51 347</b>	<b>51 347</b>
<b>4. Balance of capital reserve (funds) arising on revaluation at the beginning of the period</b>	<b>51 427</b>	<b>51 427</b>
4.1 Movements in the balance of capital reserve arising on revaluation		
a) increase (due to)	—	—
b) decrease (due to)	—	—
— disposal and liquidation of the fixed assets	—	—
<b>4.2 Balance of capital reserve arising from revaluation at the end of the period</b>	<b>51 427</b>	<b>51 427</b>
<b>5. Balance of the general banking risk fund at the beginning of the period</b>	<b>35 000</b>	<b>82 325</b>
5.1 Movements in the balance of the general banking risk fund		
a) increase (due to)	55 000	35 000
— allocations from profit	55 000	35 000
b) decrease (due to)	—	(82 325)
— transfer to capital reserve	—	(74 655)
— transfer to deposits of public sector	—	(7 670)
<b>5.2 Balance of the general banking risk fund at the end of the period</b>	<b>90 000</b>	<b>35 000</b>
<b>6. Balance of the brokerage operations fund at the beginning of the period</b>	<b>15 000</b>	<b>13 500</b>
<b>6.1 Movements in the balance the brokerage operations fund</b>		
a) Increase (due to)	—	1 500
—re-posting from the capital reserve	—	1 500
b) decrease (due to)	(15 000)	—
— re-posting to reserve capital in connection with the disposal of Brokerage House	(15 000)	—
<b>6.2 Balance of the brokerage operations fund at the end of the period</b>	<b>—</b>	<b>15 000</b>
<b>7. Balance of other capital reserve components at the beginning of the period</b>	<b>351 683</b>	<b>225 703</b>
<b>7.1 Movements in other components of the remaining capital reserve at the beginning of the period</b>		
a) Increase due to	102 461	132 228
— allocation from retained profit to capital reserve	87 461	57 573
— transfer/allocation from the general risk fund	—	74 655
— re-posting from brokerage activity fund in connection with disposal of Brokerage House	15 000	—
b) decrease due to	(3 535)	(6 248)
— amortization of the ownership title to cooperative apartments	—	(1 500)
— amortization of goodwill	(3 535)	(4 748)
<b>7.2 Balance of other capital reserve components at the end of the period</b>	<b>450 609</b>	<b>351 683</b>
<b>8. Effect of exchange translation in relation to outlets abroad</b>	<b>—</b>	<b>—</b>
<b>9. Effect of exchange translation arising from consolidation</b>	<b>—</b>	<b>—</b>
<b>10. Balance of undistributed profit or uncovered loss from previous years at the beginning of the period</b>		
10.1 Retained profit / losses from previous years	193 379	121 484
a) changes in the adopted accounting policy	—	—
b) correction of fundamental errors	—	—
<b>10.2 Balance of retained profit / loss from previous years</b>	<b>193 379</b>	<b>121 484</b>
a) increase (due to)	3 535	4 748
— profit allocation	—	—
— transfer of amortization of goodwill arising on consolidation into capital reserve	3 535	4 748

	PLN '000	
	for period 31.12.1999	31.12.1998
	current year	previous year
b) decrease (due to)	(182 118)	(118 147)
– allocation to capital reserve	(87 461)	(57 573)
– allocation to general risk fund	(55 000)	(35 000)
– allocation to dividend	(36 473)	(24 774)
– allocation to charity donations	(900)	(800)
– allocation to ZFCŚ	(2 000)	–
– allocation to profit on utility share fund	(284)	–
<b>10.3 Balance of retained profit from previous years at the beginning of the period</b>	<b>14 796</b>	<b>8 085</b>
<b>10.4 Balance of retained loss from previous years at the beginning of the period</b>	<b>–</b>	<b>–</b>
a) changes in adopted accounting policy	–	–
b) correction of fundamental errors	–	–
<b>10.5 Balance of uncovered loss from previous years at the beginning of the period, after the reconciliation with comparative data</b>	<b>–</b>	<b>–</b>
a) increase (due to)	–	–
– relocation of the loss to be covered	–	–
b) decrease (due to)	–	–
<b>10.6 Balance of retained loss from previous years at the end of the period</b>	<b>–</b>	<b>–</b>
<b>10.7 Balance of retained profit / loss from previous years at the end of the period</b>	<b>14 796</b>	<b>8 085</b>
<b>11 Net profit/loss</b>	<b>174 066</b>	<b>185 294</b>
a) net profit	174 066	185 294
b) net loss	–	–
<b>II. Balance of own funds (capital) at the end of the period</b>	<b>918 265</b>	<b>783 856</b>

## CONSOLIDATED CASH FLOW STATEMENT

	for period 31.12.1999	31.12.1998
	current year	previous year
<b>A. NET CASH FLOWS FROM OPERATING ACTIVITIES (I – II)</b>	<b>361 556</b>	<b>644 800</b>
– direct method*		
<b>I. Net profit (loss)</b>	<b>174 066</b>	<b>185 294</b>
<b>II. Total adjustments:</b>	<b>187 490</b>	<b>459 506</b>
1. Net profit/loss of minority shareholders (stockholders)	162	802
2. Share in profits (losses) of consolidated undertakings	–	–
3. Amortization (including write-down of goodwill on consolidation or of capital reserve on consolidation)	69 327	59 010
4. Profit/loss on exchange rate differences	(3)	(9)
5. Interest and dividends	42 672	(91 172)
6. (Profit) loss on capital investments	(44 366)	(41 447)
7. Changes in the balance of other provisions	34 921	14 949
8. Corporate income tax (disclosed in profit & loss account)	94 428	90 193
9. Corporate tax paid	(60 566)	(103 083)
10. Change in the balance of debt securities	(8 999)	44 325
11. Change in the balance of amounts receivable from financial sector	(851 242)	(22 045)

	PLN '000	
	for period 31.12.1999 current year	31.12.1998 previous year
12. Change in the balance of amounts receivable from non-financial and public sector	(1 184 032)	(888 172)
13. Change in the balance of amounts receivable due to purchased securities which are subject to repurchase agreement	–	19 212
14. Change in the balance of shares, interests and other commercial paper with variable interest rate	(7 620)	(791)
15. Change in the balance of deposits of financial sector	152 922	370 021
16. Change in the balance of deposits of non-financial and public sector	2 023 659	1 180 443
17. Change in the balance of amounts payable due to sold securities which were subject to repurchase agreement	–	(76 760)
18. Change in the balance of liabilities due to securities	–	–
19. Change in the balance of other liabilities	(15 651)	(85 080)
20. Change in the balance of accruals	(4 799)	(8 257)
21. Change in the balance of deferred income	(59 207)	(1 596)
22. Other items	5 884	(1 037)
<b>B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I–II)</b>	<b>67 740</b>	<b>(703 321)</b>
<b>I. Proceeds from capital investments</b>	<b>28 797 756</b>	<b>46 671 136</b>
1. Sale of intangible assets	3	49
2. Sale of tangible fixed assets	554	4 870
3. Sale of shares in subsidiary undertakings	6 411	–
4. Sale of shares in affiliated companies	1 450	35 931
5. Sale of shares in dominant entity	–	–
6. Sale of other shares and securities (also those held for trading) and other proprietary interests	28 782 079	46 626 672
7. Other inflows	7 259	3 614
<b>II. Expenses related to capital investments</b>	<b>(28 730 016)</b>	<b>(47 374 457)</b>
1. Purchase/acquisition of intangible assets	(21 423)	(11 392)
2. Purchase/acquisition of tangible fixed assets	(75 590)	(77 829)
3. Purchase/acquisition of shares in subsidiaries	(2 575)	(2 539)
4. Purchase/acquisition of shares in affiliates	(5 473)	(3 055)
5. Purchase/acquisition of shares in dominant entity	–	–
6. Purchase of shares in other undertakings and of other securities (also those held for trading) and of other proprietary interests	(28 624 955)	(47 279 357)
7. Purchase of Bank's own shares for disposal	–	–
8. Other expenses	–	(285)
<b>C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I–II)</b>	<b>(40 637)</b>	<b>(30 575)</b>
<b>I. Inflows from financing activities</b>	<b>–</b>	<b>–</b>
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. Inflow from the issue of own shares	–	–
6. Contributions to capital	–	–
7. Other inflows	–	–
<b>II. Expenses related to financing activities</b>	<b>(40 637)</b>	<b>(30 575)</b>
1. Repayment of long-term loans to banks	–	–
2. Repayment of long-term loans to financial institutions other than banks	–	–
3. Repurchase of bonds and other securities from other financial institutions	–	–

	PLN '000	
	for period 31.12.1999	31.12.1998
	current year	previous year
4. Decrease in the balance of subordinated liabilities	–	–
5. Costs of own shares' issue	–	–
6. Redemption of own shares	–	–
7. Dividends and other payments to shareholders	(36 473)	(24 774)
8. Payment from profit to members of management and supervisory boards	–	–
9. Social purpose expenses	(663)	(563)
10. Dividends paid to minority shareholders (stockholders)	–	–
11. Payments under finance lease agreements	–	(197)
12. Other expenses	(3 501)	(5 041)
<b>D. TOTAL NET CASH FLOW (A+/-B+/-C)</b>	<b>388 659</b>	<b>(89 096)</b>
<b>E. CHANGE IN THE BALANCE OF CASH</b>	<b>388 659</b>	<b>(89 096)</b>
– including balances of foreign currency translation differences		
<b>F. CASH AT THE BEGINNING OF THE PERIOD</b>	<b>525 479</b>	<b>614 575</b>
<b>G. CASH AT THE END OF THE PERIOD (F+/-D)</b>	<b>914 138</b>	<b>525 479</b>

## EXPLANATORY NOTES

### EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET

#### Note 1

<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>current year</b>	<b>previous year</b>
1. Demand deposits	866 968	487 063
2. Obligatory reserve	–	–
3. Funds of the Banking Guarantee Fund	–	–
4. Other	1 218	1 715
<b>Total cash and balances with the Central Bank</b>	<b>868 186</b>	<b>488 778</b>

<b>CASH (by currency)</b>	<b>current year</b>	<b>previous year</b>
<b>a) in zloty</b>	<b>752 963</b>	<b>424 549</b>
<b>b) in foreign currencies (by currency and its equivalent in PLN)</b>	<b>115 223</b>	<b>64 229</b>
b1. currency in thousand /USD	12 911	5 392
PLN k.	53 558	18 892
b2. currency in thousand /DEM	17 798	13 956
PLN k.	37 936	29 189
b3. currency in thousand /GBP	885	626
PLN k.	5 942	3 636
b4. Other currencies (in PLN k.)	17 787	12 512
<b>Cash in total</b>	<b>868 186</b>	<b>488 778</b>

**Note 2**

<b>AMOUNTS DUE FROM FINANCIAL SECTOR (BY CATEGORY)</b>	<b>current year</b>	<b>previous year</b>
1. Current account	43 403	34 657
2. Loans, placements and advances	1 780 098	928 932
3. Purchased debts	193	–
4. Realised guarantees and bank guarantees	–	–
5. Other amounts due (of which)	3 192	3 242
– amounts due related to the operations of the Bank's Brokerage Office	1 983	1 987
– ZFCŚ funds	966	1 248
– other	243	7
6. Interest:	10 321	9 625
a) non – matured	10 242	9 588
b) matured	79	37
<b>Total amounts due from financial sector (gross)</b>	<b>1 837 207</b>	<b>976 456</b>
7. Provisions raised for irregular receivables from financial sector (negative value)	(1 567)	(1 309)
<b>Total amounts due from financial sector (net)</b>	<b>1 835 640</b>	<b>975 147</b>

<b>AMOUNTS DUE FROM FINANCIAL SECTOR (by maturity)</b>	<b>current year</b>	<b>previous year</b>
1. In current account	46 889	37 257
2. Term receivables with residual maturity of:	1 779 997	929 574
a) up to 1 month	1 235 692	407 748
b) from 1 month to 3 months	73 785	259 812
c) over 3 months to 1 year	163 698	60 821
d) over 1 year to 5 years	282 234	192 024
e) over 5 years	23 006	3 451
f) with expired maturity date	1 582	5 718
3. Interest	10 321	9 625
– non – matured	10 242	9 588
– matured	79	37
<b>Total amounts due from financial sector (gross)</b>	<b>1 837 207</b>	<b>976 456</b>

<b>AMOUNTS DUE FROM FINANCIAL SECTOR (BY ORIGINAL MATURITY)</b>	<b>current year</b>	<b>previous year</b>
1. In current account	46 889	37 257
2. Term receivables with maturity of:	1 779 997	929 574
a) up to 1 month	1 219 524	407 659
b) from 1 month to 3 months	56 099	253 751
c) over 3 months to 1 year	94 964	31 431
d) over 1 year to 5 years	321 877	172 990
e) over 5 years	87 533	63 743
3. Interest	10 321	9 625
– non – matured	10 242	9 588
– matured	79	37
<b>Total amounts due from financial sector (gross)</b>	<b>1 837 207</b>	<b>976 456</b>

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

- "In current account" as at 31.12.99 in the amount of PLN 8k.
- "Term" as at 31.12.99 in the amount of PLN 10,313k and as at 31.12.98 in the amount of PLN 9,625k.



	PLN '000	
AMOUNTS DUE FROM FINANCIAL SECTOR (by currency)	current year	previous year
a) in zloty (PLN)	479 640	834 775
b) in foreign currency (by currency and its equivalent in PLN)	1 357 567	141 681
b1. currency in thousand /USD	221 950	17 909
PLN k.	920 716	62 754
b2. currency in thousand /EURO (in 1998 ECU)	82 603	570
PLN k.	344 365	2 332
b3. currency in thousand /DEM	21 284	32 595
PLN k.	45 370	68 172
b4. currency in thousand /GBP	4 348	19
PLN k.	29 161	111
b5. Other currencies	17 955	8 312
<b>Total amounts due from financial sector</b>	<b>1 837 207</b>	<b>976 456</b>

AMOUNTS DUE FROM FINANCIAL SECTOR (gross)	current year	previous year
1. Regular receivables from financial sector (with interest)	1 766 626	965 522
2. Watch receivables	52 602	–
3. Problem receivables from financial sector, of which:	7 658	1 309
– sub-standard	287	–
– doubtful	6 164	–
– lost	1 207	1 309
4. Interest	10 321	9 625
a) non-matured	10 242	9 588
b) matured	79	37
– on regular and watch loans	2	9
– on problem loans	77	28
<b>Total receivables from financial sector (gross)</b>	<b>1 837 207</b>	<b>976 456</b>

**VALUE OF LEGAL SECURITY REDUCING THE BASIS  
FOR SETTING SPECIFIC PROVISIONS FOR IRREGULAR  
RECEIVABLES FROM FINANCIAL SECTOR CATEGORIZED AS:**

	current year	previous year
a) watch loans	42 433	–
b) problem receivables	5 685	–
– sub-standard	–	–
– doubtful	5 685	–
– lost	–	–
<b>Total value of legal security reducing the basis for setting the specific provisions for problem receivables from financial sector</b>	<b>48 118</b>	<b>–</b>

**BALANCE OF PROVISION FOR RECEIVABLES  
FROM FINANCIAL SECTOR**

	current year	previous year
a) watch loans	(62)	–
b) problem receivables	(1 505)	(1 309)
– sub-standard	(57)	–
– doubtful	(241)	–
– lost	(1 207)	(1 309)
<b>Total provisions for receivables from financial sector</b>	<b>(1 567)</b>	<b>(1 309)</b>

**MOVEMENTS IN PROVISIONS FOR RECEIVABLES  
FROM FINANCIAL SECTOR**

	<b>current year</b>	<b>previous year</b>
Balance of provisions for irregular receivables from financial sector at the beginning of the period	<b>(1 309)</b>	<b>(1 286)</b>
a) increases (due to)	(508)	(23)
– transfer from non-financial sector	(88)	–
– charge into costs	(420)	(23)
b) utilization	–	–
c) write back (due to)	250	–
– repayment of receivables	250	–
<b>Balance of provisions for irregular receivables from financial sector at the end of the period</b>	<b>(1 567)</b>	<b>(1 309)</b>

**AMOUNTS DUE FROM FINANCIAL SECTOR**

	<b>current year</b>	<b>previous year</b>
a) from consolidated undertakings	–	–
b) from other entities	1 837 207	976 456
<b>Total amounts due from financial sector</b>	<b>1 837 207</b>	<b>976 456</b>

The data presented in the notes refer also to the amounts due from the subsidiaries and affiliates 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)**

	<b>current year</b>	<b>previous year</b>
1. Loans and advances	<b>4 805 078</b>	<b>3 639 537</b>
2. Purchased debts	<b>112 525</b>	<b>63 731</b>
3. Realised guarantees and bank guarantees	<b>2 954</b>	<b>3 004</b>
4. Other amounts due (of which)	<b>220</b>	<b>428</b>
– settlements with State Treasury related to the purchased debt	–	349
– other	220	79
5. Interest	<b>130 831</b>	<b>157 880</b>
– non - matured	38 498	58 268
– matured	92 333	99 612
6. Amounts receivable due to subsidizing the interest on preferential loans	<b>17 433</b>	<b>24 056</b>
Amounts due from non - financial and public sector (gross)	<b>5 069 041</b>	<b>3 888 636</b>
7. Provisions raised for problem receivables	<b>(243 861)</b>	<b>(247 488)</b>
from non - financial and public sector (negative value)		
<b>Amounts due from non - financial and public sector (net)</b>	<b>4 825 180</b>	<b>3 641 148</b>

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

**AMOUNTS DUE FROM NON – FINANCIAL AND PUBLIC SECTOR****(by maturity)**

	<b>current year</b>	<b>previous year</b>
1. In current account	<b>824 083</b>	<b>525 455</b>
2. Term receivables with residual maturity of:	<b>4 114 127</b>	<b>3 205 301</b>
a) up to 1 month	198 803	224 182
b) from 1 month to 3 months	657 161	497 546
c) over 3 months to 1 year	1 322 790	992 661
d) over 1 year to 5 years	988 632	782 593
e) over 5 years	565 467	379 291
f) with expired maturity date	381 274	329 028
3. Interest	<b>130 831</b>	<b>157 880</b>
– non - matured	38 498	58 268
– matured	92 333	99 612
<b>Total amounts due from non – financial and public sector</b>	<b>5 069 041</b>	<b>3 888 636</b>

**AMOUNTS DUE FROM NON – FINANCIAL AND PUBLIC SECTOR****(by original maturity)**

	<b>current year</b>	<b>previous year</b>
1. In current account	<b>824 083</b>	<b>525 455</b>
2. Term receivables with residual maturity of:	<b>4 114 127</b>	<b>3 205 301</b>
a) up to 1 month	243 112	240 142
b) from 1 month to 3 months	209 174	57 501
c) over 3 months to 1 year	1 017 730	1 106 454
d) over 1 year to 5 years	1 328 721	928 097
e) over 5 years	1 315 390	873 107
3. Interest	<b>130 831</b>	<b>157 880</b>
– non - matured	38 498	58 268
– matured	92 333	99 612
<b>Amounts due from non – financial and public sector</b>	<b>5 069 041</b>	<b>3 888 636</b>

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

- "In current account" as at 31.12.99 in the amount of PLN 1,902k
- "Term" as at 31.12.99 in the amount of PLN 128,929k and as at 31.12.98 in the amount of PLN 157,880k.

**AMOUNTS DUE FROM NON – FINANCIAL AND PUBLIC SECTOR****(by currency)**

	<b>current year</b>	<b>previous year</b>
a) in Polish currency	<b>4 215 615</b>	<b>3 151 148</b>
b) in foreign currencies (by currency and its equivalent in PLN)	<b>853 426</b>	<b>737 488</b>
b1. currency in thousand /USD	186 781	244 386
PLN k.	398 128	511 132
b2. currency in thousand/EURO (in 1998 ECU)	54 977	12 421
PLN k.	229 193	50 833
b3. currency in thousand /USD	35 480	37 955
PLN k.	147 179	132 994
b4. other currencies	78 926	42 529
<b>Total amounts due from non - financial and public sector</b>	<b>5 069 041</b>	<b>3 888 636</b>

	PLN '000	
<b>AMOUNTS DUE FROM NON – FINANCIAL AND PUBLIC SECTOR (gross)</b>	<b>current year</b>	<b>previous year</b>
1.Regular receivables (with interest)	4 083 805	3 386 500
2.Watch receivables	411 790	–
3. Problem amounts due, of which:	442 615	344 256
– substandard	153 526	65 815
– doubtful	59 465	34 310
– lost	229 624	244 131
4. Interest on problem amounts due from non – financial and public sector	130 831	157 880
a)non-matured	38 498	58 268
b)matured	92 333	99 612
– from regular and watch receivables	541	754
– from problem receivables	91 792	98 858
<b>Total amounts due from non - financial and public sector (gross)</b>	<b>5 069 041</b>	<b>3 888 636</b>

**VALUE OF LEGAL SECURITY REDUCING THE BASIS  
FOR SETTING SPECIFIC PROVISIONS FOR RECEIVABLES**

<b>FROM NON–FINANCIAL AND PUBLIC SECTORS CATEGORIZED AS</b>	<b>current year</b>	<b>previous year</b>
a) regular receivables	2 693	–
b) watch loans	275 534	–
c) problem receivables	146 688	32 962
– sub–standard	102 619	8 214
– doubtful	25 700	8 460
– lost	18 369	16 288
<b>Total value of legal security reducing the basis for setting specific provisions for problem receivables from non financial and public sector</b>	<b>424 915</b>	<b>32 962</b>

**BALANCE OF PROVISIONS FOR RECEIVABLES  
FROM NON – FINANCIAL AND PUBLIC SECTOR**

	<b>current year</b>	<b>previous year</b>
a) regular receivables	(2 194)	–
b) watch loans	(856)	–
c) problem receivables	(240 811)	(247 488)
– sub–standard	(11 516)	(13 057)
– doubtful	(18 216)	(12 999)
– lost	(211 079)	(221 432)
<b>Total provisions for receivables from non - financial and public sector</b>	<b>(243 861)</b>	<b>(247 488)</b>

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

	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	(247 488)	(254 237)
a) Increase (due to)	(76 822)	(67 697)
– charges into costs	(76 822)	(66 505)
– exchange translation differences	–	(1 192)
b) Utilisation (due to)	20 887	20 713
– write-off	20 887	20 713
c) Write-back (due to)	59 474	53 726
– repayment of debts	58 988	53 726
– exchange translation differences	486	–
d) other	88	7
– transfer - in 1998 - other assets, in 1999 financial entities	88	7
<b>Balance of provisions for amounts due from non - financial and public sector as at the end of the period</b>	<b>(243 861)</b>	<b>(247 488)</b>

	PLN '000	
AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTOR	current year	previous year
a) from consolidated entities	–	–
b) from other entities	5 069 041	3 888 636
<b>Total amounts due from non-financial and public sector</b>	<b>5 069 041</b>	<b>3 888 636</b>

#### Note 4

AMOUNTS RECEIVABLE ON SECURITIES PURCHASED WHICH ARE SUBJECT TO REPURCHASE AGREEMENT	current year	previous year
a) from financial sector	–	–
b) from non-financial and public sector	–	–
c) interest	–	–
<b>Total amounts receivable on securities purchased which are subject to repurchase agreement</b>	<b>–</b>	<b>–</b>

#### Note 5

DEBT SECURITIES	current year	previous year
1. Issued by central banks, of which:	596 134	891 909
– 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:	49 473	22 093
– in foreign currency	–	–
5. Issued by the state budget, of which:	1 955 836	1 882 218
– in foreign currency	240 674	153 897
6. Issued by local budget, of which:	49 003	23 557
– in foreign currency	–	–
7. Repurchased own debt securities	–	–
<b>Total debt securities</b>	<b>2 650 446</b>	<b>2 819 777</b>

DEBT SECURITIES (BY TYPE)	current year	previous year
1. Issued by the state budget, of which:	1 955 836	1 882 218
a) bonds	1 612 880	1 618 659
b) treasury bills	342 956	263 559
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) others (by type)	–	–
4. Issued by affiliates, of which:	–	–
a) bonds	–	–
b) others (by type)	–	–
5. Issued by other entities, of which:	694 610	937 559
a) bonds	557 549	27 136
c) others (by type)	137 061	910 423
NBP bills	99 817	891 909
commercial paper	37 244	18 514
<b>Total debt securities</b>	<b>2 650 446</b>	<b>2 819 777</b>

As at 31.12.99 treasury bills in the amount of PLN 26,200k (nominal value) in WBK SA and in the amount of PLN 700k (nominal value) in GBH SA were a security cover of the guaranteed funds protection reserve. In addition, GBH established a pledge on T-bills up to the nominal value of PLN 55m as a security for a soft loan from the Banking Guarantee Fund.

	PLN '000	
<b>DEBT SECURITIES</b>	<b>current year</b>	<b>previous year</b>
a) operational of the Bank's brokerage house	42	47
b) held for trading	10 120	1 116
c) held for investment	2 640 284	2 818 614
<b>Total debt securities</b>	<b>2 650 446</b>	<b>2 819 777</b>

<b>MOVEMENT IN THE BALANCE OF SECURITIES</b>	<b>current year</b>	<b>previous year</b>
a) balance at the beginning of the period	<b>2 819 777</b>	<b>2 139 957</b>
b) increase (on)	<b>29 254 025</b>	<b>48 545 127</b>
– increase in the value of NBP bills	25 039 394	39 088 720
– increase in the value of government bills	2 771 793	3 858 470
– increase in the value of treasury bills	843 819	5 536 351
– increase in the value of NBP bonds	496 317	–
– increase in the value of other securities	102 701	61 528
– write-back of provisions	1	58
c) decrease (due to)	<b>(29 423 356)</b>	<b>(47 865 307)</b>
– repurchase / sale of NBP Bills	(25 831 486)	(38 496 567)
– repurchase / sale of government bonds	(2 774 954)	(3 385 047)
– repurchase / sale of treasury bills	(763 764)	(5 949 403)
– repurchase / sale of other debt securities	(49 875)	(34 269)
– creation of provisions	(3 277)	(21)
<b>d) Balance at the end of the period</b>	<b>2 650 446</b>	<b>2 819 777</b>

#### Note 6

<b>SHARES AND INTERESTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATED UNDERTAKINGS</b>	<b>current year</b>	<b>previous year</b>
a) in banks	–	–
b) in other financial entities	11 985	8 235
c) in non-financial entities	3 514	5 886
<b>Total of shares and interests in non-consolidated subsidiaries and affiliates</b>	<b>15 499</b>	<b>14 121</b>

<b>SHARES AND INTERESTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES</b>	<b>current year</b>	<b>previous year</b>
a) in subsidiary entities	8 424	6 900
b) in affiliated entities	7 075	7 221
<b>Total of shares and interests in non-consolidated subsidiaries and affiliates</b>	<b>15 499</b>	<b>14 121</b>

<b>CHANGE OF THE BALANCE OF SHARES AND INTERESTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES</b>	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	<b>14 121</b>	<b>22 946</b>
a) increase (due to)	<b>13 052</b>	<b>6 637</b>
– purchase, acquisition and conversion of shares and interests	8 048	6 637
– write off of provisions	5 004	–
b) decrease (due to)	(11 674)	(15 462)
– creation of reserves	(2 030)	(3 066)
– sale of shares and interests	(9 599)	(12 396)
– re-classification of interests into minority undertakings	(45)	–
<b>Balance of shares and interests in non-consolidated subsidiaries and affiliates at the end of the period</b>	<b>15 499</b>	<b>14 121</b>

**SHARES AND INTERESTS IN NON-CONSOLIDATED  
SUBSIDIARIES AND AFFILIATES**

	<b>current year</b>	<b>previous year</b>
a) operational of the banking brokerage house	—	—
b) held for trading	—	—
c) held for investment	15 499	14 121
<b>Total of shares and interests in non-consolidated subsidiaries and affiliates</b>	<b>15 499</b>	<b>14 121</b>

**Note 7**

**SHARES AND INTERESTS IN CONSOLIDATED  
SUBSIDIARIES AND AFFILIATES**

	<b>current year</b>	<b>previous year</b>
a) in banks	—	—
b) in other financial entities	—	—
c) in non-financial entities	—	—
<b>Total of shares and interests in consolidated subsidiaries and affiliates</b>	<b>—</b>	<b>—</b>

**SHARES AND INTERESTS IN CONSOLIDATED  
SUBSIDIARIES AND AFFILIATES**

	<b>current year</b>	<b>previous year</b>
a) in subsidiary entities	—	—
b) in affiliated entities	—	—
<b>Total of shares and interests in consolidated subsidiaries and affiliates</b>	<b>—</b>	<b>—</b>

**MOVEMENTS IN THE BALANCE OF SHARES AND INTERESTS  
IN CONSOLIDATED SUBSIDIARIES AND AFFILIATES**

	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	—	—
a) increase (due to)	—	—
b) decrease (due to)	—	—
<b>Balance of shares and interests in affiliated companies at the end of the period</b>	<b>—</b>	<b>—</b>

**SHARES AND INTERESTS IN CONSOLIDATED  
SUBSIDIARIES AND AFFILIATES**

	<b>current year</b>	<b>previous year</b>
a) operational of the banking brokerage house	—	—
b) held for trading	—	—
c) held for investment	—	—
<b>Total of shares and interests in consolidated subsidiaries and affiliates</b>	<b>—</b>	<b>—</b>

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## Note 8

## SHARES AND (INTERESTS) IN SUBSIDIARY AND AFFILIATED UNDERTAKINGS (HELD FOR INVESTMENT)

Nn.	a name of entity (and its legal status)	b registered office	c business	d subsidiary or affiliated	e applied consolidation method	f date of taking up control / date from which a substantial influence is exercised	g value of shares / interests at pur- chase price	h provisions for shares	i balance sheet value of shares / interests	j shareholding	k percentage of votes at AGM	l domination form other than indicated in j) or k)
	<b>WBK shares and interests</b>											
1	WBK Finanse & Leasing SA	Poznań	lease and rental of fixed assets, selling goods and installment	subsidiary	excluded from con- solidation	10.1998	5 012	—	5 012	99.99%	99.99%	—
2	WBK Nieruchomości SA	Poznań	construction of the Operational- Service Centre of WBK S.A. and its administration upon the building completion organization, service of training courses, various events. Catering and hotel services.	subsidiary	excluded from con- solidation	07.1998	103	—	103	99.80%	99.80%	—
3	Masa upadłości Lubuskiej Wytwórni Win Sp. z o.o.	Zielona Góra	wine production and distribution	subsidiary	excluded from con- solidation	11.1997	4 462	4 462	—	81.69%	81.69%	—
4	Brytyjsko—Polskie Towarzystwo Finansowe WBK—CU Sp. z o.o.	Poznań	distribution of insurance products	subsidiary	excluded from con- solidation	02.1993 affiliated	218	—	218	60.00%	60.00%	—
5	AIB WBK Fund Management Sp. z o.o.	Warszawa	management of VI NIF (Magna Polonia SA)	subsidiary	excluded from con- solidation	09.1995 affiliated	2 989	—	2 989	54.00%	54.00%	—
6	Projekty Bankowe Polsoft Sp. z o.o.	Poznań	IT services	subsidiary	excluded from con- solidation	12.1996	102	—	102	51.00%	51.00%	—
7	WBK AIB Asset Management SA	Poznań	advisory services in the area of public trading in securities	affiliated	excluded from consolidation	04.1997	6 755	—	6 755	50.00%	50.00%	—



## Note 8 cont.

## SHARES AND (INTERESTS) IN SUBSIDIARY AND AFFILIATED UNDERTAKINGS (HELD FOR INVESTMENT)

Lp.	a name of entity (and its legal status)	b registered office	c business	d subsidiary or affiliated	e applied consolidation method	f date of taking up control / date from which a substantial influence is exercised	g value of shares / interests at pur- chase price	h provisions for shares	i balance sheet value of shares / interests	j shareholding	k percentage of votes at AGM	l domination form other than indicated in j) or k)
	<b>GBH shares and interests</b>											
1	AGROTECHMA Sp. z o.o. (in bankruptcy)	Krędzierzyn- Kozle	food processing, manufacturing of sundry goods and related serices, desing and investment serices, trading in the domestic and international markets, intermediation/agency	subsidiary	excluded from con- solidation	VIII 1993 r.	2	2	—	68.00%	68.00%	—
2	Euroad – Leasing Sp. o.o.	Warszawa	Manufacturing, trede, construction and services on their own or through agents at home and abroad, except for activities which require a license	affiliated	excluded from con- solidation	III 1996 r.	400	80	320	37.50%	35.80%	—
3	NOTA Sp. z o.o. (in bankruptcy)	Gliwice	publishing, editing and related services, technical consultancy, advertisement, photographic services, investment supervision, domestic and foreign trade, production of packaging and advertising gadgets, editorial activities	affiliated	excluded from con- solidation	II 1993 r.	8	8	—	25.00%	25.00%	—

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## Note 8 cont.

## SHARES AND (INTERESTS) IN SUBSIDIARY AND AFFILIATED UNDERTAKINGS (HELD FOR INVESTMENT)

	a	m						n		o		p	r	s	t
No.	name of the entity (and its legal status)	the entity's capital, of which:						liabilities of the entity, of which:		receivables of the entity, of which		total assets of the entity	income from sale	value of shares / inter- ests not paid up by the issuer	dividend received or due for the last account- ing year
		share / core capital	due contri- butions to the capital (negative value)	supplemen- tary capital	other own funds, of which:										
					retained profit (uncovered loss) from previous years	profit (loss) net	long-term	long-term							
	<b>WBK shares and interests</b>														
1	WBK Finanse & Leasing SA	5 000	—	—	(1 180)	—	(1 180)	52 800	23 539	21 091	9 614	61 474	6 597	—	—
2	WBK Nieruchomości SA	100	—	—	55	(6)	61	70	—	65	—	265	894	—	—
3	Masa upadłości Lubuskiej Wytwórni Win Sp. z o.o.	5 462	—	9 217	(19 070)	(16 789)	(2 281)	3 545	—	41	—	261	594	—	—
4	Brytyjsko–Polskie Towarzystwo Finansowe WBK–CU Sp. z o.o.	350	—	417	1 126	—	1 120	665	—	816	—	2 656	3 804	—	406
5	AIB WBK Fund Managmenet Sp. z o.o.	2 469	—	488	1 251	—	1 251	1 561	—	5 041	—	7 195	12 922	—	1 077
6	Projekty Bankowe Polsoft Sp. z o.o.	200	—	862	1 072	—	1 072	999	—	1 347	—	3 216	10 963	—	229
7	WBK AIB Asset Management SA	11 000	—	—	(2 333)	(1 382)	(951)	2 536	—	103	—	11 305	873	—	—
	<b>GBH shares and interests</b>														
1	AGROTECHMA Sp. z o.o. (in bankruptcy)	5	—	—	(1 073)	(1 044)	(29)	1 461	—	277	—	717	—	—	—
2	Euroad – Leasing Sp. z o.o.	1 065	—	—	(24)	(26)	2	71	—	56	—	1 112	no data	—	—
3	NOTA Sp. z o.o. (in bankruptcy)*	32	—	20	(98)	(81)	(45)	100	—	34	—	70	no data	—	—

\* as at 09.05.97

## Note 9

<b>SHARES AND INTERESTS IN OTHER ENTITIES</b>	<b>current year</b>	<b>previous year</b>
a) in banks	854	22 260
b) in other financial entities	66 406	31 964
c) in non-financial entities	50 243	46 364
<b>Total of shares and interests in other entities</b>	<b>117 503</b>	<b>100 588</b>

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

	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	100 588	69 380
a) increase (due to)	165 034	93 588
– purchase, acquisition of shares/interests	155 873	85 647
– valuation of foreign currency shares	3	9
– write-back of provisions	9 108	7 932
– increase of nominal value of GPW shares	5	–
– re-classification from subsidiary entities	45	–
b) decrease (due to)	(148 119)	(62 380)
– creation of provisions	(12 031)	(15 668)
– sale of shares and interests	(136 088)	(45 682)
– transfer	–	(1 030)
<b>Balance of shares and interests held in other entities at the end of the period</b>	<b>117 503</b>	<b>100 588</b>

**SHARES AND INTERESTS HELD IN OTHER ENTITIES**

	<b>current year</b>	<b>previous year</b>
a) operational of the banking brokerage house	3 667	1 025
b) held for trading	14 322	10 044
c) held for investment	99 514	89 519
<b>Total of shares and interests held in other entities</b>	<b>117 503</b>	<b>100 588</b>

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## 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
	<b>WBK shares and interests</b>							
1	Polmo Sp. z o.o.	Gniezno	manufacturing of car spare parts	—	18.46%	18.46%	—	—
2	NIF 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	32 900	15.90%	15.90%	—	1 534
3	Polonia Sp. z o.o.	Gniezno	manufacturing and sales of shoes	—	14.14%	14.14%	—	—
4	Scanelimber Sp. z o.o. (Fada Sp. z o.o.)	Gniezno	manufacturing of vertical transport appliances	—	13.62%	13.62%	—	—
5	Huta L.W. Sp. z o.o.	Warszawa	manufacturing and sale of steel products	11 111	12.48%	12.48%	—	—
6	Inter Groclin SA	Karpicko k. Wolsztyna	manufacturing of products for car industry	7 133	10.63%	2.52%	—	—
7	Commercial Union Polska Towarzystwo Ubezpieczeń na Życie SA	Warszawa	life insurance	8 046	10.00%	10.00%	821	511
8	Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych SA	Warszawa	property and life insurance	2 119	10.00%	10.00%	—	—
9	Commercial Union Polska Towarzystwo Emerytalne BPH, CU, WBK SA	Warszawa	establishing and managing pension funds and representing them to third parties	21 013	10.00%	10.00%	—	—

Note 9 cont.

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
	<b>WBK shares and interests</b>							
10	Autostrada Wielkopolska	Poznań	construction of highways	12 849	9.98%	9.98%	31 871	—
11	Lubelskie Zakłady Przemysłu Skórzanego Protektor SA	Lublin	manufacturing of military, working and safety shoes	796	9.97%	9.97%	—	—
12	Polska Giełda Finansowa SA	Warszawa	organization of trading in financial instruments	200	6.11%	6.11%	—	—
13	Tłocznia Metali Pressta Sa w Bolechowie	Bolechowo	manufacturing of military equipment	—	5.85%	5.85%	—	—
14	Krajowa Izba Rozliczeniowa SA	Warszawa	National Clearing House (clearings)	313	5.74%	5.74%	—	150
15	Other			2 960			—	85
	<b>GBH shares and interests</b>							
1	BAGBUS SA (in bankruptcy)	Warszawa	manufacturing, services and trading activities on its own account and on behalf of third parties	—	6.00%	5.70%	—	—
2	Other			45	x	x	—	—

**Note 10**

<b>OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS (BY TYPE)</b>	<b>current year</b>	<b>previous year</b>
a) units in trust funds	7 474	6 817
b) pre-emptive rights	—	—
c) derivative rights	—	—
d) other (by type)	—	—
<b>Other securities and other proprietary interests in total</b>	<b>7 474</b>	<b>6 817</b>

<b>OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS</b>	<b>current year</b>	<b>previous year</b>
a) operations of the banking brokerage house	—	—
b) held for trading	—	—
c) held for investment	7 474	6 817
<b>Other securities and other proprietary interests in total</b>	<b>7 474</b>	<b>6 817</b>

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

	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	<b>6 817</b>	<b>6</b>
a) increase (due to)	<b>2 717</b>	<b>7 500</b>
— purchase of units in trust funds	2 034	7 500
— write-back of provisions	683	—
b) decrease (due to)	<b>(2 060)</b>	<b>(689)</b>
— creation of provisions	(2 060)	(6)
— sale of units in trust funds	—	(683)
<b>Balance of shares in interests in affiliated undertakings at the end of the period</b>	<b>7 474</b>	<b>6 817</b>

**Note 11**

<b>SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS</b>	<b>current year</b>	<b>previous year</b>
a) operational of the banking brokerage house	3 709	1 072
b) held for trading	24 442	11 160
c) held for investment	2 762 771	2 929 071
<b>Securities, interests and other proprietary interests in total</b>	<b>2 790 922</b>	<b>2 941 303</b>

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

	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	<b>2 941 303</b>	<b>2 232 289</b>
a) increase (due to)	<b>29 434 783</b>	<b>48 651 822</b>
— purchase, acquisition, conversion of shares and interests	165 955	91 254
— valuation of fx interests	3	9
— write-back of provisions	14 796	7 990
— increase in the value of NBP bills	25 039 394	39 088 720
— increase in the value of government bonds	2 771 793	3 858 470
— increase in the value of treasury bills	843 819	5 536 351
— increase in the value of NBP bonds	496 317	—
— increase in the value of other securities	102 701	69 028
— increase of nominal value of Stock Exchange (GPW) shares	5	—
b) decrease (due to)	<b>(29 585 164)</b>	<b>(47 942 808)</b>
— sale of debt securities	(147 747)	(58 084)
— repurchase / sale of NBP bills	(25 831 486)	(38 496 567)

		PLN '000
– repurchase / sale of government bonds	(2 774 954)	(3 385 047)
– repurchase / sale of treasury bills	(763 764)	(5 949 403)
– repurchase / sale of other debt securities	(49 875)	(34 269)
– creation of provisions	(17 338)	(19 438)
<b>Balance at the end of the period</b>	<b>2 790 922</b>	<b>2 941 303</b>

**SECURITIES, INTERESTS AND OTHER PROPRIETARY INTERESTS  
(by currency)**

	current year	previous year
a) in zloty	2 550 097	2 787 258
b) in foreign currency (by currency and its equivalent in PLN)	240 825	154 045
b1.currency in thousand /USD	58 018	43 920
PLN k.	240 674	153 897
b2.currency in thousand /BEF	1 459	1 459
PLN k.	151	148
<b>Total securities, interests and other proprietary interests</b>	<b>2 790 922</b>	<b>2 941 303</b>

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

	current year	previous year
A. With unlimited marketability, listed on stock exchange (balance sheet value)	23 332	10 266
a) shares (balance sheet value)	17 965	10 266
– market value	18 568	10 340
– value at purchase price	18 047	15 984
b) bonds (balance sheet value)	5 367	–
– market value	5 367	–
– value at purchase price	5 342	–
c) other- by category (balance sheet value)	–	–
B. with unlimited marketability, in regulated off Stock Exchange trading (balance sheet value)	4 819	1 266
a) shares (balance sheet value)	24	103
– market value	29	99
– value at purchase price	36	218
b) bonds (balance sheet value)	42	47
– market value	42	49
– value at purchase price	42	47
c) other- by category (balance sheet value)	4 753	1 116
c1) treasury bills	4 753	1 116
– market value	4 753	1 116
– value at purchase price	4 574	1 117
C. With unlimited marketability, not listed and not within regulated off Stock Exchange trading (balance sheet value)	–	700
a) shares (balance sheet value)	–	700
– market value	–	700
– value at purchase price	–	700
b) bonds (balance sheet value)	–	–
– market value	–	–
– value at purchase price	–	–
c) other-by category (balance sheet value)	–	–

	PLN '000	
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)	–	–
<b>Total value at purchase price</b>	<b>28 041</b>	<b>18 066</b>
<b>Total value of revaluation adjustments</b>	<b>(379)</b>	<b>(5 834)</b>
<b>Total estimated/market value</b>	<b>28 759</b>	<b>12 304</b>
<b>Total balance sheet value</b>	<b>28 151</b>	<b>12 232</b>

<b>SECURITIES, INTERESTS AND UNITS IN FUNDS - HELD FOR INVESTMENT</b>	<b>current year</b>	<b>previous year</b>
A. With unlimited marketability, listed on exchange (balance sheet value)	1 408 343	1 489 645
a) shares and interests (balance sheet value)	41 504	28 225
– adjustments of value (balance)	(122)	(2 298)
– value at purchase price	41 626	30 523
b) bonds (balance sheet value)	1 366 839	1 461 420
– adjustments of value (balance)	(2 369)	–
– value at purchase price	1 231 201	1 341 243
c) other-by category (balance sheet value)	–	–
B. with unlimited marketability, in regulated off Stock Exchange trading (balance sheet value)	345 529	1 087 197
a) shares (balance sheet value)	–	–
– adjustments of value (balance)	–	–
– value at purchase price	–	–
b) bonds (balance sheet value)	1 021	10 772
– adjustments of value (balance)	–	–
– value at purchase price	1 000	10 575
c) other-by category (balance sheet value)	344 508	1 076 425
c1) treasury bills	244 691	184 516
– adjustments of value (balance)	(623)	–
– value at purchase price	236 465	170 360
c2) NBP Bills	99 817	891 909
– adjustments of value (balance)	–	–
– value at purchase price	99 680	888 065
C. With unlimited marketability, not listed and not within regulated off Stock Exchange trading (balance sheet value)	419 070	274 302
a) shares (balance sheet value)	58 573	49 115
– adjustments of value (balance)	(8 584)	(5 905)
– value at purchase price	67 157	55 020
b) bonds (balance sheet value)	300 843	173 556
– adjustments of value (balance)	–	–
– value at purchase price	295 911	171 160
c) other-by category (balance sheet value)	59 654	51 631
c1) commercial paper	37 244	18 514
– adjustments of value (balance)	–	–
– value at purchase price	36 845	17 814



	PLN '000	
c2) shares and interests	14 936	26 300
– adjustments of value (balance)	(14 930)	(9 747)
– value at purchase price	29 866	36 047
c3) units in trust funds	7 474	6 817
– adjustments of value (balance)	–	(683)
– value at purchase price	7 474	7 500
D. With limited marketability	589 829	77 927
a) shares (balance sheet value)	–	–
– adjustments of value (balance)	–	–
– value at purchase price	–	–
b) bonds (balance sheet value)	496 317	–
– adjustments of value (balance)	–	–
– value at purchase price	487 765	–
c) other–by category (balance sheet value)	93 512	77 927
c1) treasury bills	93 512	77 927
– adjustments of value (balance)	–	–
– value at purchase price	87 451	72 960
<b>Total value at purchase price</b>	<b>2 622 441</b>	<b>2 801 267</b>
<b>Total value of adjustments</b>	<b>(26 628)</b>	<b>(18 633)</b>
<b>Total balance sheet value</b>	<b>2 762 771</b>	<b>2 929 071</b>

#### Note 12

INTANGIBLE ASSETS	current year	previous year
a) prepayments borne when establishing and then expanding a joint stock company	24	32
b) development work expenses	–	–
c) acquired goodwill	8 999	13 690
d) licenses, trademarks, patents	7 434	10 202
e) acquired software	27 750	11 775
f) acquired rights of hereditary use of the land	8 197	8 182
g) other intangible assets	6 310	5 314
h) prepayments for intangible assets	–	–
<b>Total intangible assets</b>	<b>58 714</b>	<b>49 195</b>

PLN '000

## MOVEMENTS IN INTANGIBLE ASSETS (by type)

	a	b	c	d	e	f	g	h	Total intangible assets
	Prepayments in respect of organisation expenses borne when estab- lishing and then expanding a joint stock company	development work expenses	goodwill acquired	licenses, patents and similar assets	software	titles to perpetual usufruct of land	other intangible assets	advance payments on intangible assets	
a) gross value of intangible assets at the beginning of the period	39	—	23 458	15 526	20 126	8 182	5 780	—	73 111
b) increase (due to)	—	—	—	3 465	23 614	17	1 164	—	28 260
– purchase	—	—	—	3 465	16 021	—	9	—	19 495
– transfer from investment	—	—	—	—	1 948	17	1 125	—	3 090
– recategorization	—	—	—	—	844	—	—	—	844
– reclassification	—	—	—	—	4 801	—	—	—	4 801
– other	—	—	—	—	—	—	30	—	30
c) decrease (due to)	—	—	—	(5 049)	(2 768)	(2)	—	—	(7 819)
– sale	—	—	—	(246)	(974)	(1)	—	—	(1 221)
– liquidation	—	—	—	—	(6)	—	—	—	(6)
– re-classification	—	—	—	(4 801)	—	—	—	—	(4 801)
– other	—	—	—	(2)	(1 788)	(1)	—	—	(1 791)
d) gross value of intangible assets at the end of the period	39	—	23 458	13 942	40 972	8 197	6 944	—	93 552
e) accumulated amortization at the beginning of the period	(7)	—	(9 768)	(5 324)	(8 351)	—	(466)	—	(23 916)
f) amortization for the period (due to)	(8)	—	(4 691)	(1 184)	(4 871)	—	(168)	—	(10 922)
– amortization of intangible assets	(8)	—	(4 691)	(1 718)	(5 419)	—	(168)	—	(12 004)
– amortization of investment relief	—	—	—	—	(256)	—	—	—	(256)
– amortization of sold and liquidated intangible assets	—	—	—	270	1 068	—	—	—	1 338
– amortization arising from reclassification	—	—	—	264	(264)	—	—	—	—
g) accumulated amortization at the end of the period	(15)	—	(14 459)	(6 508)	(13 222)	—	(634)	—	(34 838)
h) net value of intangible assets at the end of the period	24	—	8 999	7 434	27 750	8 197	6 310	—	58 714

Position "Other operating costs" include the depreciation related to the intangible assets liquidated/sold, taken over for debts and transferred free of charge in the amount of PLN 1k.

**Note 13**

<b>GOODWILL ARISING ON CONSOLIDATION</b>	<b>current year</b>	<b>previous year</b>
a) Goodwill arising on consolidation - subsidiaries	5 287	9 217
b) Goodwill arising on consolidation - affiliates	–	–
<b>Goodwill arising on consolidation</b>	<b>5 287</b>	<b>9 217</b>

<b>CHANGE IN GOODWILL ARISING ON CONSOLIDATION - SUBSIDIARIES</b>	<b>current year</b>	<b>previous year</b>
a. Gross value as at the beginning of period	<b>17 500</b>	<b>16 762</b>
b. Increase (due to)	51	738
– purchase of additional shares	51	738
c. Decrease (due to)	480	–
– purchase of additional shares	480	–
d. Gross value at the end of period	<b>17 071</b>	<b>17 500</b>
e. Amortization of goodwill arising on consolidation at the beginning of the period	<b>(8 283)</b>	<b>(4 748)</b>
f. Amortization of goodwill arising on consolidation for the period (due to)	(3 501)	(3 535)
– goodwill as at the date of the shareholding acquisition	(3 350)	(3 350)
– goodwill due to the purchase of additional shares	(151)	(185)
g. Amortization of goodwill arising on consolidation at the end of the period	(11 784)	(8 283)
<b>h. Net value as at the end of period</b>	<b>5 287</b>	<b>9 217</b>

<b>CHANGE OF GOODWILL ARISING ON CONSOLIDATION - AFFILIATES</b>	<b>current year</b>	<b>previous year</b>
a. Gross value as at the beginning of period	–	–
b. Increase (due to)	–	–
c. Decrease (due to)	–	–
<b>d. Gross value at the end of period</b>	<b>–</b>	<b>–</b>
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	–	–
<b>h. Net value as at the end of period</b>	<b>–</b>	<b>–</b>

Goodwill arising on consolidation disclosed in Note 13 relates to Gliwicki Bank Handlowy SA and Brokerage House 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 set in the following manner:

1. cost at which WBK SA purchased GBH shares	PLN 25.134 k
2. net assets of GBH at the market price at the date of taking the control by WBK SA	PLN 9.585 k
3. WBK's shareholding in GBH	87,45%
4. net assets at the date of taking the control by WBK SA reflecting WBK's shareholding in GBH	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 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)
Gross value as at 31.12.1999	17.020

Amortization of goodwill on consolidation from 1.08.1996 to 31.12.1999

1.08.1996 – 31.12.1999	(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)

Total amortization of goodwill arising on consolidation at the end fo period (11.733)

Net value of goodwill arising on consolidation of GBH SA 5.287

Goodwill arising on consolidation of Brokerage House WBK SA as at the date of taking control by WBK SA, i.e.

23.07.1999 was set in the following manner:

1. cost at which WBK SA purchased Brokerage House shares	44.051
2. nett assets of Brokerage House WBK SA	44.000
3. WBK's shareholding in Brokerage House	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	–

**Note 14****TANGIBLE FIXED ASSETS**

	<b>current year</b>	<b>previous year</b>
Tangible assets, of which:		
a) fixed assets:	<b>243 071</b>	<b>216 562</b>
– freehold and buildings occupied by the Bank for its activities	149 930	135 435
– other land and premises	4 747	4 659
– equipment	74 609	63 982
– transportation means	2 068	2 570
– other fixed assets	11 717	9 916
b) Assets under construction	<b>32 174</b>	<b>26 761</b>
c) Payments in advance for assets under construction	97	–
<b>Total tangible fixed assets</b>	<b>275 342</b>	<b>243 323</b>

**MOMENTS IN FIXED ASSETS (BY TYPE)**

	freehold and buildings occupied by the Bank for its activities	other land and buildings	equipment	transportation means	other fixed assets
a) value of fixed assets at the beginning of period (gross)	167 367	4 857	135 683	6 079	50 295
b) increase (due to)	22 159	385	35 408	503	11 912
– taken over from investment/purchase	21 522	385	35 407	503	11 869
– reclassification	1	–	–	–	–
– other	636	–	1	–	43
c) decrease (due to)	(1 625)	(207)	(3 477)	(1 427)	(2 459)
– disposal	(1 166)	(117)	(2 645)	(1 426)	(1 393)
– liquidation	(368)	(90)	(832)	(1)	(1 056)
– free of charge transfer	(91)	–	–	–	–
– reclassification	–	–	–	–	(10)
d) gross value of fixed assets at the end of the period	187 901	5 035	167 614	5 155	59 748
e) accumulated depreciation (amortization) at the beginning of period	(31 931)	(198)	(71 701)	(3 509)	(40 379)

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f) depreciation for the period (with regard to)					
– own fixed assets	(6 040)	(90)	(21 304)	422	(7 652)
– investment allowance	(7 322)	(96)	(24 842)	(874)	(10 108)
– depreciation of liquidated/sold fixed assets	–	–	(35)	–	(8)
– reclassification	1 282	6	3 573	1 296	2 454
	–	–	0	–	10
g) accumulated depreciation at the end of the period	(37 971)	(288)	(93 005)	(3 087)	(48 031)
h) net value of fixed assets at the end of the period	149 930	4 747	74 609	2 068	11 717

Other operating costs include the depreciation charge related to the fixed assets liquidated/sold, taken over for debts and transferred free of charge, in the amount of PLN 1,178k.

#### BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)

	current year	previous year
a) Bank's own assets	242 940	216 391
b) used under a lease agreement or other similar agreements of which:	131	171
– finance lease	131	171
<b>Total balance-sheet fixed assets</b>	<b>243 071</b>	<b>216 562</b>

#### OFF-BALANCE SHEET FIXED ASSETS

	current year	previous year
used under a lease agreement or other similar agreements, of which:		
– value of land under perpetual usufruct	1 707	1 769
– means of transport	3 212	–
– other equipment	4 707	–
<b>Total off-balance sheet fixed assets</b>	<b>9 626</b>	<b>1 769</b>

#### 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

<b>OTHER ASSETS</b>	<b>current year</b>	<b>previous year</b>
1.Assets taken - over for sale	1 259	1 758
2.Other, of which:	100 011	101 875
– sundry debtors	80 425	71 005
– interbank clearings	10 653	21 882
– subordinated loans	8 933	8 988
<b>Other assets in total</b>	<b>101 270</b>	<b>103 633</b>

<b>ASSETS TAKEN OVER - FOR SALE</b>	<b>current year</b>	<b>previous year</b>
1. Investments	–	–
2. Real estate	1 003	1 696
3. Inventories	–	–
4. Other	256	62
<b>Total assets taken over - for sale</b>	<b>1 259</b>	<b>1 758</b>

<b>MOVEMENT IN ASSETS TAKEN OVER - FOR SALE</b>	<b>current year</b>	<b>previous year</b>
1. Balance at the beginning of the period	<b>1 758</b>	<b>2 544</b>
2. Increase (due to)	<b>512</b>	<b>5 124</b>
– for debts	457	252
– write back of provision	55	4 872
3. Decrease in the period (due to)	(1 011)	(5 910)
– sale	<b>(972)</b>	<b>(1 275)</b>
– transfer to amounts due from non financial sector and budget sector	–	(4 361)
– creation of provision	(39)	(274)
<b>4. Balance at the end of the period</b>	<b>1 259</b>	<b>1 758</b>

## Note 17

<b>MOVEMENT IN PREPAYMENTS DUE TO DEFERRED INCOME TAX</b>	<b>current year</b>	<b>previous year</b>
Balance of prepayments due to deferred income tax at the beginning of the period	<b>4 519</b>	–
a) Increase (due to)	<b>7 914</b>	<b>14 247</b>
– interest accrued to costs	6 348	5 989
– provisions for lost loans (no tax-deductible)	799	2 830
– loss from previous years	598	4 270
– other	169	1 158
b) Decrease in the period (due to)	<b>(7 681)</b>	<b>(9 728)</b>
– write-off of provision for 1998	(3 900)	(9 728)
– write-off of provision for 1999	(3 781)	–
<b>Balance of prepayments due to deferred income tax at the end of the period</b>	<b>4 752</b>	<b>4 519</b>

<b>OTHER PREPAYMENTS</b>	<b>current year</b>	<b>previous year</b>
a) Prepaid expenses, of which:	36 567	33 815
– deferred depreciation concerning investment allowance	5 394	16 168
– costs paid in advance	8 545	8 064
– accruals	–	26
– SWAP transactions differences	22 628	9 557
– other	–	–
b) Other prepayments, of which:	–	–
<b>Total prepayments</b>	<b>36 567</b>	<b>33 815</b>

**SUBORDINATED LOANS**

1	2		3	4
Name of 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 DEBTS**

	current year	previous year
1. At the beginning of period	8 988	8 556
2. Increase (due to):	1 385	2 104
– interest	1 385	2 104
3. Decreases	(1 440)	(1 672)
– interest	(1 440)	(1 672)
<b>Balance at the end of period</b>	<b>8 933</b>	<b>8 988</b>

**Note 18****DEPOSITS OF FINANCIAL SECTOR (by category)**

	current year	previous year
1. Funds in accounts and deposits	879 839	727 642
2. Loans and advances received	63 600	63 600
3. Other liabilities (due to)	3 761	2 365
– investment accounts of Brokerage House	85	109
– funds allocated to special purposes	3 673	2 137
– other	3	119
4. Interest	6 826	7 500
<b>Total deposits of financial sector</b>	<b>954 026</b>	<b>801 107</b>

**DEPOSITS OF FINANCIAL SECTOR (by maturity)**

	current year	previous year
1. Current liabilities	35 534	44 309
2. Term liabilities, with residual maturity of:	911 666	749 298
a) up to 1 month	524 493	439 732
b) from 1 month to 3 months	2 639	7 500
c) over 3 months to 1 year	214 920	61 825
d) over 1 year to 5 years	157 464	226 866
e) over 5 years	12 150	13 375
f) for which the maturity period has lapsed	–	–
3. Interest	6 826	7 500
<b>Total deposits of financial sector</b>	<b>954 026</b>	<b>801 107</b>

	PLN '000	
<b>DEPOSITS OF FINANCIAL SECTOR (by original maturity)</b>	<b>current year</b>	<b>previous year</b>
1. Current liabilities	35 534	44 309
2. Term liabilities with original maturity of:	911 666	749 298
a) up to 1 month	482 207	396 586
b) from 1 month to 3 months	21 561	50 344
c) over 3 months to 1 year	23 447	62 109
d) over 1 year to 5 years	320 851	176 659
e) over 5 years	63 600	63 600
3. Interest	6 826	7 500
<b>Total deposits of financial sector</b>	<b>954 026</b>	<b>801 107</b>

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

– „Current“ as at 31.12.99 in the amount of PLN 1k and as at 31.12.98 in the amount of PLN 1k

– „Term“ as at 31.12.99 in the amount of PLN 6,825k and as at 31.12.98 in the amount of PLN 7,499k

<b>DEPOSITS OF FINANCIAL SECTOR (by currency)</b>	<b>current year</b>	<b>previous year</b>
a) in zloty	<b>571 373</b>	<b>450 113</b>
b) in foreign currency (by currency and its equivalent in PLN)	<b>382 653</b>	<b>350 994</b>
b1. currency in thousand/EURO ( in 1998 ECU)	51 216	8 973
PLN k.	213 513	36 723
b2. currency in thousand /USD	40 762	52 558
PLN k.	169 094	184 163
b3. currency in thousand /DEM	20	51 417
PLN k.	43	107 539
b3.other currencies	3	22 569
<b>Total deposits of financial sector</b>	<b>954 026</b>	<b>801 107</b>

<b>DEPOSITS OF FINANCIAL SECTOR</b>	<b>current year</b>	<b>previous year</b>
a) of consolidated entities	–	–
b) of other entities	954 026	801 107
<b>Total deposits from financial sector</b>	<b>954 026</b>	<b>801 107</b>

#### Note 19

<b>DEPOSITS OF NON – FINANCIAL AND PUBLIC SECTOR (by category)</b>	<b>current year</b>	<b>previous year</b>
1. Funds in accounts and deposits	<b>8 165 611</b>	<b>6 177 477</b>
2. Other liabilities (due to):	<b>112 318</b>	<b>49 211</b>
– investment accounts of Central Brokerage Office	104 218	43 395
– accounts in transit	6 438	3 767
– funds of FRIOR for the purchase of debts	1 662	2 041
– other	–	8
3. Interest	<b>71 237</b>	<b>98 819</b>
<b>Total deposits of non –financial and public sector</b>	<b>8 349 166</b>	<b>6 325 507</b>



**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:	—	<b>292</b>
a) up to 1 month	—	58
b) from 1 month to 3 months	—	68
c) over 3 months to 1 year	—	99
d) over 1 year to 5 years	—	67
e) over 5 years	—	—
f) for which the maturity period has lapsed	—	—
3. Interest	—	<b>103</b>
<b>Total deposits of non-financial and public sector – savings deposits</b>	<b>—</b>	<b>395</b>

**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:	—	<b>292</b>
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	—	292
e) over 5 years	—	—
3. Interest	—	<b>103</b>
<b>Total deposits of non-financial and public sector - savings deposits</b>	<b>—</b>	<b>395</b>

In the balance sheet, interest has been included in the item "Term" as at 31.12.98 in the amount of PLN 103k.

**DEPOSITS OF NON - FINANCIAL  
AND PUBLIC SECTOR - OTHER (by maturity)**

	current year	previous year
1. Current liabilities	<b>2 560 961</b>	<b>2 326 940</b>
2. Term liabilities with residual maturity of:	<b>5 716 968</b>	<b>3 899 456</b>
a) up to 1 month	3 475 211	1 944 508
b) from 1 month to 3 months	1 443 305	1 246 269
c) over 3 months to 1 year	751 944	656 400
d) over 1 year to 5 years	46 500	52 210
e) over 5 years	8	69
f) for which the maturity period has lapsed	—	—
3. Interest	<b>71 237</b>	<b>98 716</b>
<b>Total deposits of non-financial and public sector – other deposits</b>	<b>8 349 166</b>	<b>6 325 112</b>

**DEPOSITS OF NON - FINANCIAL****AND PUBLIC SECTOR -OTHER (by original maturity)**

	current year	previous year
1. Current liabilities	2 560 961	2 326 940
2. Term liabilities with maturity of:	5 716 968	3 899 456
a) up to 1 month	2 485 679	1 328 014
b) from 1 month to 3 months	1 850 524	1 480 857
c) over 3 months to 1 year	1 296 210	992 893
d) over 1 year to 5 years	84 555	97 692
e) over 5 years	—	—
3. Interest	71 237	98 716
<b>Total deposits of non-financial and public sector - other deposits</b>	<b>8 349 166</b>	<b>6 325 112</b>

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

– "Current" as at 31.12.99 in the amount of PLN 0k and as at 31.12.98 in the amount of PLN 3k

– "Term" as at 31.12.99 in the amount of PLN 71,237k and as at 31.12.98 in the amount of PLN 98,713k

**DEPOSITS OF NON – FINANCIAL AND PUBLIC SECTOR (by currency)**

	current year	previous year
a) in zloty	7 402 519	5 739 731
b) in foreign currency (by currency and its equivalent in PLN)	946 647	585 776
b1. currency in thousand /USD	127 541	100 093
PLN k.	529 078	350 726
b2. currency in thousand/DEM	111 854	95 938
PLN k.	238 420	200 653
b4. currency in thousand / EURO (in 1998 ECU)	32 393	1 438
PLN k.	135 044	5 884
b3. currency in thousand/GBP	4 013	2 768
PLN k.	26 908	16 072
b5. Other currencies	17 197	12 441
<b>Total deposits of non-financial and public sector</b>	<b>8 349 166</b>	<b>6 325 507</b>

**DEPOSITS OF NON – FINANCIAL AND PUBLIC SECTOR**

	current year	previous year
a) of consolidated entities	—	—
b) of other entities	8 349 166	6 325 507
<b>Total deposits of non-financial and public sector</b>	<b>8 349 166</b>	<b>6 325 507</b>

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

	current year	previous year
a) to financial sector	—	—
b) to non-financial sector and public sector	—	—
c) interest	—	—
<b>Total amounts payable on securities sold which are subject to repurchase agreement</b>	<b>—</b>	<b>—</b>

**Note 21****LIABILITIES ARISING FROM THE ISSUE OF THE BANK'S OWN SECURITIES**

	current year	previous year
1. Bonds	—	—
2. Certificates	—	—
3. Others (due to):	—	—
—	—	—
4. Interest	—	—
<b>Total liabilities due to issue of Bank's own securities</b>	<b>—</b>	<b>—</b>

**CHANGE IN THE BALANCE OF LIABILITIES ARISING FROM ISSUE OF THE BANK'S OWN SECURITIES**

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

**LONG-TERM LIABILITIES ARISING FROM THE ISSUED SECURITIES**

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

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

**Note 22**

<b>SPECIAL FUNDS AND OTHER LIABILITIES</b>	<b>current year</b>	<b>previous year</b>
1. Special funds (due to):	13 007	9 568
– social benefits fund	13 007	9 568
2. Other liabilities, (due to):	315 879	314 655
– sundry creditors	42 090	38 377
– clearings/settlements	273 789	276 278
<b>Special funds and other liabilities in total</b>	<b>328 886</b>	<b>324 223</b>

**Note 23**

<b>ACCRUED (AND SUSPENSE) EXPENSES AND INCOME</b>	<b>current year</b>	<b>previous year</b>
a) accrued expenses, including:	12 132	3 172
– settlements of operations in financial instruments	2 590	1 650
– other	9 542	1 522
b) deferred income, of which:	3 020	9 999
– income taken in advance	3 020	3 881
– other deferred income	–	6 118
c) qualified income (due to):	120 607	172 835
– qualified interest	114 427	147 563
– interest capitalised on the basis of separate agreements	5 254	22 266
– other income to be settled	926	3 006
<b>Total accruals and deferred income</b>	<b>135 759</b>	<b>186 006</b>

In 1999, after taking into account the NBP guidelines the deferred income on execution and bailiff proceedings is netted against the corresponding receivables. Therefore in 1999 there is no item "other deferred income".

## Note 24

<b>MOVEMENTS IN PROVISION FOR CORPORATE INCOME TAX</b>	<b>current year</b>	<b>previous year</b>
Balance of provision at the beginning of the period	15 802	29 705
a) increase (due to)	60 563	62 030
– accrued interest, taken to P&L account	55 387	56 741
– investment allowance	5 176	5 289
b) decrease (due to)	(48 887)	(75 933)
– interest received this year and taken to last year's P&L account	(63 697)	(59 353)
– negative timing differences	14 810	(16 580)
<b>Balance of provision at the end of the period</b>	<b>27 478</b>	<b>15 802</b>

<b>OTHER PROVISIONS (BY CATEGORY), OF WHICH FOR:</b>	<b>current year</b>	<b>previous year</b>
– contingent off-balance sheet liabilities	575	321
– general risk	57 800	25 800
– deferred costs	19 005	16 338
<b>Other provisions in total</b>	<b>77 380</b>	<b>42 459</b>

<b>MOVEMENTS IN THE BALANCE OF OTHER PROVISIONS</b>	<b>current year</b>	<b>previous year</b>
Balance of provisions at the beginning of the period	<b>42 459</b>	<b>27 510</b>
a) increase (due to)	<b>41 668</b>	<b>28 444</b>
– charge for off-balance sheet liabilities	2 775	321
– charge for deferred costs	3 893	2 323
– general risk	35 000	25 800
b) utilisation (due to)	<b>(81)</b>	<b>–</b>
– write-off of debts	(81)	–
c) write-back (due to)	<b>(6 666)</b>	<b>(13 495)</b>
– deferred costs	(1 145)	(13 495)
– general risk	(3 000)	–
– other	(2 521)	–
<b>Balance of reserves at the end of the period in total</b>	<b>77 380</b>	<b>42 459</b>

## Note 25

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 July 1996	10 048	48

<b>MOVEMENTS IN SUBORDINATED LIABILITIES</b>	<b>current year</b>	<b>previous year</b>
Balance at the beginning of the period	<b>10 048</b>	<b>10 150</b>
a) increase (due to)	<b>100</b>	<b>101</b>
– interest	100	101
b) decrease (due to)	<b>(100)</b>	<b>(203)</b>
– interest	(100)	(203)
<b>Balance of subordinated liabilities at the end of the period</b>	<b>10 048</b>	<b>10 048</b>

## Note 26

**CHANGE IN MINORITY SHAREHOLDERS' (STOCKHOLDERS') OWN CAPITAL**

	<b>current year</b>	<b>previous year</b>
Balance at the beginning of period	1 070	923
a) increase (due to)	162	802
– share in profits	162	802
b) decrease (due to)	(380)	(655)
– increase in capital investments of a dominant entity	(202)	(655)
– distribution of profit for 1998	(178)	–
<b>Capital of minority shareholders as at the end of period</b>	<b>852</b>	<b>1 070</b>

## Note 27

**CAPITAL RESERVE ARISING ON CONSOLIDATION**

	<b>current year</b>	<b>previous year</b>
a) Capital reserve arising on consolidation - subsidiaries	–	–
b) Capital reserve arising on consolidation - affiliates	–	–
<b>Capital reserve arising on consolidation - in total</b>	<b>–</b>	<b>–</b>

**CHANGE IN CAPITAL RESERVE ARISING ON CONSOLIDATION - SUBSIDIARIES**

	<b>current year</b>	<b>previous year</b>
a. Gross value at the beginning of period	–	–
b. Increase (due to)	–	–
c. Decrease (due to)	–	–
d. Gross value at the end of period	–	–
e. Amortization of capital reserve arising on consolidation at the beginning of the period	–	–
f. Amortizat. of capital reserve arising on consolidation for the period (due to)	–	–
g. Amortization of capital reserve arising on consolidation at the end of the period	–	–
<b>h. Net value at the end of period</b>	<b>–</b>	<b>–</b>

**CHANGE IN CAPITAL RESERVE ARISING ON CONSOLIDATION - AFFILIATES**

	<b>current year</b>	<b>previous year</b>
a. Gross value at the beginning of period	–	–
b. Increase (due to)	–	–
c. Decrease (due to)	–	–
d. Gross value at the end of period	–	–
e. Amortization of capital reserve arising on consolidation at the beginning of the period	–	–
f. Amortization of capital reserve arising on consolidation for the period (due to)	–	–
g. Amortization of capital reserve arising on consolidation at the end of the period	–	–
<b>h. Net value at the end of period</b>	<b>–</b>	<b>–</b>

## Note 28

**SHARE CAPITAL****Nominal value per share = PLN 1.25**

Series / issue	Type of shares	Type of preference	No. Of shares	Value of series / issue	Form of contributing capital	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
<b>Total number of shares</b>			<b>68 816 000</b>				
<b>Total share capital</b>				<b>86 020</b>			

As at 31.12.1999 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 Bank's Management Board, the shareholders who held more than 5% of WBK SA share capital, as at 31.12.1999, were:

– AIB European Investments Ltd	60,14%
– State Treasury	5,10%

The Management Board is not aware of other shareholders who would hold more than 5% of the shareholding.

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

#### Note 29

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

#### Note 30

<b>OTHER CAPITAL RESERVES (BY THE PURPOSE OF ITS ALLOCATION), INCLUDING:</b>	<b>current year</b>	<b>previous year</b>
– General banking risk fund	90 000	35 000
– Brokerage operations	–	15 000
– Capital reserves	450 609	351 683
<b>Other capital reserves - total</b>	<b>540 609</b>	<b>401 683</b>

#### Note 31

<b>RETAINED PROFITS/LOSSES FROM PREVIOUS YEARS</b>	<b>current year</b>	<b>previous year</b>
a. retained profit (positive value)	14 796	8 085
b. retained loss (negative value)	–	–
<b>Retained profits/losses from previous years</b>	<b>14 796</b>	<b>8 085</b>

#### Note 32

<b>SOLVENCY RATIO</b>	<b>current year</b>	<b>previous year</b>
1. Risk weighted assets (including off-balance sheet liabilities)	5 889 605	5 751 663
2. Core funds (equity)	686 259	543 798
– main	86 020	86 020
– share capital	51 347	51 347
– supplementary capital	548 892	406 431
3. Decrease in core funds	–	–
4. Supplementary funds	58 094	61 427
– funds arising from revaluation	51 427	51 427
– subordinated liabilities / assimilated funds	6 667	10 000
5. Decrease in core and supplementary funds	108 693	24 923
6. Net own funds – for calculation of solvency ratio	635 660	580 302
<b>Solvency ratio in %</b>	<b>10.79</b>	<b>10.09</b>

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

	PLN '000	
<b>NET BOOK VALUE</b>	<b>current year</b>	<b>previous year</b>
– share capital	86 020	86 020
– supplementary capital	51 347	51 347
– capital reserves	540 609	401 683
– fund arising from revaluation	51 427	51 427
– retained profits from previous years	14 796	8 085
Profit after tax of current year	<b>174 066</b>	<b>185 294</b>
Net book value (in PLN k.)	<b>918 265</b>	<b>783 856</b>
Number of shares (in thousands)	68 816	68 816
<b>Net book value per share (in PLN)</b>	<b>13.34</b>	<b>11.39</b>

#### Note 33

<b>OFF – BALANCE SHEET CONTINGENT LIABILITIES</b>	<b>current year</b>	<b>previous year</b>
Guarantees and bank guarantees granted to the benefit of :		
a) subsidiaries	–	–
b) affiliates	–	130
c) dominant entities	–	–
d) other entities	225 093	199 948
<b>Granted guarantees and bank guarantees in total</b>	<b>225 093</b>	<b>200 078</b>

## EXPLANATORY NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

#### Note 34

<b>INTEREST INCOME</b>	<b>current year</b>	<b>previous year</b>
1. From financial institutions	96 040	109 247
2. From customers and public sector	608 987	615 589
3. From securities	354 535	463 275
a) with a fixed yield	354 535	463 275
b) with a variable yield	–	–
4. Other	38 485	38 891
<b>Total interest income</b>	<b>1 098 047</b>	<b>1 227 002</b>

#### Note 35

<b>INTEREST EXPENSE</b>	<b>current year</b>	<b>previous year</b>
1. On transactions with financial institutions	(82 523)	(100 572)
2. On transactions with customers and public sector	(589 301)	(756 416)
3. Other	(1 878)	(1 253)
<b>Total interest expense</b>	<b>(673 702)</b>	<b>(858 241)</b>

**Note 36**

<b>COMMISSION INCOME</b>	<b>current year</b>	<b>previous year</b>
1. Commissions on the Bank's operations	172 342	123 323
2. Commissions on the brokerage operations	16 096	16 432
<b>Total commission income</b>	<b>188 438</b>	<b>139 755</b>

**Note 37**

<b>INCOME ON SHARES, INTERESTS, OTHER SECURITIES AND OTHER PROPRIETARY INTERESTS</b>	<b>current year</b>	<b>previous year</b>
1. From subsidiaries	4 778	471
2. From affiliates	(4 154)	22 817
3. From other entities	—	16
<b>Total income on shares, interests, other securities and other proprietary interests</b>	<b>624</b>	<b>23 304</b>

Loss disclosed in 1999 under the item "Income on shares, interests and other proprietary interests" from affiliated undertakings stems from the loss of PLN 4,954k on the disposal of BKB Perspektya S.A. At the same time, the Bank wrote-back the 100% provision held for this Company's shares and disclosed the income of PLN 5,004k on this write-back in Note 40 in the item "Decrease in provisions".

**Note 38**

<b>PROFIT ON FINANCIAL OPERATIONS</b>	<b>current year</b>	<b>previous year</b>
1. Profit on financial operations in securities	69 996	54 746
a) Income from operations in securities	75 763	75 267
b) Cost of operations in securities	(5 767)	(20 521)
2. Profit on other financial operations	59 474	37 505
<b>Total profit on financial operations</b>	<b>129 470</b>	<b>92 251</b>

**Note 39**

<b>OTHER OPERATING INCOME</b>	<b>current year</b>	<b>previous year</b>
a) due to the management of the third party's assets	4 883	4 185
b) due to disposal or liquidation of elements of fixed assets or assets for disposal	670	5 938
c) due to bad debts recovery	41	1
d) received compensations, penalties and fines	37	3 783
e) received donations	105	—
f) others (due to)	64 184	6 151
— additional income	3 104	3 205
— income due to purchase of receivables	48 724	—
— income due to sale of pension funds	9 291	—
— other	3 065	2 946
<b>Total other operating income</b>	<b>69 920</b>	<b>20 058</b>



**Note 40**

<b>OTHER OPERATING COSTS</b>	<b>current year</b>	<b>previous year</b>
a) due to management of the third party's assets	(1 783)	(1 844)
b) due to disposal or liquidation of items of fixed assets or assets for disposal	(1 399)	(4 529)
c) due to bad debts recovery	(16)	(10)
d) paid compensations, penalties and fines	(121)	(279)
e) granted donations	(158)	(2 023)
f) due to non-planned depreciation charges	–	–
g) others (due to)	(51 518)	(2 051)
– additional costs	(436)	(240)
– costs due to sale of receivables	(48 744)	–
– costs due to sale of CBM	(889)	–
– other	(1 449)	(1 811)
<b>Other operating costs in total</b>	<b>(54 995)</b>	<b>(10 736)</b>

**Note 41**

<b>BANK'S OPERATING COSTS</b>	<b>current year</b>	<b>previous year</b>
1. Remuneration	(194 355)	(121 333)
2. Benefits for staff	(41 569)	(62 020)
3. Tangible costs	(86 577)	(71 507)
4. Taxes and fees	(5 925)	(5 984)
5. Contributions to Banking Guarantee Fund	(7 073)	(7 337)
6. Other costs, including:	(55 481)	(44 807)
– maintenance of premises and rentals	(5 804)	(6 119)
– security costs	(13 320)	(13 197)
– other	(36 357)	(25 491)
<b>Total Bank's operating costs</b>	<b>(390 980)</b>	<b>(312 988)</b>

Item "Remuneration" includes provision for long service awards in the amount of PLN 6,073 k.

Item "Benefits for staff" includes taxation on salary in the amount of PLN 35,642 k as at 31.12.99

(in 1998 - PLN 58,847 k)

**Note 42**

<b>CHARGES FOR PROVISION AND REVALUATION</b>	<b>current year</b>	<b>previous year</b>
1. Charges and write-back of specific provisions due to:	<b>(122 360)</b>	<b>(98 263)</b>
– regular receivables	(2 479)	–
– watch receivables	(1 050)	–
– problem receivables	(73 713)	(66 528)
– off-balance sheet liabilities	(2 775)	(321)
– general bank risk	(35 000)	(25 800)
– deferred costs	(1 823)	(2 323)
– depreciation of shares and interests	(4 418)	(2 324)
– other	(1 102)	(967)
2. Revaluation	<b>(11 594)</b>	<b>(5 395)</b>
– due to depreciation of financial assets	(11 594)	(5 395)
– other	–	–
<b>Total charges for provision and revaluation</b>	<b>(133 954)</b>	<b>(103 658)</b>

**Note 43**

<b>WRITE BACK OF PROVISIONS AND REVALUATION</b>	<b>current year</b>	<b>previous year</b>
1. Write back of provisions for:	<b>68 748</b>	<b>72 729</b>
– regular receivables	502	–
– watched receivables	40	–
– irregular receivables	58 696	53 726
– off-balance sheet liabilities	2 521	–
– general bank risk	3 000	–
– deferred costs	1 145	13 495
– depreciation of shares and interests	2 330	343
– other	514	5 165
2. Revaluation	<b>5 004</b>	<b>595</b>
– due to depreciation of financial assets	5 004	595
– other	–	–
<b>Total write back of provisions and revaluation</b>	<b>73 752</b>	<b>73 324</b>

**Note 44**

<b>EXTRAORDINARY GAINS</b>	<b>current year</b>	<b>previous year</b>
a) force majeure	144	777
b) profit on disposal of shares and interests in subsidiaries	–	–
c) profit on disposal of shares and interests in affiliates	–	–
d) other	–	–
<b>Total extraordinary gain</b>	<b>144</b>	<b>777</b>

**Note 45**

<b>EXTRAORDINARY LOSSES</b>	<b>current year</b>	<b>previous year</b>
a) force majeure	(323)	(818)
b) on disposal of shares and interests in subsidiaries	–	–
c) on disposal of shares and interests in affiliates	–	–
d) other	–	–
<b>Total extraordinary losses</b>	<b>(323)</b>	<b>(818)</b>

In the year 1999, there were no profits or losses due to sale of shares and interests of subsidiary and affiliated undertakings.

**Note 46**

<b>CORPORATE INCOME TAX</b>	<b>current year</b>	<b>previous year</b>
1. Profit before taxation (consolidated)	268 656	276 289
2. Consolidation adjustments	16 522	3 535
3. Permanent differences from accounting profit (loss) to taxable income	(3 710)	(21 333)
4. Timing differences from accounting profit (loss) to taxable income	(34 391)	52 385
5. Other differences from accounting profit (loss) to taxable income:	–	(7 819)
– losses from previous years	–	(7 819)
6. Taxable income subject to corporate income tax	247 077	303 057
7. Corporate tax according to 38/36% rate	(84 006)	(109 101)
8. Relinquishment, exemption, deduction, reduction in tax	1 020	486
9. Corporate tax due	(82 986)	(108 615)

	PLN '000	
10. Reserve for corporate tax:		
– balance at the beginning of the period	92 523	86 263
– increase	64 091	69 981
– decrease	(67 270)	(63 721)
– at the end of the period	89 344	92 523
11. Prepayments for deferred corporate income tax		
– at the beginning of the period	81 240	56 558
– increase	69 108	74 260
– decrease	(83 730)	(49 578)
– at the end of the period	66 618	81 240
<b>12. Corporate tax proportional to gross profit (loss), disclosed in P&amp;L account:</b>	<b>(94 428)</b>	<b>(90 193)</b>

Income tax was calculated against the aggregate profit before taxation of WBK SA (dominant entity) and GBH SA and DM WBK SA (subsidiary undertakings fully consolidated), prior to consolidation adjustments. WBK SA, GBH SA and DM WBK SA do not form a group in terms of taxation, thus tax calculations are made independently by individual companies of WBK Group. Accordingly in the consolidated balance sheet there is an item "provision for income tax" (referring to WBK SA) as well as prepayments for deferred income tax (referring to GBH SA and DM WBK SA).

As at 31.12.1999 the Bank's corporate tax liability calculated on the basis of tax regulations amounts to PLN 79,714k, whereas the income tax disclosed in the profit and loss account is PLN 91,390k. Timing tax differences (reserve for deferred tax) of PLN 11,676k is a difference between:

- deferred tax liability in the amount of PLN 60,563k, as at 31.12.1999 due to:
  - investment allowance in the amount of PLN 5,176k,
  - deferred income bound to be earned of PLN 55,387k
- recovered receivables due to corporate income tax as at 31.12.1999 in the amount of PLN 14,810k
- utilized tax reserves from previous years in the amount of PLN 63,697k.

In addition, we would like to inform that:

- WBK SA used a tax premium in relation to the investment allowance for 1998 in the amount of PLN 1,821k (including tax premium for previous years),
- charity donations of PLN 314k were deducted from the taxable income,
- tax charge was reduced by PLN 1,020k due to the tax paid on dividend,
- adjustment was made due to the change in the income tax rate in 2000 (30%) in the amount of PLN 3,664k,
- receivables (accruals) arising from the deferred income tax in the amount of PLN 552k were written down on the grounds that the recovery of the tax asset was not possible
- income tax on the profit on extraordinary operations in the amount of PLN (61)k.

As at 31.12.1999, the corporate tax liability of GBH calculated in line with applicable tax regulations amounted to PLN 1,841k, whereas the income tax disclosed in the profit and loss account is PLN 1,808k. Therefore, the provision for income tax of PLN 33k released as at 31.12.1999 is a difference between:

- deferred tax liability of PLN 3,403k (as at 31.12.1999), due to: deferred income bound to be earned - interest accrued (but not received in cash) on loans and securities,
- utilized provision of PLN 3.137k - on interest accrued and taken to the previous year,
- deferred receivable to be recovered in the amount of PLN (7.605) k as at 31.12.1999, comprising:
  - unsettled tax loss from the previous years in the amount of PLN (599)k,
  - interest accrued and taken to costs PLN (6.349)k,
- recovered corporate income tax asset of PLN 6.774k as at 31.12.1999, including:
  - interest paid on liabilities and taken on accrual basis to costs of the previous years in the amount of PLN 4,546k,
  - settlement of the tax loss from the previous years in the amount of PLN 1,422k
- difference arising from the change in the income tax rate (30%) in 2000 in the amount of PLN 532k.

As at 31.12.1999, the corporate tax liability of Dom Maklerski calculated in line with applicable tax regulations amounted to PLN 1.431k, whereas the income tax disclosed in the profit and loss account is PLN 1.230k. The negative timing difference as at 31.12.1999 in the amount of PLN (201)k is a difference between:

- deferred income tax liability of PLN 110k as at 31.12.1999 - on income bound to be earned
- and deferred income tax asset in the amount of PLN 311k as at 31.12.1999 due to provision for deferred costs.

In addition, we would like to inform that Dom Maklerski WBK made an adjustment arising from the change in the income tax rate (30%) in 2000 in the amount of PLN 26k.

#### Note 47

<b>OTHER TAXES AND CHARGES DUE TO</b>	<b>current year</b>	<b>previous year</b>
Other taxes and charges	–	–
Other taxes and charges in total	–	–

#### Note 48

<b>Figures required for calculation of earnings per ordinary share (EPS)</b>	<b>current year</b>	<b>previous year</b>
Net profit (after corrections arising on consolidation)	174 066	185 294
Weighted average number of ordinary shares	68 816	68 816
Earnings per share (in PLN k.)	2,53	2,69

<b>NET PROFIT/LOSS</b>	<b>current year</b>	<b>previous year</b>
a) net profit/loss of dominant entity (adjusted after consolidation)	261 812	184 376
b) net profit/loss of subsidiary entities (adjusted after consolidation)	(87 746)	918
c) net profit/loss of affiliated entities (adjusted after consolidation)	–	–
<b>Net profit/loss</b>	<b>174 066</b>	<b>185 294</b>

Net consolidated profit as 31.12.1999 in the amount of 174,066 k consists of:

- profit on banking operations (after consolidation adjustments) in the amount of PLN 172.398 k
- loss on brokerage operations (after consolidation adjustments) in the amount of PLN 1.668 k

## EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

"Funds at the end of the period" in the cash flow statement include the following items:

	current year	previous year
Cash	311 549	180 354
Stamp duty	1 218	1 715
Current accounts held with Central Bank	555 419	306 709
Current accounts held with other banks	44 039	34 914
Funds of Central Brokerage Office in the Guarantee Fund of the Stock Exchange	1 913	1 787
<b>TOTAL</b>	<b>914 138</b>	<b>525 479</b>

The split of the Bank's activities into operating, investing and financing activities in its cash flow statement was based on:

- the range of information for individual types of activities defined by the reporting template,
- guidelines of the General Inspectorate of the Banking Supervision,
- nature of some operations performed by WBK Group.

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

The investing activities include:

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

The financing activities include:

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

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

- 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 28,694,550k,
  - "Purchase of shares and interests in other entities, other securities and other proprietary interests" (investing activities) - PLN 28,565,590k.
  - "Interest and dividends" (operating activities) - PLN 46,378k.
  - "other adjustments" (operating activities - provision 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 the end of the period" in the amount of PLN 9,251 k.
  - does include 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 27,772 k. moved from 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 the a/m assets held for trading (included in operating activities). The data referring to the change in the balance of shares, interest and other securities held for investment is included in the cash flow statement of the investing activities.
- change in the balance of the amounts due to the financial sector:
  - does not include the change in the balance of the accrued interest on the loans from the Banking Guarantee Fund (including interest) referring to the financing activities - PLN 3k
  - does include the change in the balance of liabilities to financial sector in subsidiary and affiliated undertakings not taken into consolidation in the amount of PLN 2,562 k moved from separate balance sheet item
- change in the balance of amounts due to non-financial and public sector does include 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 5,934 k - moved from separate balance sheet item
- change in the balance of other liabilities includes the balance of the change regarding "Other assets" and "Special funds and other liabilities" adjusted by:
  - amounts not paid from profit earmarked for donations - PLN 237k,
  - settlements referring to income tax and the reserve for income tax - PLN 22,186k,
  - change in the balance of subordinated debts in the amount of PLN 55k. (investing activities),
  - change in the balance of assets earmarked for resale in the amount of PLN 499k. included in "other adjustments" of operating activity,
  - change in the balance of settlements referring to depreciation of investment relief in the amount of PLN 300k.
- change in the balance of prepayments
  - does not include the change in the balance of prepayments for the deferred depreciation on investment allowance in the amount of PLN 10,774k.

In the cash flow statement of financing activities, the item 'Other expenses' comprises interest paid on loans sanctioned to WBK and GBH by the Banking Guarantee Fund in the amount of PLN 3,401k and subordinated debt in the amount of PLN 100k.

#### Note 49

Cash Flow Statement was composed in indirect method.

## ADDITIONAL EXPLANATORY NOTES

### Information on the exposure concentration mix of the bank's group to individual entities, groups, and sectors as well as the assessment of risk related to such exposure

WBK and GBH adhere to the prudence rules set out in the Banking Law.

However, as a result of the establishment of Dom Maklerski (a subsidiary) and decrease in the equity of Magna Polonia (in line with the financial statements published on 14 February 2000) - the company in which WBK holds an equity investment in excess of 10% of the Bank's own funds, WBK's own funds as well as the concentration limit amount in relation to one entity dropped as at 31.12.1999.

As a result of these developments, the end of 1999 saw two cases where the concentration ratios in WBK were exceeded. These excesses did not exist at the moment of taking the loan decisions.

The concentration ratio in the first case was 28.31%, in the other - 27.94%, where the Bank's own funds as at 31 December 1999 amounted to PLN 635,660k. At the time of sanctioning the loans, the concentration ratios were respectively 24.89% against the Bank's own funds of PLN 723,099k and 24.56% against the Bank's own funds of PLN 723,082k..

Negotiations with the borrowers on executing annexes to these loan agreements are in progress.

The concentration ratio was exceeded in two more cases; in the first case it was 25.64% and in the other 25.17%. At the time of sanctioning these loans, the concentration ratios were 22.54%, against the Bank's own funds of PLN 723,099k and 23.93% against the Bank's own funds of PLN 668,560k.

The exposure towards the first client comprises, among others, an overdraft which represents 43% of the total debt and which is due on 24 April 2000. In addition, the Bank holds bonds (commercial paper) of this client the redemption date of which is on 27 May 2000.

The loan repayment by the other borrower is due on 23 March 2000.

The exposure towards the remaining six largest clients ranged from 16.2% to 24.4% of the Bank's own funds.

In Gliwicki Bank Handlowy the concentration ratios were not exceeded and the highest concentration ratio reached 22.5% of the Bank's own funds. The exposure to the remaining nine largest clients ranged from 10.3% to 18% of GBH own funds, which as at 31 December 1999 amounted to PLN 22,177k.

The exposure of banks to individual entities, groups and sectors is diversified.

Within its lending policy, WBK and GBH apply the rule of exposure to sectors of a relatively low risk. Substantial diversification of the loan portfolio allows to eliminate a potential risk connected with granting too high loans to entities in the same sector. As at 31 December 1999, sectors representing the largest share in the loan portfolio of both banks were: trade (18.5% for WBK and 45.56% for GBH), services (17.45%) and food industry (13.4%).

WBK and GBH granted loans and guarantees to entities in which it holds equity investments. As at 31 December 1999, the total amount of loans and guarantees granted to these entities amounted to PLN 100,281k, which represents 15.77% of own funds. In GBH, the balance of the loan sanctioned to the entity in which GBH has a shareholding is PLN 384k, which represents 1.73% of the Bank's own funds.

Both banks granted loans to entities connected in terms of capital. The largest total loan exposure to entities from within one group (in the sugar industry) amounted to PLN 101,163k, which represents 15.9% of the Bank's own funds.

Exposure to the remaining six biggest groups ranged from 12.9% to 3.7% of the Bank's own funds. These groups operate in the following industries: automotive, computer industry, construction and lease.

The exposure of GBH to the five largest groups ranges from 0.27 to 8.8% (trading sector) of the Bank's own funds. Shares, interests and other securities (gross) held in WBK's portfolio as at 31 December 1999, accounted for 35.9% of Bank's own funds, of which 4.3% represented shares of GBH and 6.94% - shares of Dom Maklerski WBK, and that was the highest exposure to one entity.

**Information on "financial instruments" - securities, referred to in art. 3 item 3 of the Act on Public Trading in Securities dated 21 August 1997 (Dz. u. No. 118, item 754, with subsequent amendments) and other laws related to proprietary interests being subject of the issuer's investments and forward transactions.**

#### Financial instruments of WBK SA

	Currency Interest Rate SWAPS	PLN Future Rate Agreements	PLN Future Rate Agreements Sell	PLN Future Rate Agreements Purchase	PLN Future Rate Agreements Purchase	PLN FX Swaps/FX Forwards	Fx swaps (waluta walute)
Nominal value (PLN equivalent)	47 365	60 000	145 000	75 000	20 000	1 457 540	299 772
Purpose	Hedging	Trading	Trading	Trading	Hedging	Hedging	Hedging
Maturity Date Range	15.08.2008	up 07.08.00 to 21.09.00	Up 03.04.00 to 18.09.00	Up 21.04.00 to 18.09.00	up 21.04.00 to 21.07.00	up 03.01.00 to 30.12.00	up 06.01.00 to 14.01.00
Possibility of early settlement	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Price / Range of Prices	to 6.09%	up 14.04%	up 12.15% to 15.15%	up 12.80% to 15.30%	Up 11.94% to 12.85%	up 0.698 5.9858	various
Ability to swap into other asset/liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expected Cash Flows	Variable	Variable	Variable	Variable	Variable	10 963	503
Additional collaterals	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other terms	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk type	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate/liquidity	Interest rate/liquidity

GBH SA does not invest in financial instruments.

**Significant information on contingent liabilities, including those which arise from subissue contracts, guarantees and banking guarantees (also bills of exchange) granted by the issuer and, separately on the ones granted to non-consolidated undertakings as well as consolidated subsidiary and affiliated undertakings.**



As at 31.12.1999, the contingent liabilities totalled PLN 1,914,342k of which:

– granted liabilities	PLN 1,547,091k
– accepted liabilities	PLN 367,251k

The granted liabilities include:

– liabilities in relation to financing	PLN 1,266,188k
– guarantees	PLN 280,903k

Within the guarantees amount there are guarantees granted to consolidated subsidiaries in the amount of PLN 55,810k, including a guarantee of PLN 55,000k which is of a B/E nature.

Within the financing-related liabilities we can distinguish the following:

– liabilities due to credit risk resulting from irrevocable obligations in the amount of	PLN 1,211,754k
– import letter of credit	PLN 21,741k
– shares not paid up	PLN 32,693k

Liabilities arising from shares not paid up relate to amounts not paid to two entities in which the Bank has investment commitments (Autostrada Wielkopolska S.A. - PLN 31,871k, Life Insurance Company Commercial Union S.A. PLN 822k).

Liabilities due to purchase/sale transactions in the amount of PLN 6,342,617k include:

– liabilities due to fx transactions	PLN 3,775,791k, of which:
– purchased foreign currencies	PLN 1,894,448k
– sold foreign currencies	PLN 1,852,265k
– differences from SWAP transactions:	PLN 29,078k
– liabilities due to transactions in securities in the amount of PLN 59,000k referring to:	
– contracts of conditional accession of municipal bonds granted as part of the issue - related services for Pleszew in the amount of PLN 5,000k, which expires the 31st of August 2001.	
– Commercial paper in the amount of PLN 54,000k comprising:	
• Commercial paper of Polskie Projekty Inwestycyjne S.A. in amount of PLN 11,000k, with the maturity date of 15 March 2000;	
• Commercial paper of Howell SA in Świebodzice in amount of PLN 13,000k, with the maturity date of 31 August 2001;	
• Commercial paper of Relpol SA in Żary in amount of PLN 30,000k, with the maturity date of 3 December 2001;	

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 454,730k, of which:
– purchased	PLN 252,365k
– sold	PLN 202,365k
– assets taken over in the amount of PLN 673,637k	
– other liabilities due to securities established as guarantees in the amount of PLN 1,379,460k.	

**List of amounts due to the State budget or local governments on obtaining the title of ownership to buildings and premises.**

As at 31.12.1999, WBK Group did not hold any liabilities toward the State budget or local governments arising from the title of ownership to buildings and premises.

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

In 1999, there were no income and costs of much significance relating to discontinued operations in WBK Group. Income and costs relating to discontinued operations are not anticipated in upcoming periods.

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

External contractors performed all investments in WBK Group. Therefore, there were no costs of commenced investments, fixed assets and development for the Group's own needs

**Incurred and planned capital expenditure in the 12 months following the balance sheet date.**

In 1999, the capital expenditure incurred by the consolidated entities of WBK Group in respect of fixed assets amounted to PLN 94,296k. The equity investments made by the dominant entity totaled 97,586k, of which the largest expenditure related to the following investments: Dom Maklerski WBK, Magna Polonia, Commercial Union PTE, AIB WBK Fund Management and the units of Towarzystwo Funduszy Powierniczych Arka.

Capital expenditure planned by the entities of WBK Group for 2000 amounts to PLN 181.5m, of which:

- in respect of tangible fixed assets: PLN 58.5k
- in respect of information technology: PLN 123m.

**Significant inter-company transactions of the issuer, i.e. transfer of rights and liabilities against payment or/and free of charge**

Transactions with the affiliated entities which were consolidated under acquisition accounting method.

Sale by WBK to:

DM WBK SA	Branch of the Bank - brokerage firm under the name of Wielkopolski Bank Kredytowy SA Centralne Biuro Maklerskie w Poznaniu	39,000
DM WBK SA	Shares of Inter Groclin Auto S.A.	7,125
DM WBK SA	Shares of Howell S.A.	624
DM WBK SA	Shares of LZPS Protektor S.A.	365
DM WBK SA	Shares of Centrostal S.A.	320
GBH SA	Shares of LZPS Protektor S.A.	365

Purchase by WBK from:

DM WBK SA	Shares of Inter Groclin Auto S.A.	7,125
DM WBK SA	Shares of Howell S.A.	624
DM WBK SA	Shares of LZPS Protektor S.A.	212
DM WBK SA	Shares of Centrostal S.A.	319
GBH SA	Shares of LZPS Protektor S.A.	372

As at 31 December 1999, the following items of the WBK financial statements reflect transactions conducted in 1999 with the consolidated undertakings:

Current receivables	69
Subordinated loans	14,363
Current liabilities	31,645
Term deposits	1,190,077
Interest income	1,379
Income on sold securities which are subject to repurchase agreement	1,924
Other operating income related to the sale of CBM.	13,602
Other operating income	518
Interest expense	94,138
Commission expense	89
Other operating costs	28

Transactions with the affiliated undertakings (eliminated from consolidation)

Sale by WBK to:

WBK Finance&Leasing SA	Shares of LZPS Protektor SA	210
WBK Finance&Leasing SA	Shares of BKB Perspektywa SA	50

Purchase by WBK from:

WBK Finance&Leasing SA	Shares of NFI Magna Polonia SA	4,004
WBK Finance&Leasing SA	Shares of LZPS Protektor SA	210
WBK Finance&Leasing SA	Operating lease of computer equipment	497
Projekty Bankowe Polsoft	Computer services	7,753

\*The market value of the operating lease item: PLN 3,5m.

As at 31 December 1999, the following items of the WBK financial statements reflect transactions conducted in 1999 with the undertakings eliminated from consolidation:

Amounts due from financial sector	12,364
Amounts due from non-financial sector	640
Amounts due to financial sector	1,762
Amounts due to non-financial sector	2,395
Interest and commission income	1,282
Interest and commission expense	784

As at 31 December 1999, the following items of the WBK financial statements reflect transactions conducted with the dominant entity:

Current receivables from the dominant entity	13
Term deposits from the dominant entity	341,704
Current amounts due to the dominant entity	4,592
Term deposits of the dominant entity	355,707
Other amounts due to the dominant entity	5,984
Interest income	11,833
Interest expense	4,681

## Other significant transactions of the affiliated undertakings:

## From the point of view of the vendors:

GBH SA to AIB Capital Markets plc	Shares of NFI Magna Polonia SA	2 175
WBK SA to AIB Capital Markets plc	Shares of NFI Magna Polonia SA	2 719
BHW Holding AG to WBK		
Finanse&Leasing SA	Shares of BKB Perspektywa SA	50

Adjustments (eliminations), which due to their immateriality do not influence the overall view of consolidated financial statements, were resigned.

**Figures relating to companies connected with the issuer in terms of capital**

WBK representatives took part in the management process by participating in the board of directors in the following entities composing WBK Group:

Company	Number of participants
Gliwicki Bank Handlowy S.A.	5 - Bank Council 4 - Management Board
WBK Finanse & Leasing S.A.	6 - Bank Council
Dom Maklerski WBK S.A.	6 - Bank Council
WBK Nieruchomości S.A.	5 - Bank Council
AIB WBK Fund Management Sp. z o.o.	2 - Bank Council
PB Polsoft Sp. z o.o.	2 - Bank Council
WBK AIB Asset Management S.A.	3 - Bank Council 1 - Board of Management

WBK representatives did not participate in the management of either Brytyjsko-Polskie Towarzystwo Finansowe WBK CU or Lubuska Wytwórnia Win in bankruptcy, which is managed by the receiver in bankruptcy.

**Information on joint undertakings which are subject neither to consolidation under acquisition accounting method nor equity method**

There were no joint undertakings within the Group in 1999.

**Information on average staff numbers with a relevant breakdown into professional groups**

In 1999 the average staff number was 4,891 FTEs, of which:

	WBK	GBH	Dom Maklerski	Total
Head Office	639	85	188	912
Branches	3 514	312	36	3,862
Card Centre	84	—	—	84
Training Centre in Zakrzewo	33	—	—	33
Total	4,270	397	224	4,891

\*Central Brokerage Office functioned within the Bank until 30.10.99.

**Information on remuneration, together with the remuneration allocated from profit, paid to the members of the bank's management board and supervising bodies of the issuer in the issuer's company, and separately for the subsidiaries and affiliates (separately for each group)**

The remuneration paid in 1999 to the members of WBK's Management Board amounted to PLN 2,613k, and to the members of the Bank Council - PLN 293k

In 1999, no member of the Bank Council or Management Board of WBK received remuneration from WBK affiliates or subsidiaries.

**Information on the value of advances, loans, borrowings and guarantees, together with information on interest rates and repayment conditions, granted to the members of the Bank's Management Board and supervising bodies of the issuer, and separately for the subsidiaries and affiliates (separately for each group).**

As at 31.12 1999, the amount of the debt due to advances, loans and guarantees committed by WBK amounted to PLN 25k, of which to members of the Management Board - PLN 8k and to members of the Bank's Council - PLN 17k. 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 utilize any advances, loans or guarantees sanctioned by affiliated and subsidiary undertakings.

As at the end of 1999, the employees' debt toward the Bank amounted to PLN 18,033k.

**Information on significant events related to previous years and included in the financial statements for the current period.**

No significant events relating to previous years took place, which were included in the 1999 financial statements.

**Information on significant post balance sheet date events, which were not reflected in the financial statements for the current period.**

No significant events occurred after the balance sheet date, i.e. after 31 December 1999, which would have affected the consolidated financial statements.

On 11 February 2000, the court announced bankruptcy of Bank Staropolski S.A. In line with the Act on Banking Guarantee Fund, WBK SA and GBH SA participates in the obligatory system of guarantying deposits of personal individuals and is obliged to make annual contributions to this Fund. In case of a bank's bankruptcy, BGF can call the remaining participants of the system to make a one-off payment/contribution.

As of today, there are only estimates of funds necessary to cover the guaranteed deposits of the bankrupt bank. Excluding the amounts to be collected by the receiver in bankruptcy in the insolvent bank and those allocated for this purpose by BGF, the amount will total ca PLN 600m. It is estimated that WBK SA and GBH SA share in the deposit payment will be 2.73%, and 0.5% i.e. approximately PLN 19.4m.

**Information on relations between the legal predecessor and the entity as well as on the method and range of taking over the assets and liabilities.**

In 1999, no changes to the legal status were made that would require the explanation as to the methods of the relations between the legal predecessor and the successor of the group.

**The consolidated financial statements and the comparable financial data adjusted by a relevant inflation rate, with the source defined, and taking the period of the last financial statements as a base period - provided that the last 3 years of the issuer's activity were characterized by a high inflation rate - above 20%**

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

**Changes to the adopted accounting principles (policy) and format of the consolidated financial statements as compared to the previous accounting year (accounting years), reasons for their introduction and the financial impact on the capital and financial situation, liquidity as well as financial profit/loss and profitability.**

In 1999, no changes to the accounting principles (policy) or the format of the financial statements, as compared to the last year, were introduced.

Financial statements of the dominant entity and statements of the consolidated subsidiary undertakings were prepared according to the same accounting principles.

The balance sheet date for WBK and its subsidiaries is the same.

In 1999, the consolidated financial statements included Dom Maklerski, whose accounting year began on 23 July 1999.

**The list and explanation of the differences between data disclosed in the financial statements and comparable financial data from financial statements previously prepared and published**

Complying with the requirement arising from the Ordinance of the Cabinet, dated 22 December 1998, on the type, format and frequency of current and periodic information to be provided by issuers of securities admitted to the public trading (Dz. U. No. 163 item 1160), and on the responsibility to prepare a financial statement in a manner that ensures the comparability of the data disclosed in the financial reports for the year 1999 with data presented for the previous year, the change was made in the presentation of the item "Profit on financial operations". It includes now a charge for depreciation of units in trust funds in the amount of PLN 683k, disclosed so far in "Charges for provisions and revaluation".

**Exemption of the affiliated or subsidiary undertakings from the obligation of consolidation pursuant to separate regulations**

Pursuant to art 56 point 2 of the Accounting Act dated 29 September 1994 and § 3 point 3 of the Ordinance no. 2/98 of the Banking Supervision Commission dated 3 June 1998, WBK did not consolidate affiliated and subsidiary undertakings in relation to which it acts as a dominant entity.

The relevant financial data justifying the elimination of the affiliates and subsidiaries of the Group from the consolidation, are included in the Introduction and Note no 8 of the consolidated financial statements.

**Other supplementary information**

**Information on the Bank's involvement in the court proceedings**

In 1999 no proceedings were instituted and brought to court or state administration bodies in relation to liabilities or receivables of the dominant entity 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 for a guarantee granted by BGŻ SA in favour of WBK SA 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 the 1st of March 1999. The court reviewed the appeal on 7 September.

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 S.A. and adjudicated the payment by WBK to BGŻ of PLN 9,0947k together with the statutory interest due for the periods indicated in the ruling as the reimbursement of the amount received by WBK in the execution proceedings, conducted due to the BGŻ's re-guarantee of the liabilities of Spółdzielnia Przetwórstwa Owocowo-Warzywnego "Frutex" in Elk towards WBK.

The ruling is not enforceable. WBK shall consider the rationale for the appeal against the ruling of the Court of Appeal. The Bank has a provision for this controversial liability.

The Court of the first instance (lower court), (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 SA).

Jerzy Pielin, the plaintiff, petitions the court for total adjudication the amount PLN 1,395k from the relevant parties, together with the statutory interests accrued from 30 July 1993. With a decision passed on 9 October 1998, the Lower Court suspended the proceedings. The plaintiff brought a complaint against suspension of the proceedings, which was abated by the Court of Appeal.

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 for the disputable amount in question in 1997 was written-back. 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 of Wrocławskie Zakłady Wyrobów Papierniczych SA (WZWP) filed the claim to recognise the invalidity of the receivables transfer agreement which constituted the security cover for the agreement on the repayment of debt by WZWP to WBK, due to the 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 does not claim interest. There was no provision raised for court liabilities, and the provision created for credit risk is PLN 1,261k.

During the execution proceedings, the debtor Marek Koper instituted a claim to the provincial 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 delivered 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 is set on 20 March 2000. Provision for the credit risk in this case amounts to PLN 14,532k.

#### **Information on income and expense related to the Bank's brokerage operations in 1999**

Until 30 October 1999, the Bank's income on brokerage operations was PLN 20,358k while the costs amounted to PLN 17,948k..

GBH does not conduct any brokerage business.






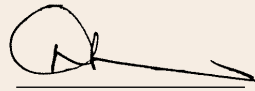

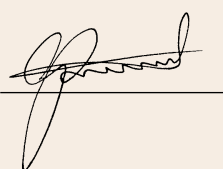
#### **Information on funding sources and use of funds taking into account main geographical regions of the country.**

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

**Breakdown of WBK's loans to and deposits of customers and public sector into geographical regions of the country.**

Province	Amounts due from customers and public sector - net		Deposits of customers and public sector	
	31.12.1998	31.12.1999	31.12.1998	31.12.1999
Administrational Regions	%	%	%	%
Dolnośląskie	5.71	4.38	7.63	6.32
Kujawsko-pomorskie	8.67	5.95	4.71	3.93
Łódzkie	1.72	2.42	2.71	1.99
Małopolskie	0.22	0.32	0.32	0.37
Mazowieckie	14.71	12.48	8.64	7.78
Opolskie	0.16	0.18	0.06	0.08
Lubuskie	9.58	8.54	8.41	7.11
Pomorskie	1.63	3.98	6.80	5.61
Śląskie	5.31	7.35	8.78	16.05
Zachodnio-pomorskie	0.74	0.59	0.69	0.72
Wielkopolskie	51.55	53.81	51.25	50.04
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Management Board of Wielkopolski Bank Kredytowy SA**

<u>15.03.2000</u> Date	Jacek Kseń	President of the Management Board	
<u>15.03.2000</u> Date	Cornelius A. O'Sullivan	I-st V-ce President of the Management Board	
<u>15.3.2000</u> Date	Aleksander Kompf	V-ce President of the Management Board	
<u>15.03.2000</u> Date	Romuald Szeliga	V-ce President of the Management Board	
<u>15/3/2000</u> Date	Brendan Holton	Member of the Management Board	
<u>15/3/2000</u> Date	Declan Flynn	Member of the Management Board	
<u>15.03.2000</u> Date	Joanna Oświecimska	Member of the Management Board	
<u>15.03.2000</u> Date	Grzegorz Ziolkowski	Bank Director Chief Accountant	



# CONSOLIDATED FINANCIAL STATEMENTS

in accordance with  
International Accounting Standards  
for the year ended 31 December 1999

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<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 54. 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 1999, the results of its operations and changes in its cash flows for the year then ended in accordance with International Accounting Standards.



Antoni F. Reczek



PricewaterhouseCoopers Sp. z o.o.

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

Warsaw, 15 March 2000

## INCOME STATEMENT for the year ended 31 December 1999

	Note	12 months to 31.12.1999 PLN '000	12 months to 31.12.1998 PLN '000
Interest income	2	1,185,580	1,280,457
Interest expense	2	(703,223)	(873,457)
<b>Net interest income</b>		<b>482,357</b>	<b>407,000</b>
Commission income	3	193,321	143,726
Commission expense		(24,617)	(19,107)
Dividend income		5,957	1,941
Net result on trading portfolio securities		7,660	(1,782)
Net result on sale of investment portfolio securities		63,130	77,200
Foreign exchange result		54,376	59,483
<b>Net profit on financial operations</b>		<b>782,184</b>	<b>668,461</b>
Other operating income		65,081	17,111
Provisions for loans and guarantees	4	(55,057)	(13,123)
Provision for shares and other securities	5	(13,683)	(6,780)
Operating expenses	6	(506,368)	(381,153)
Amortisation of goodwill		(3,501)	(8,227)
<b>Profit before taxation</b>		<b>268,656</b>	<b>276,289</b>
Taxation	7	(94,428)	(90,193)
<b>Profit after taxation before minority interests</b>	<b>8</b>	<b>174,228</b>	<b>186,096</b>
Minority interests		(162)	(802)
<b>Net profit for the year</b>		<b>174,066</b>	<b>185,294</b>
<b>Earnings per share (PLN)</b>		<b>2.53</b>	<b>2.69</b>

# BALANCE SHEET as at 31 December 1999

Assets	Note	As at 31.12.1999 PLN '000	As at 31.12.1998 PLN '000
Balances with the Central Bank	9	555,419	306,709
Cash in hand and current accounts with banks	10	358,341	231,594
Debt securities	11	2,554,001	2,730,493
Placements with, and loans to other banks	12	1,398,460	724,907
Loans to customers and the public sector	13	5,016,329	3,640,092
Accrued interest receivable and other assets	14	274,194	271,757
Shares and other securities	15	140,475	121,526
Goodwill	16	14,286	22,907
Tangible fixed assets	17	336,155	295,615
<b>Total assets</b>		<b>10,647,660</b>	<b>8,345,600</b>
<b>Equity and liabilities</b>			
Amounts due to banks	18	712,183	625,480
Amounts due to customers and the public sector	19	8,512,944	6,394,812
Accrued interest and other liabilities	20	452,612	502,978
Subordinated liabilities	21	10,000	10,000
Provisions	22	40,804	27,404
<b>Total liabilities</b>		<b>9,728,543</b>	<b>7,560,674</b>
Minority interests	23	852	1,070
Share capital and reserves	24	744,199	598,562
Net profit	24	174,066	185,294
<b>Total liabilities and equity</b>		<b>10,647,660</b>	<b>8,345,600</b>
<b>Off-balance sheet items:</b>			
Contingent liabilities extended	34	280,340	226,172
Liabilities arising from purchase/sale transactions	35	4,289,520	1,767,585
Credit risk in respect of irrevocable lending commitments	37	1,211,894	997,901
<b>Total off-balance sheet items</b>		<b>5,781,754</b>	<b>2,991,658</b>

The financial statements on pages 2 to 54\* were approved by the Management Board of Wielkopolski Bank Kredytowy S.A. on 15 March 2000 and signed on behalf of the Board:

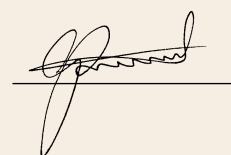
President of the Management Board

Jacek Kseń



Bank Director  
Chief Accountant

Grzegorz Ziolkowski



# CASH FLOW STATEMENT

## for the year ended 31 December 1999

	12 months to 31.12.1999 PLN '000	12 months to 31.12.1998 PLN '000
<b>Cash flow from operating activities</b>		
<b>Net profit</b>	<b>174,066</b>	<b>185,294</b>
Adjusted for:		
Depreciation of tangible fixed assets	60,943	47,407
Minority interests	162	802
Amortisation of goodwill	8,192	8,227
Foreign exchange gains/(losses)	3	(9)
Interest and dividends received and paid	41,485	(91,172)
Provisions for loans and guarantees	55,057	12,123
Other provisions	7,094	23,264
Taxation charge for the period	94,428	90,193
Corporate income tax paid	(60,566)	(103,083)
Net profit on the sale or liquidation of fixed assets and non-trading securities	(44,366)	(41,447)
Change in shares held for trading purposes	(7,620)	(792)
Change in debt securities	(9,827)	15,211
Change in amounts due from banks	(181,028)	317,345
Change in amounts due from customers and the public sector	(1,429,749)	(1,100,407)
Change in amounts due to banks	86,703	213,258
Change in amounts due to customers and the public sector	2,118,132	1,244,422
Change in other assets and liabilities	(68,585)	(66,015)
Other items	(4,841)	(6,847)
<b>Net cash flow from operating activities</b>	<b>839,683</b>	<b>747,774</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(97,013)	(89,221)
Sale of tangible fixed assets	557	4,919
Purchase of shares in non-consolidated subsidiary and associated companies	(8,048)	(5,596)
Sale of shares in non-consolidated subsidiary and associated companies	7,861	35,932
Purchase of other shares and securities	(28,467,948)	(46,375,341)
Sale of other shares and securities	27,878,063	46,440,552
Other items	7,259	3,328
<b>Net cash flow from investing activities</b>	<b>(679,269)</b>	<b>(14,573)</b>

# CASH FLOW STATEMENT

## for the year ended 31 December 1999 (cont.)

	12 months to 31.12.1999 PLN '000	12 months to 31.12.1998 PLN '000
<b>Cash flow from financing activities</b>		
Dividend paid	(36,473)	(24,774)
Other items	(4,164)	(5,042)
<b>Net cash flow from financing activities</b>	<b>(40,637)</b>	<b>(29,816)</b>
<b>Net change in cash and cash equivalents</b>	<b>(119,777)</b>	<b>(703,385)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,176,378</b>	<b>1,472,993</b>
<b>Cash and cash equivalents at the end of the year (a)</b>	<b>2,296,155</b>	<b>2,176,378</b>
<b>Net change in cash and cash equivalents</b>	<b>119,777</b>	<b>703,385</b>
(a) Analysis of cash and cash equivalents:		
Balances with the Central Bank	555,419	306,709
Cash and current amounts due from banks	358,341	231,594
Placements with, and loans to other banks	1,225,389	732,943
Debt securities with an initial period to maturity within 3 months	157,006	905,132
	<b>2,296,155</b>	<b>2,176,378</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital PLN'000	Share premium PLN'000	Revaluation reserve PLN'000	General risk reserve PLN'000	Other reserves PLN'000	Net profit of the Group PLN'000	Total PLN'000
<b>Balance at 1 January 1999</b>	<b>86,020</b>	<b>30,690</b>	<b>51,427</b>	<b>35,000</b>	<b>395,425</b>	<b>185,294</b>	<b>783,856</b>
Appropriation of 1998 profit:							
a) Other reserves	-	-	-	-	90,637	(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
<b>Balance at 31 December 1999</b>	<b>86,020</b>	<b>30,690</b>	<b>51,427</b>	<b>90,000</b>	<b>486,062</b>	<b>174,066</b>	<b>918,265</b>
<b>Balance at 1 January 1998</b>	<b>86,020</b>	<b>30,690</b>	<b>51,427</b>	<b>70,325</b>	<b>274,336</b>	<b>119,008</b>	<b>631,806</b>
Appropriation of 1997 profit:							
a) Other reserves	-	-	-	-	46,434	(46,434)	-
b) General risk reserve	-	-	-	47,000	-	(47,000)	-
c) Dividend	-	-	-	-	-	(24,774)	(24,774)
d) Other	-	-	-	-	-	(800)	(800)
Transfer to other reserves	-	-	-	(74,655)	74,655	-	-
Transfer to tax liabilities	-	-	-	(7,670)	-	-	(7,670)
Net profit for 1998	-	-	-	-	-	185,294	185,294
<b>Balance at 31 December 1998</b>	<b>86,020</b>	<b>30,690</b>	<b>51,427</b>	<b>35,000</b>	<b>395,425</b>	<b>185,294</b>	<b>783,856</b>



## STRUCTURE OF THE WIELKOPOLSKI BANK KREDYTOWY S.A. GROUP

Name	Registered office	Interest held by WBK S.A.	Status	Consolidation method	Auditor	Reporting period	Period covered by consolidation	Share capital	Total assets	Net profit for the period ended 31.12.99 PLN '000	Average number of employees
<b>PLN '000</b>								<b>PLN '000</b>	<b>PLN '000</b>		
Wielkopolski Bank Kredytowy S.A. (WBK S.A.)	Poznań	—	parent company	-	PricewaterhouseCoopers Sp. z o.o.	12 months to 31 December 1999	1.01 - 31.12.1999	86,020	10,425,061	184,973	4,453
Dom Maklerski WBK S.A. (DM WBK S.A.)	Poznań	100.00%	subsidiary	acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	Period from 28 31 July 1999 to December 1999	28.07 - 31.12.1999	44,000	157,965	2,425	224
Gliwicki Bank Handlowy S.A. (GBH S.A.)	Gliwice	92.95%	subsidiary	acquisition accounting	PricewaterhouseCoopers Sp. z o.o.	12 months to 31 December 1999	1.01 - 31.12.1999	21,314	1,373,548	3,352	396

Wielkopolski Bank Kredytowy S.A. is listed on the Warsaw Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies

Wielkopolski Bank Kredytowy S.A. (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 on the territory of Poland. Normal correspondent banking relationships are maintained with foreign counterparts. Retail banking is the principal business of both banks. Dom Maklerski WBK S.A. is engaged in the provision of brokerage services.

### (a) Presentation of financial statements

The Group financial statements present financial information in accordance with the reporting format applicable under 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 S.A. 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.

#### Acquisition accounting method

Under the acquisition accounting method a consolidated balance sheet is prepared by adding the respective assets and liabilities of the parent company and its consolidated subsidiaries in full, irrespective of the interest of the parent company in the subsidiary. The acquisition cost and share capital of subsidiaries are eliminated on consolidation. Where a difference arises between the cost and the fair value of net assets acquired, goodwill or negative goodwill on consolidation is recognised. Where the cost exceeds the fair value of net assets acquired, the goodwill arising is amortised over a period not exceeding five years. Where the cost is lower than the fair value of the interest acquired, negative goodwill is recognised and credited to the income statement over a period not exceeding five years. After the addition of the respective balance sheet items, other consolidation eliminations and adjustments are made.

Under the acquisition accounting method, a consolidated income statement is prepared by adding the income and expenditure of the parent company and subsidiary companies. These items are added, in full, irrespective of the interest of the parent company in the respective subsidiary. After the addition of the respective income and expenditure items, necessary consolidation eliminations and adjustments are made. Minority interests are shown as a deduction from the profit of the Group.

### (c) 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 presented 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.

# NOTES TO THE FINANCIAL STATEMENTS

## **(d) Interest expense**

Interest payable is accrued at the end of each month. Interest expense is charged to the income statement on an accruals basis. Interest expense also includes amounts arising on SWAP transactions.

## **(e) 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. In addition commission income includes brokerage fees earned prior to the setting up of a separate broking subsidiary.

## **(f) Dividends and result on sale of securities**

Dividends are recognised in the income statement when received. 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.

## **(g) Foreign exchange result**

The foreign exchange result comprises both realised and unrealised foreign exchange gains and losses.

## **(h) Provisions**

Provisions are principally created in respect of 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. These provisions are created in relation to assets and off-balance sheet commitments which have 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 for the potential risk associated with its loan portfolio.

The Group creates a provision for long service awards and one-off retirement payments to employees. The provision as at 31 December 1998 amounted to PLN 15,800 thousand. During 1999, following a reassessment of the required level of this provision it was increased by PLN 1,273 thousand (note 32)

## **(i) Taxation**

Corporate income tax is calculated at 34% (1998: 36%) 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.

## **(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.

# NOTES TO THE FINANCIAL STATEMENTS

## **(k) Debt securities and shares**

Debt securities and shares include:

- 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;
- long-term securities, including debt securities to be held until redemption by the issuer

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 cost is then decreased by the amount of such pre-acquisition interest subsequently received.

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 which have replaced the obligatory deposit system are required to be held by banks until maturity. These bonds are not included in either the trading or investment portfolio.

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

## **(l) 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 lease from the State) is not the property of the Group and is not 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.

## **(m) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## (m) Depreciation (cont'd)

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.

## (n) Liabilities

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

## (o) Foreign currency transactions

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

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".

## (p) Equity

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

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

**Share capital** represents the share capital of the parent company and is carried at its nominal value in accordance with the articles of association of the Bank and 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, 8% of net profit must be transferred to supplementary capital each year until supplementary capital reaches the level of 1/3 of share capital.

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

# NOTES TO THE FINANCIAL STATEMENTS

## **(q) 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.

## **(r) 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 unutilised lending facilities.

## **(s) Derivative transactions**

Unrealised losses on trading activities are taken to the profit and loss account using the mark to market method of accounting. Unrealised profits on trading activities are taken to the profit and loss account using the mark to market method of accounting to the extent that such profits offset unrealised losses. If unrealised profits exceed unrealised losses, then the net unrealised profit is not taken to the profit and loss account until it is realised.

Income and expenses associated with hedging activities are taken to the profit and loss account on an accruals basis on the same basis as the underlying assets or liability that is being hedged.

All derivative instruments are assumed to be trading instruments unless clear evidence of a specific hedging requirement is shown to exist at the transaction date of the derivative transaction.

WBK S.A. also uses other off balance sheet transactions such as foreign exchange swaps for liquidity management purposes. Income and expenses associated with such instruments are taken to the profit and loss account on an accruals basis.

## **(t) Comparatives**

Comparative figures have in some instances been adjusted relative to previously published information to ensure comparability with current year data following minor amounts reclassifications. These changes did not effect previously reported net assets and the result for the period.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Interest income and expense

	Income	Expenses	Income	Expenses
	12 months to 31.12.99 PLN '000	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000	12 months to 31.12.98 PLN '000
Financial institutions	182,388	(110,946)	161,734	(114,820)
Business entities, state-financed (budget) entities and individuals	608,987	(589,300)	615,589	(756,416)
Treasury bills and bonds	263,694	0	355,924	0
Securities of non-financial institutions	90,842	0	107,351	0
Other	39,669	(2,977)	39,859	(2,221)
	<b>1,185,580</b>	<b>(703,223)</b>	<b>1,280,457</b>	<b>(873,457)</b>

In the 12 months to 31.12.1999 average interest earning assets amounted to PLN 8,029,432 thousand earning an average interest rate of 14.6%. The average interest bearing liabilities of the Group during the period amounted to PLN 8,132,710 thousand with an average interest expense of 8.5%.

## 3. Commission income

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Banking activities	174,057	123,708
Brokerage activities	19,264	20,018
	<b>193,321</b>	<b>143,726</b>

## 4. Provisions for loans and guarantees

Provisions for loans	(82,842)	(66,529)
Provisions for off-balance sheet liabilities	(3,174)	(320)
General provision	(30,800)	0
Release of provisions for loans	59,159	53,726
Release of provisions for off-balance sheet liabilities	2,521	0
Release of provisions for placements with other banks	79	0
	<b>(55,057)</b>	<b>(13,123)</b>

## 5. Provisions for shares and other securities

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Provisions created	(16,013)	(7,718)
Provisions released	2,330	938
	<b>(13,683)</b>	<b>(6,780)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Operating expenses

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Salaries and wages	(188,282)	(121,333)
Other employment costs	(35,642)	(58,848)
Depreciation	(60,943)	(47,407)
Lease rentals	(1,597)	(278)
Advertising and promotional expenses	(12,702)	(8,515)
Administrative and other expenses	(205,103)	(133,217)
Accrual for long-service awards and one-off retirement payments	(1,273)	(15,800)
Provisions for other assets	(826)	4,245
- provisions created	(1,060)	(893)
- provisions released	234	5,138
	<b>(506,368)</b>	<b>(381,153)</b>

## 7. Taxation

Corporate income tax due (a)	82,986	108,615
Deferred income tax (b)	11,442	(18,422)
	<b>94,428</b>	<b>90,193</b>

### (a) Corporate income tax due

<b>Gross profit</b>	<b>268,656</b>	<b>276,289</b>
Consolidation adjustments	<b>16,522</b>	<b>3,535</b>
<b>Permanently non tax - allowable costs:</b>		
Provisions for loans regarded as permanently disallowable for deferred tax purposes	33,329	31,036
Other provisions (write - off)	1,122	7,366
Other costs	8,365	7,258
	<b>42,816</b>	<b>45,660</b>
<b>Temporarily non tax - allowable costs:</b>		
Provisions for loans and other costs	149,269	101,983
Accrued interest payable	80,432	102,951
	<b>229,701</b>	<b>204,934</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 7. Taxation (cont'd)

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Costs disallowed in previous years, allowed in the current year:		
Interest paid, accrued for in previous years	(103,478)	(71,159)
	<b>(103,478)</b>	<b>(71,159)</b>
<b>Permanently non-taxable income:</b>		
Release of provisions for loans and other costs previously treated as permanently disallowed for deferred tax purposes	(26,511)	(49,635)
Income received, previously taxed when accrued	(1,268)	(166)
Domestic dividends	(6,978)	(2,427)
Other income	(31)	0
	<b>(34,788)</b>	<b>(52,228)</b>
<b>Temporarily non-taxable income:</b>		
Accrued interest income	(196,162)	(177,423)
Other	(811)	(3,241)
	<b>(196,973)</b>	<b>(180,664)</b>
<b>Provisions temporarily disallowed in previous years, released in the current year</b>		
Release of provisions	(104,898)	(43,307)
	<b>(104,898)</b>	<b>(43,307)</b>
<b>Income not taxable in previous years, taxable in the current year:</b>		
Interest received, accrued in previous years	165,718	151,621
Income received in advance	(1,832)	736
Capitalised interest	(9,079)	3,198
	<b>154,807</b>	<b>155,555</b>
<b>Gross taxable income</b>	<b>272,365</b>	<b>338,615</b>
Tax deductible items		
- donations made	(939)	(678)
- damages received	0	(1,423)
Investment relief claimed	(17,253)	(15,555)
Investment relief premium claimed	(5,356)	(11,432)
Tax loss of GBH S.A.	(4,740)	(7,819)
<b>Taxable income</b>	<b>244,077</b>	<b>301,708</b>
<b>Corporate income tax charge 34%/36%</b>	<b>82,986</b>	<b>108,615</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Taxation (cont'd)

### Corporate income tax charge - by consolidated Group company:

	12 months to 31.12.99 PLN '000
WBK S.A.	79,714
DM WK S.A.	1,431
GBH S.A.	1,841
	<b>82,986</b>

### (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 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
<b>Cumulative temporary differences between the tax bases of assets and liabilities:</b>		
Unrealised income	188,715	163,177
Accrued interest payable	(81,175)	(104,221)
Investment relief	58,054	66,456
Loan provisions	(69,473)	(64,417)
Other provisions	(60,114)	(48,043)
Accrued interest receivable	45,183	40,314
Capitalised interest	411	(8,668)
Income received in advance	(3,407)	(5,981)
Tax loss of GBH S.A. available for set off against taxable income in 2000/1999	(1,996)	(4,740)
Other	(445)	(690)
Total temporary differences	75,753	33,187
<b>Deferred tax provision (30%/34%)</b>	<b>22,726</b>	<b>11,284</b>

In the opinion of the Management Board of GBH S.A. the expected future profits of the Bank permit the recognition of the tax loss of GBH S.A. as a deferred tax asset.

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
<b>Movements in deferred tax provision during the financial year:</b>		
Deferred tax provision at the beginning of the year	11,284	29,705
Deferred tax credit for the year	0	(18,421)
Deferred tax charge for the year	11,442	0
<b>Deferred tax provision at the end of the year</b>	<b>22,726</b>	<b>11,284</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 8. Profit after tax before minority interests

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Net profit of WBK S.A.	184,973	181,834
Net profit of GBH S.A.	3,352	7,797
Net profit of DM WBK S.A.	2,425	0
Consolidation adjustments	(16,522)	(3,535)
	<b>174,228</b>	<b>186,096</b>

## 9. Balances with the Central Bank

	31.12.99 PLN '000	31.12.98 PLN '000
PLN denominated current account	<b>555,419</b>	<b>306,709</b>

Banks are obliged to calculate and maintain obligatory deposits. In 1999 the obligatory deposit rate was reduced.

At the same time as the decrease in the obligatory deposit rate, banks were required to purchase and hold until redemption, bonds issued by the National Bank of Poland (NBP).

The NBP bonds which the Bank 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 of the creditworthiness of the issuer, these bonds are carried at cost plus accrued interest.

The obligatory deposit of PLN 286,215 thousand is held on current account with the NBP. The book value of NBP bonds held by WBK S.A. in connection with the above mentioned change in obligatory deposit requirements was PLN 481,279 thousand.

GBH S.A. is exempted from obligatory deposit requirements until 30 December 2000.

The PLN 248,710 thousand increase in cash balances resulted mainly from the maintenance of liquidity in connection with the so-called Year 2000 Problem.

## 10. Cash in hand and current accounts with banks

	31.12.99 PLN '000	31.12.98 PLN '000
Cash - PLN	196,408	116,124
Cash - foreign currencies	115,223	64,230
Current accounts with other banks - PLN	7,041	4,500
Current accounts with other banks - foreign currencies	39,669	46,740
	<b>358,341</b>	<b>231,594</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Debt securities

	31.12.99 PLN '000	31.12.98 PLN '000
Trading portfolio bonds and other securities (a)	9,874	1,163
Investment portfolio bonds and other securities (b)	2,065,840	2,729,330
NBP bonds	481,279	0
Total gross bonds and other securities	2,556,993	2,730,493
Provisions	(2,992)	0
<b>Total net bonds and other securities</b>	<b>2,554,001</b>	<b>2,730,493</b>

(a) Trading portfolio bonds and other securities:

- fixed interest:

• Treasury bills (ii)	4,753	1,116
• Treasury bonds (i), (ii)	5,079	0

- variable interest:

• municipal bonds	42	47
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**9,874**      **1,163**

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

(ii) A liquid market exists for fixed interest Treasury bills, and 2- and 5-year Treasury bonds.

(b) Investment portfolio bonds and other securities:

- fixed interest:

• NBP bills	99,817	891,336
• Treasury bills (i)	338,826	253,775
• Treasury bonds (ii)	953,664	1,087,400
• Other	37,245	22,030

- variable interest:

• Treasury "Brady bonds" (iii)	237,727	152,341
• Treasury bonds (iv)	339,397	299,718
• Other	59,164	22,730

**Total gross investment portfolio bonds and other securities**      **2,065,840**      **2,729,330**

Provisions      **(2,992)**      **0**

**Total net investment bonds and other securities**      **2,062,848**      **2,729,330**

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Debt securities (cont'd)

- (i) Treasury bills include securities with a net book value of PLN 25,579 thousand (nominal value of PLN 26,900 thousand) are designated, in accordance with the terms of the Bank Guarantee Fund Act, as collateral for potential future liabilities to the Guarantee Deposits Protection Fund. In addition Treasury bills with a book value of PLN 55,000 held by WBK S.A. are pledged as collateral for a loan received from the Bank Guarantee Fund.
- (ii) Fixed interest Treasury bonds have initial maturities of 2 and 5 years.
- (iii) The Polish government "Brady bonds" were issued following an agreement signed on 14 September 1994 between the Republic of Poland and commercial banks associated within the so-called London Club of creditor banks. They were issued in accordance with Decree No. 78 of the Minister of Finance dated 26 October 1994 regarding the issue of restructuring bonds in accordance with agreements signed with commercial banks associated within the London Club in order to reduce and reorganise Poland's external debt. These bonds are denominated in US dollars.
- (iv) Variable interest Treasury bonds have initial maturities of 3 and 10 years.
- (v) There is a liquid market for fixed and variable interest Treasury bonds, Treasury bills, and Polish government "Brady Bonds".

(c) The returns achieved on debt securities during the 12-month period ended 31 December 1999 were as follows:

	%	%
	min	max
• Treasury bills	10.04	25.24
• NBP bills	12.97	16.97
• 1-year Treasury bonds	18.00	20.71
• 2-year Treasury bonds	12.00	14.00
• 5-year Treasury bonds	10.00	14.00
• 10-year fixed interest Treasury bonds	6.00	6.00
• NBP bills	7.06	17.03
• Polish government "Brady bonds"	5.94	7.00
• 3-year Treasury bonds	12.89	17.69
• 10-year Treasury bonds	13.36	22.13

(d) The total market value of debt securities held by the Group as at 31.12.1999 amounted to PLN 2,644,317 thousand.

(e) Gross debt securities - by currency:

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
PLN	2,319,267	2,578,152
Foreign currencies	237,726	152,341
	<b>2,556,993</b>	<b>2,730,493</b>

(f) Gross debt securities - by maturity:

Within 1 month	164,274	920,722
Between 1 and 3 months	330,347	49,725
Between 3 months and 1 year	281,384	452,184
Between 1 and 5 years	886,933	1,009,068
More than 5 years	894,055	298,794
	<b>2,556,993</b>	<b>2,730,493</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Debt securities (cont'd)

(g) Debt securities - liquidity by gross value:

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Debt securities with unlimited transferability listed on the Warsaw Stock Exchange	1,298,140	1,387,118
Debt securities with unlimited transferability traded on the OTC market	256,560	1,074,181
Debt securities with unlimited transferability not listed on the Warsaw Stock Exchange and not traded on the OTC market	427,503	196,100
Debt securities with limited transferability	574,790	73,094
	<b>2,556,993</b>	<b>2,730,493</b>

## 12. Placements with, and loans to other banks

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Placements with other banks (a), (b)	1,357,720	690,689
Loans to other banks	41,483	35,040
Provisions (c)	(743)	(822)
<b>Net placements with, and loans to other banks</b>	<b>1,398,460</b>	<b>724,907</b>

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

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

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
PLN	169,782	651,910
Foreign currencies	1,229,421	73,819
	<b>1,399,203</b>	<b>725,729</b>

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

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Within 1 month	1,204,556	401,701
Between 1 to 3 months	55,330	251,577
Between 3 months to 1 year	74,685	20,000
Between 1 to 5 years	57,639	51,629
After 5 years, including overdue amounts	6,993	822
	<b>1,399,203</b>	<b>725,729</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Placements with, and loans to other banks (cont'd)

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

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Provisions at the beginning of the year	822	822
Decreases:		
- provisions released	(79)	0
<b>Provisions at the end of the year</b>	<b>743</b>	<b>822</b>

Net amounts due from non - consolidated subsidiaries as at 31 December 1999 amounted to PLN 12,364 thousand.

## 13. Loans to customers and the public sector

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Overdrafts	807,413	502,470
Charge card balances	763	400
Term loans	4,502,236	3,416,121
Other	92,746	100,084
<b>Gross loans (a), (b), (c), (d)</b>	<b>5,403,158</b>	<b>4,019,075</b>
Specific provisions (e)	(250,284)	(247,974)
General provision	(40,800)	(10,000)
Capitalised interest	(5,254)	(22,266)
Suspended interest	(90,491)	(98,743)
<b>Net loans</b>	<b>5,016,329</b>	<b>3,640,092</b>

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

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

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
PLN	4,464,974	3,248,644
Foreign currencies	938,184	770,431
	<b>5,403,158</b>	<b>4,019,075</b>

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

Within 1 month	1,023,883	732,055
Between 1 to 3 months	675,048	505,680
Between 3 months to 1 year	1,411,801	1,033,482
Between 1 to 5 years	1,230,073	931,544
After 5 years	587,780	382,742
Overdue amounts	474,573	433,572
	<b>5,403,158</b>	<b>4,019,075</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Loans to customers and the public sector (cont'd)

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

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Normal	4,442,002	3,574,249
Watch	418,881	0
Substandard	153,812	65,815
Doubtful	65,630	34,311
Loss	230,087	244,616
Interest due not received, unallocated amounts and other amounts	92,746	100,084
	<b>5,403,158</b>	<b>4,019,075</b>

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

Public sector	225,693	53,685
Enterprises	4,256,577	3,296,789
Agricultural sector	138,549	175,765
Retail loans	539,064	390,911
Interest due, not received; unallocated amounts and other amounts	243,275	101,925
	<b>5,403,158</b>	<b>4,019,075</b>

(e) Specific provisions - changes during the year:

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Provisions at the beginning of the year	247,974	254,701
Increases:		
• provisions created	82,842	67,719
Decreases:		
• repayment of debtors and debt for equity swaps	(59,159)	(53,726)
• foreign exchange differences	(486)	(7)
Utilisation of provisions	(20,887)	(20,713)
<b>Provisions at the end of the year</b>	<b>250,284</b>	<b>247,974</b>

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

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Polish government	0	0
Foreign governments	0	0
Polish banks	178	48
Foreign banks	3,041	752
	<b>3,219</b>	<b>800</b>

Net amounts due from non-consolidated subsidiaries as at 31 December 1999 amounted to PLN 12,364 thousand.



# NOTES TO THE FINANCIAL STATEMENTS

## 14. Accrued interest receivable and other assets

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Accrued interest receivable	186,266	191,185
Other assets	91,172	82,990
<b>Total gross</b>	<b>277,438</b>	<b>274,175</b>
Provisions (a)	(3,244)	(2,418)
<b>Total net</b>	<b>274,194</b>	<b>271,757</b>

(a) Provisions - changes during the year

Provisions at the beginning of the year	2,418	6,661
Increases:	1,060	900
• provisions created	1,060	893
• transfer to loan provisions	0	7
Release of provisions	(234)	(5,138)
Utilisation of provisions	0	(5)
<b>Provisions at the end of the year</b>	<b>3,244</b>	<b>2,418</b>

## 15. Shares and other securities

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
<b>Investment portfolio:</b>		
Shares in subsidiary companies (a), (b), (c)	12,888	11,364
Shares in associated companies (d), (e), (f)	7,163	10,283
Mutual fund participation units (g)	7,475	7,500
Other shares (h)	118,597	99,942
<b>Total gross value</b>	<b>146,123</b>	<b>129,089</b>
<b>Trading portfolio:</b>		
Shares held by Dom Maklerski WBK S.A. (i)	4,511	1,302
Other shares (j)	13,477	9,768
<b>Total gross value</b>	<b>17,988</b>	<b>11,070</b>
<b>Total gross shares and other securities</b>	<b>164,111</b>	<b>140,159</b>
Provisions (k)	(23,636)	(18,633)
<b>Total net shares and other securities</b>	<b>140,475</b>	<b>121,526</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Shares and other securities (cont'd)

(a) Shares in subsidiary companies as at 31 December 1999 - additional information:

Company	Registered office	Activity	Relationship	Consolidation method applied	Date of acquisition of control	Shares at cost PLN '000	Provisions PLN '000	Book value PLN '000	Percentage of share capital held %	Percentage of votes at AGM %
1 WBK Finanse & Leasing S.A.	Poznań	Leasing of fixed assets, credit intermediary	subsidiary	not consolidated	X 1998	5,012	0	5,012	99,99	99,99
2 WBK Nieruchomości S.A.	Poznań	Construction and subsequent management of the WBK S.A. operations and service centre	subsidiary	not consolidated	VII 1998	103	0	103	99,80	99,80
3 Lubuska Wytwórnia Win Sp. z o.o. (in bankruptcy proceedings)	Zielona Góra	Wine production, bottling and distribution.	subsidiary	not consolidated	XI 1997	4,462	4,462	0	81,69	81,69
4 Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU	Poznań	Distribution of insurance products	subsidiary	not consolidated	II 1993 (initially as an associated company)	218	0	218	60,00	60,00
5 PB Polsoft Sp. z o.o.	Poznań	IT services.	subsidiary	not consolidated	XII 1996	102	0	102	51,00	51,00
6 WBK AIB Fund Management Sp. z o.o.	Warszawa	Management of VI NFI Magna Polonia S.A.	subsidiary	not consolidated	IX 1995 (initially as an associated company)	2,989	0	2,989	54,00	54,00
7 Agrotechma Sp. z o.o. (in bankruptcy proceedings)	Kędzierzyn Koźle	Food production	subsidiary	not consolidated	VIII 1993	2	2	0	68,00	68,00
<b>Gross value of shares in subsidiary companies</b>						<b>12,888</b>				

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Shares and other securities (cont'd)

(b) Shares in subsidiary companies as at 31 December 1999 - additional information:

Company	Share capital	Unpaid share capital	Supplementary capital	Other capital	Unappropriated profits/ uncovered losses brought forward	Net profit / loss	Total assets	Shares unpaid by the Group	Dividends received or receivable / for previous year
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
1 WBK Finanse & Leasing S.A.	5,000	0	0	(1,180)	0	(1,180)	61,474	0	0
2 WBK Nieruchomości S.A.	100	0	55	55	(6)	61	265	0	0
3 Lubuska Wytwórnia Win Sp. z o.o. (in bankruptcy proceedings)	5,462	0	9,217	(19,070)	(16,789)	(2,281)	261	0	0
4 Brytyjsko-Polskie Towarzystwo Finansowe WBK-CU Sp. z o.o.	350	0	417	1,126	0	1,120	2,656	0	406
5 PB Polsoft Sp. z o.o.	200	0	862	1,072	0	1,072	3,216	0	229
6 WBK AIB Fund Management Sp. z o.o..	2,469	0	488	1,251	0	1,251	7,195	0	1,077
7 Agrotechma Sp. z o.o. (in bankruptcy proceedings)	5	0	0	(1,073)	(1,044)	(29)	717	0	0

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Shares and other securities (cont'd)

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
(c) Shares in subsidiaries - changes during the financial year:		
Balance at the beginning of the year	11,364	7,782
Decrease	(4,040)	(1,392)
Increase	5,564	4,974
<b>Balance at the end of the year</b>	<b>12,888</b>	<b>11,364</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Shares and other securities (cont'd)

(d) Shares in associated companies as at 31 December 1999 - 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 held	Percentage of votes at AGM
						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	50.00
2 Euroad-Leasing Sp. z o.o.	Warsaw	Manufacturing, trading, provision of services and construction	associated company	not consolidated	III 1996	400	80	320	37.50	35.80
3 NOTA Sp. z o.o. (in bankruptcy)	Gliwice	Publishing, promotion	associated company	not consolidated	II 1993	8	8	0	25.00	25.00
<b>Gross value of shares in associated companies</b>						<b>7,163</b>				

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Shares and other securities (cont'd)

(e) Shares in associated companies as at 31 December 1999 - additional information:

Company	Share capital	Unpaid share capital	Supplementary capital	Other capital	Unappropriated profits/ uncovered losses brought forward	Net profit/ loss	Shares unpaid by the Group	Dividends received or receivable/ for previous year
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
1 WBK AIB Asset Management SA	11,000	0	0	(2,333)	(1,382)	(951)	0	0
2 Euroad - Leasing Sp. z o.o.	1,065	0	0	(24)	(26)	2	0	0
3 NOTA Sp. z o.o. (in bankruptcy)*	32	0	20	(98)	(81)	(45)	0	0

\* as at 09.05.1997

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Shares and other securities (cont'd)

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
(f) Shares in associated companies - changes during the year:		
Balance at the beginning of the year	10,283	19,624
Increase	5,473	3,055
Decrease due to:		
• sale	(5,604)	(12,396)
• reclassification	(2,989)	0
<b>Balance at the end of the year</b>	<b>7,163</b>	<b>10,283</b>

(g) The market value of mutual fund units as at 31 December 1999 amounted to PLN 8,557 thousand (31.12.1998 : PLN 7,181 thousand).

(h) Other shares held as at 31 December 1999 are as follows:

Company	Registered office	Activity	Book value of shares PLN '000	Interest held %	Shares not paid up as at 31 December 1999 PLN '000
Huta Lucchini Warszawa. Sp. z o.o.	Warsaw	Metallurgy	22,221	12.48	0
Commercial Union Powszechnie Towarzystwo Emerytalne BPH, CU, WBK S.A.	Warsaw	Establishment and management of a pension fund	21,013	10.00	0
Autostrada Wielkopolska S.A.	Poznań	Motorway construction	14,148	9.98	31,871
NFI Magna Polonia S.A. (*)	Warsaw	Asset management	32,900	15.90	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	7,133	10.63	0
Other			11,017	-	0
<b>Gross value of shares</b>			<b>118,597</b>		

(\*) The market value of Magna Polonia S.A. shares as at 31.12.1999 amounted to PLN 25,183 thousand.

(\*\*) The market value of Inter Groclin S.A. shares as at 31.12.1999 amounted to PLN 8,182 thousand.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Shares and other securities (cont'd)

(i) As at 31.12.1999 the market value of shares held by Dom Maklerski WBK S.A. amounted to PLN 4,978 thousand.

(j) Other shares:

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Gospodarczy Bank Południowo-Zachodni S.A.	0	700
Wielkopolska Fabryka Mebli S.A.	0	43
HOWELL S.A.	0	419
Impexmetal S.A.	6,344	
Polski Koncern Naftowy S.A.	5,347	0
Inter Groclin S.A.	1,679	7,906
Lubelskie Zakłady Przemysłu Skórzanego S.A.	107	700
	<b>13,477</b>	<b>9,768</b>

As at 31.12.1999 the market value of other shares amounted to PLN 13,619 thousand.

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
(k) Provisions for shares - changes during the year:		
Balance at the beginning of the year	18,633	11,321
Provisions created	13,021	8,402
Provisions released	(8,018)	(938)
Utilisation of provisions	0	(152)
<b>Balance at the end of the year</b>	<b>23,636</b>	<b>18,633</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 16. Goodwill

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Gross goodwill (a)	40,530	40,959
Accumulated amortisation	(26,244)	(18,052)
	<b>14,286</b>	<b>22,907</b>

	12 months to 31.12.99 PLN '000	12 months 31.12.98 PLN '000
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### (a) Change in goodwill

Gross value at the beginning of the year (i)	40,959	40,221
Increases due to the purchase of additional shares of GBH S.A.	51	738
Decreases due to the redemption of preferential shares by GBH S.A.	(480)	0
<b>Goodwill at the beginning of the year</b>	<b>40,530</b>	<b>40,959</b>
Accumulated amortisation at the beginning of the year	(18,052)	(9,825)
Amortisation charge for the year relating to KBS Zielona Góra	(788)	(789)
Amortisation charge for the year relating to BBB S.A.	(3,903)	(3,903)
Amortisation charge for the year relating to GBH S.A.	(3,501)	(3,535)
<b>Goodwill at the end of the year</b>	<b>(26,244)</b>	<b>(18,052)</b>
<b>Net goodwill</b>	<b>14,286</b>	<b>22,907</b>

(i) Gross goodwill at the beginning of 1999 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 purchase of KBS Zielona Góra and PLN 17,501 relating to GBH S.A.

# NOTES TO THE FINANCIAL STATEMENTS

## 17. 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
<b>Gross value</b>					
Balance as at 31 December 1998	172,222	235,631	7,391	26,760	442,004
Increases	637	25,865	1,964	78,360	106,826
Decreases	(1,833)	(8,952)	(1,427)	(3,859)	(16,071)
Transfers	21,907	49,394	439	(68,990)	2,750
<b>Balance as at 31 December 1999</b>	<b>192,933</b>	<b>301,938</b>	<b>8,367</b>	<b>32,271</b>	<b>535,509</b>
<b>Accumulated depreciation</b>					
Balance as at 31 December 1998	28,022	114,621	3,746	0	146,389
Increases	10,133	50,491	1,916	0	62,540
Decreases	(1,238)	(7,077)	(1,260)	0	(9,575)
<b>Balance as at 31 December 1999</b>	<b>36,917</b>	<b>158,035</b>	<b>4,402</b>	<b>0</b>	<b>199,354</b>
<b>Net book value</b>					
<b>Balance as at 31 December 1998</b>	<b>144,200</b>	<b>121,010</b>	<b>3,645</b>	<b>26,760</b>	<b>295,615</b>
<b>Balance as at 31 December 1999</b>	<b>156,016</b>	<b>143,903</b>	<b>3,965</b>	<b>32,271</b>	<b>336,155</b>

As at 31 December 1999 net leasehold improvements amounted to PLN 36.020 thousand (gross value - PLN 49.358 thousand, accumulated depreciation - PLN 13.338 thousand)

## 18. Amounts due to banks

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Current	14,294	16,791
Term	697,889	608,689
	<b>712,183</b>	<b>625,480</b>

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

Within 1 month	401,136	441,632
Between 1 and 3 months	598	7,169
Between 3 months and 1 year	204,142	96
Between 1 and 5 years	100,057	176,583
Over 5 years	6,250	0
	<b>712,183</b>	<b>625,480</b>

(b) Amounts due to banks - by currency:

PLN	333,443	276,435
Foreign currencies	378,740	349,045
	<b>712,183</b>	<b>625,480</b>

The maximum annual interest expense on interbank deposits accepted during the 12 months to 31 December 1999 amounted from 0.20% to 22.17% and from 0.10% to 10.00% for PLN and foreign currency denominated deposits respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. Amounts due to customers and the public sector

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Deposits (a), (b)	8,506,502	6,390,926
Other	6,442	3,886
	<b>8,512,944</b>	<b>6,394,812</b>

The annual interest expense on deposits from customers and the public sector during the 12 months to 31 December 1999 varied from 3.00% to 9.25% and from 0.10% to 8.00% for PLN and foreign currency denominated current deposits respectively, and from 8.65% to 14.75% and from 0.15% to 9.25% for PLN and foreign currency denominated term deposits respectively.

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
(a) Deposits - by maturity:		
Within 1 month	5,798,916	4,310,026
Between 1 and 3 months	1,546,044	1,246,668
Between 3 months and 1 year	1,045,481	718,295
Between 1 and 5 years	110,161	102,493
Over 5 years	5,900	13,444
	<b>8,506,502</b>	<b>6,390,926</b>

(b) Deposits - by currency:

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
PLN	7,569,743	5,813,286
Foreign currencies	936,759	577,640
	<b>8,506,502</b>	<b>6,390,926</b>

At 31 December 1999 amounts due to non-consolidated subsidiary and associated companies totalled PLN 4,157 thousand.

## 20. Accrued interest and other liabilities

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Accrued interest	80,699	107,779
Interbank clearing accounts	220,432	235,130
Interbranch clearing accounts	53,780	41,148
Accrued costs and deferred income	36,829	57,402
Other	60,872	61,519
	<b>452,612</b>	<b>502,978</b>

The interbranch clearing account balances arise daily. This results from the fact that banks do not have fully centralised internal IT systems and settle such interbranch balances through the national clearing house (KIR), which takes an average three days.

Interbank and interbranch clearing accounts were settled in the first working days of 2000.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. Subordinated liabilities

	As at 31.12.99 PLN '000	As at 31.12.98 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.

## 22. Provisions

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Deferred tax provision (a)	22,726	11,284
Provision for off-balance sheet liabilities (b)	973	320
Provision for long-service awards and one-off retirement payments (Note 32)	17,073	15,800
Other	32	0
	<b>40,804</b>	<b>27,404</b>

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
<b>(a) Deferred tax provision - changes during the year:</b>		
Balance at the beginning of the year	11,284	29,705
Deferred tax charge /(credit) for the year	11,442	(18,421)
<b>Balance at the end of the year</b>	<b>22,726</b>	<b>11,284</b>

<b>(b) Provision for off-balance sheet liabilities – changes during the year</b>		
Balance at the beginning of the year	320	0
Provisions created	3,174	320
Provisions released	(2,521)	0
<b>Balance at the end of the year</b>	<b>973</b>	<b>320</b>

## 23. Minority interest

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Minority interests in net assets of GBH S.A.	852	1,070

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Equity

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Share capital (25)	86,020	86,020
Share premium	30,690	30,690
Revaluation reserve (26)	51,427	51,427
Other reserves (27)	486,062	395,425
General risk reserve (28)	90,000	35,000
Net profit for the year (29)	174,066	185,294
	<b>918,265</b>	<b>783,856</b>

## 25. Share capital

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Share capital issued and fully paid up	<b>86,020</b>	<b>86,020</b>

The share capital of WBK S.A. as at 31 December 1999 consisted of 68,816,000 ordinary shares with a nominal value of PLN 1.25 per share.

As at 31 December 1999, shareholders with over 5% of voting rights were as follows:

AIB European Investments Ltd	60.14%
Polish State Treasury	5.10%

## 26. Revaluation reserve

	12 months to 31.12.99 PLN '000	12 months to 31.12.98 PLN '000
Revaluation reserve	<b>51,427</b>	<b>51,427</b>

The revaluation reserve did not change during the year.

## 27. Other reserves - changes during the year

Balance at the beginning of the year	395,425	274,336
Appropriation of prior year profit	90,637	46,434
Transfer from general risk reserve	0	74,655
<b>Balance at the end of the year</b>	<b>486,062</b>	<b>395,425</b>

## 28. General risk reserve - changes during the year

Balance at the beginning of the year	35,000	70,325
Appropriation of prior year profit	55,000	47,000
Transfer to other reserves	0	(74,655)
Transfer to taxation liabilities	0	(7,670)
<b>Balance at the end of the year</b>	<b>90,000</b>	<b>35,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 29. Group profit after taxation

The proposed appropriation of the net profit of the WBK S.A. Group for the 12 months to 31 December 1999 and the actual appropriation of the net profit for the 12 months to 31 December 1998 are presented below:

	<b>As at 31.12.99 PLN '000</b>	<b>As at 31.12.98 PLN '000</b>
Reserves	77,717	90,637
General risk reserve	55,000	55,000
Dividend	37,849	36,473
Other	3,500	3,184
	<b>174,066</b>	<b>185,294</b>

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

	<b>12 months to 31.12.99 PLN '000</b>	<b>12 months to 31.12.98 PLN '000</b>
Bank Council	420	177
Management Board	3,572	1,655
	<b>3,992</b>	<b>1,832</b>

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

	<b>As at 31.12.1999 PLN '000</b>	<b>As at 31.12.1998 PLN '000</b>
Management Board	8	102
Bank Council	17	19
Related parties - loans and guarantees (i)	32,390	59,434
Employees	18,582	15,265
Shareholders	9,664	3,000
	<b>60,661</b>	<b>77,820</b>

(i) This represents loans 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

## 32. 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 employees 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 is variously related dependant on life-time employment history and years of employment with the Group. The Group has a provision of PLN 17,073 thousand in respect of its estimated liability in respect of one-off retirement payments and long-service awards (note 22).

## 33. Contingent liabilities

In the period 1994-1999 WBK S.A. took advantage of basic investment tax reliefs and investment relief premiums totalling PLN 192,208 thousand. Compliance with all tax regulations is a condition for entitlement to these investment reliefs. It is possible that non-compliance with tax regulations which would be immaterial in relation to the financial results of the Bank could potentially lead to the loss of such investment reliefs. The Bank would then have to repay the taxes saved as a result of claiming investment relief. Furthermore, WBK S.A. would lose its entitlement to the investment relief premiums claimed and would be liable to penalty interest for the period from the date the original tax payment should have been made to the date of actual payment.

As at the date of approval of the financial statements for the year ended 31 December 1999 the Management Board of WBK S.A. does not believe any significant liabilities will arise as a result of taking advantage of investment relief.

## 34. Contingent liabilities extended

	<b>As at 31.12.99 PLN '000</b>	<b>As at 31.12.98 PLN '000</b>
Guarantees and accepted bills of exchange, cheques and letters of credit	246,833	226,072
Other	33,507	100
	<b>280,340</b>	<b>226,172</b>

## 35. Liabilities arising from purchase/sale transactions

Currency transactions	3,775,791	1,629,167
Financial instruments transactions	454,729	135,204
Other	59,000	3,214
	<b>4,289,520</b>	<b>1,767,585</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Derivative transactions

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
	<b>2,104,678</b>	<b>7,948</b>	<b>(9,739)</b>

1998	As at 31.12.1998 PLN '000 Nominal	As at 31.12.1998 PLN '000 Fair value	As at 31.12.1998 PLN '000 Fair value
		Assets	Liabilities
Forward exchange contracts	37,791	54	525
Currency swap	903,289	(1,272)	13,780
Interest rate swap	50,102	-	-
Forward rate agreement	35,000	31	(26)
	<b>1,026,182</b>	<b>(1,187)</b>	<b>14,279</b>

## 37. Credit risk in respect of irrevocable lending commitments

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
To subsidiary companies	7,989	0
To associated companies	0	8,089
Other	1,203,905	989,812
	<b>1,211,894</b>	<b>997,901</b>

## 38. Capital commitments

	Plan for year 2000 PLN '000	Plan for year 1999 PLN '000
Buildings and equipment	55,130	34,941
Computer hardware and software	123,599	102,215
Expenditure on property security	2,716	6,511
Other	560	2,120
	<b>182,005</b>	<b>145,787</b>

The total capital expenditure of the Group during 1999 was PLN 99,322 thousand.



# NOTES TO THE FINANCIAL STATEMENTS

## 39. Concentration of assets

### (a) Concentration of loans to industrial customers

The value of loans granted to the 10 largest customers and their share in the combined loan portfolio of the Group banks:

No.	Portfolio exposure %	Industry	Exposure PLN '000
1	3.2	Business organisation	180,000
2	2.8	Insurance	160,000
3	2.6	Oil refining industry	150,000
4	2.3	Food industry	129,844
5	2.2	Wood and paper industry	119,737
6	1.8	Wood and paper industry	103,258
7	1.5	Telecommunications	86,595
8	1.5	Food production	86,146
9	1.4	Food production	82,211
10	1.4	Oil refining industry	64,885
<b>Total</b>	<b>20.70</b>		<b>1,162,676</b>

### (b) Concentration of loans to groups

The value of loans granted to the 5 largest groups and their share in the combined loan portfolio of the Group banks:

No.	Portfolio exposure %	Industry	Exposure PLN '000
1	1.8	Sugar industry	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 industry	51,207
<b>Total</b>	<b>7.10</b>		<b>379,930</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 39. Concentration of assets (cont'd)

### (c) Concentration of loans to particular industry sectors

Sector	WBK S.A. portfolio	GBH S.A. portfolio
	%	%
Trade	18	46
Food production	13	1
Electrical industry	4	9
Financial services	0	17
Agriculture	4	0
Energy	8	0
Clothing industry	2	0
Services	18	0
Retail loans	10	13
Construction industry	4	0
Wood and paper industry	6	0
Mineral extraction	2	0
Chemical industry	2	0
Other	9	14
	<b>100.0</b>	<b>100.0</b>

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

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
Balances with, and securities issued by the National Bank of Poland	1,136,515	1,109,163
State Treasury bonds - restructuring of London Club debt ("Brady bonds")	237,727	152,341
Debt securities issued by the Polish government	1,641,719	1,730,892
Amounts due from the State budget and municipal authorities	276,086	75,104
	<b>3,292,047</b>	<b>3,067,500</b>

The above assets represent 30.9% (1998: 36.8%) of the total assets of the Group as at 31 December 1999.

# NOTES TO THE FINANCIAL STATEMENTS

## 41. Assets and liabilities - maturity analysis

The principal assets and liabilities of the Group analysed by their maturity date at 31 December 1999 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 years	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)	1,982,202	0	1,982,202	0	574,791	0	0	2,556,993
Other shares and securities quoted on Warsaw Stock Exchange S.A.	17,988	0	17,988	0	0	0	0	17,988
	<b>5,142,389</b>	<b>730,378</b>	<b>5,872,767</b>	<b>1,486,486</b>	<b>1,862,503</b>	<b>594,030</b>	<b>475,316</b>	<b>10,291,102</b>
<b>Liabilities:</b>								
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
	<b>6,200,052</b>	<b>1,546,642</b>	<b>7,746,694</b>	<b>1,249,623</b>	<b>220,218</b>	<b>12,150</b>	<b>0</b>	<b>9,228,685</b>
Net liquidity gap	(1,057,663)	(816,264)	(1,873,927)	236,863	1,642,285	581,880	-	-
Liquidity ratio	0.83 (Liquidity ratio I)		0.76 (Liquidity ratio II)					

(i) Marketable debt securities at the end of the year have been included in assets maturing within 1 month. This excludes Treasury bills with a total book value of PLN 67,933 thousand held by GBH S.A. which are: blocked as a result of that Bank's exemption from the obligatory deposit requirement, serve as collateral for a loan received from the Bank Guarantee Fund or serve as collateral for potential liabilities to the Guaranteed Deposits Protection Fund. The other exceptions are Treasury bonds with a book value of 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 with a book value of PLN 481,279 thousand, which are held in connection with obligatory deposit 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

### 41. Assets and liabilities - maturity analysis (cont'd)

The principal assets and liabilities of the Group are analysed by their maturity date at 31 December 1998 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 years	Irregular assets	Total
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
<b>Assets:</b>								
Balances with the Central Bank	306,709	0	306,709	0	0	0	0	306,709
Cash in hand and current amounts with banks	231,594	0	231,594	0	0	0	0	231,594
Placements with, and loans to other banks	401,701	251,577	653,278	20,000	51,629		822	725,729
Loans to customers and the public sector	732,055	505,680	1,237,735	1,033,482	931,544	382,742	433,572	4,019,075
Debt securities (i)	2,657,399	0	2,657,399	0	73,094	0	0	2,730,493
Other shares and securities quoted on Warsaw Stock Exchange S.A.	11,070	0	11,070	0	0	0	0	11,070
	<b>4,340,528</b>	<b>757,257</b>	<b>5,097,785</b>	<b>1,053,482</b>	<b>1,056,267</b>	<b>382,742</b>	<b>434,394</b>	<b>8,024,670</b>
<b>Liabilities:</b>								
Amounts due to banks	441,632	7,169	448,801	96	176,583	0	0	625,480
Amounts due to customers and the public sector	4,310,026	1,246,668	5,556,694	718,295	102,493	13,444	0	6,390,926
Subordinated liabilities	0	0	0	0	10,000	0	0	10,000
	<b>4,751,658</b>	<b>1,253,837</b>	<b>6,005,495</b>	<b>718,391</b>	<b>289,076</b>	<b>13,444</b>	<b>0</b>	<b>7,026,406</b>
Net liquidity gap	(411,130)	(496,580)	(907,710)	335,091	767,191	369,298	-	-
Liquidity ratio	0.91 (Liquidity ratio I)		0.85 (Liquidity ratio II)					

(i) All debt securities have been included in assets maturing within 1 month. This does not include Treasury bills with a book value of PLN 73,094 thousand which are: blocked as a result of the exemption of GBH S.A. from the obligatory deposit requirement, serve as collateral for a loan received from the Bank Guarantee Fund or serve as collateral for potential liabilities to the Guaranteed Deposits Protection Fund.

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position. The table below summarises the Group 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 the Group banks. The Management Boards of the Group banks monitor 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

### 43. Assets and liabilities -interest sensitivity gap

The assets and liabilities of the Group are analysed by interest rate at 31 December 1999 as follows:

	Within 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 5 year	After 5 years	Not interest bearing	Total
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
<b>Assets:</b>							
Balances with the Central Bank	0	0	0	0	0	555,419	555,419
Cash in hand and current amounts with banks	4,671	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
	<b>5,315,225</b>	<b>1,292,656</b>	<b>1,510,274</b>	<b>785,211</b>	<b>70,095</b>	<b>1,674,199</b>	<b>10.647.660</b>
<b>Liabilities:</b>							
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
	<b>6,937,763</b>	<b>1,339,897</b>	<b>826,667</b>	<b>120,800</b>	<b>0</b>	<b>1,422,533</b>	<b>10.647.660</b>
Interest sensitivity gap	(1,622,538)	(47,241)	683,607	664,411	70,095		

# NOTES TO THE FINANCIAL STATEMENTS

## 43. Assets and liabilities interest sensitivity gap (cont'd)

The assets and liabilities of the Group are analysed by interest rate at 31 December 1998 as follows:

	Within 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 5 year	After 5 years	Not interest bearing	Total
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
<b>Assets:</b>							
Balances with the Central Bank	0	0	0	0	0	306,709	306,709
Cash in hand and current amounts with banks	51,240	0	0	0	0	180,354	231,594
Placements with, and loans to other banks	401,700	251,578	20,000	51,629	0	0	724,907
Loans to customers and the public sector	2,661,602	528,828	245,323	149,009	55,330	0	3,640,092
Debt securities	915,225	210,179	715,941	889,148	0	0	2,730,493
Other	0	0	0	0	0	711,805	711,805
	<b>4,029,767</b>	<b>990,585</b>	<b>981,264</b>	<b>1,089,786</b>	<b>55,330</b>	<b>1,198,868</b>	<b>8,345,600</b>
<b>Liabilities:</b>							
Amounts due to banks	441,632	7,169	176,679	0	0	0	625,480
Amounts due to customers and the public sector	4,442,742	1,180,491	669,086	102,493	0	0	6,394,812
Other	0	0	0	0	0	1,325,308	1,325,308
	<b>4,884,374</b>	<b>1,187,660</b>	<b>845,765</b>	<b>102,493</b>	<b>0</b>	<b>1,325,308</b>	<b>8,345,600</b>
Interest sensitivity gap	(854,607)	(197,075)	135,499	987,293	55,330		

# NOTES TO THE FINANCIAL STATEMENTS

## 44. Assets and liabilities denominated in foreign currencies

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
<b>Assets:</b>		
Cash in hand and current amounts with banks	154,892	110,970
Debt securities	237,726	152,341
Placements with, and loans to other banks	1,229,421	73,819
Loans to customers and the public sector	938,184	770,431
Shares and other securities	151	148
Other assets	16,771	6,917
	<b>2,577,145</b>	<b>1,114,626</b>
<b>Liabilities:</b>		
Amounts due to banks	378,740	349,045
Amounts due to customers and the public sector	936,759	577,640
Other liabilities	39,622	39,257
	<b>1,355,121</b>	<b>965,942</b>

On 31 December 1999 the combined total foreign exchange position of the Group banks was 0.73%.

The total position is calculated as the ratio of the sum of the absolute value of long or short positions (whichever is the larger) in individual currencies to the own funds of the Bank.

(a) Structure of WBK S.A. Group assets and liabilities by currency:

### Balance sheet items

	As at 31.12.1999 PLN '000	As at 31.12.1999 PLN '000	As at 31.12.1999 PLN '000
	Assets	Liabilities	Net position
PLN	8,078,218	9,289,680	-
Foreign currencies:			
-convertible	2,569,413	1,357,980	1,211,433
-non-convertible	29	0	29
including:			
USD	1,362,553	706,202	656,351
EURO	1,073,587	614,304	459,283
CHF	85,180	3,625	81,555
Other	48,093	33,849	14,244
<b>Total balance sheet items</b>	<b>10,647,660</b>	<b>10,647,660</b>	
Net position			<b>1,211,462</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 44. Assets and liabilities denominated in foreign currencies (cont'd)

### Off-balance sheet items

	As at 31.12.1999 PLN '000	As at 31.12.1999 PLN '000	As at 31.12.1999 PLN '000
	Assets	Liabilities	Net position
PLN	1,454,495	155,910	-
Foreign currencies	472,774	1,687,680	(1,214,906)
Comprising:			
USD	427,715	1,088,098	(660,383)
EURO	43,665	502,197	(458,532)
CHF	0	81,755	(81,755)
Other	1,394	15,630	(14,236)
<b>Total off-balance sheet items</b>	<b>1,927,269</b>	<b>1,843,590</b>	
Net position			<b>(1,214,906)</b>
<b>Total net position</b>			<b>3,444</b>

## 45. Geographical distribution of assets and liabilities

	As at 31.12.99 PLN '000	As at 31.12.98 PLN '000
<b>(a) Assets</b>		
Poland	9,447,278	8,314,803
Other countries	1,200,382	30,797
	<b>10,647,660</b>	<b>8,345,600</b>
<b>(b) Liabilities</b>		
Poland	10,327,009	8,156,265
Other countries	320,651	189,335
	<b>10,647,660</b>	<b>8,345,600</b>

In the opinion of the Management Board of WBK S.A., the Group banks have 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.

## 46. Capital adequacy ratio

As at 31 December 1999 the capital adequacy ratio of the parent company calculated according to guidelines issued by the Bank for International Settlements (BIS) was 9.6% (1998: 11.2%).

The 1998 comparative ratio has been adjusted from that previously published in order to reflect methodological changes in the calculation of the ratio, introduced in 1999.

# NOTES TO THE FINANCIAL STATEMENTS

## 47. Foreign exchange rates

The following exchange rates were applied at 31 December 1999:

- USD	PLN 414.83 per 100 dollars
- Pounds Sterling	PLN 670.62 per 100 pounds
- German Mark	PLN 213.15 per 100 marks

## 48. Hyperinflation

The 1999 consumer price index was 9.8% (1998: 8.6%).

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.

## 49. Post balance date events

In accordance with the Polish Bank Guarantee Fund Law, WBK SA and GBH S.A participate in the obligatory deposit guarantee system relating to non-corporate deposits.

Banks involved in the deposit guarantee system are obliged to make predetermined annual payments to the Fund. In the event of a bank being declared insolvent, the Bank Guarantee Fund (BFG) may also call on Banks to make additional one-off payments.

On 11 February 2000, a private bank, Bank Staropolski S.A. was declared insolvent by the courts and put into liquidation. As at the date of approval of these financial statements the funds necessary to cover the guaranteed deposits of the bankrupt bank have been estimated. According to the expectations of the liquidator, apart from any amounts recoverable from Bank Staropolski S.A. and the amounts which the BFG will allocate to compensating depositors from previously raised contributions, it is estimated that the deficit to be met by the whole banking system will be about PLN 600 mln.

On the basis of the predetermined structure of contributions to the BFG it is estimated that the participation of WBK SA and GBH S.A will be 2.73% and 0.5% respectively representing a total amount estimated at PLN 19.4 mln. These amounts are not provided for in the financial statements.

# RECONCILIATION BETWEEN PAS AND IAS ACCOUNTS

	PAS PLN'000	IAS PLN'000	differences PLN'000
<b>I. Balance sheet total</b>	<b>10,801,860</b>	<b>10,647,660</b>	<b>-154,200</b>
Difference of PLN 154,200k arises from:			
1. Elimination from the bank's balance sheet of			
– capitalized interest			-5,254
– overdue interest			-90,512
– Company Social Benefits Fund			-12,982
– Other			-115
2. Different presentation (in the balance sheet) of general risk reserve raised according to PAS:			
– allocation of part of this reserve to the specific provision which will account for 1.5% of regular receivables due to personal customers ( excluding home loans) and watch receivables			-5,600
– disclosing the remaining part as a general reserve which reduces the amounts due from customers and public sector			-40,800
3. Presentation of operating lease acc. to PAS as a finance lease (acc. to PAS this amount is disclosed in off balance sheet accounts)			5,816
4. Offsetting, within the Group, the provision for tax to be paid in upcoming years (deferred tax) and timing differences disclosed as prepayments			-4,753
<b>II. Profit after taxation</b>	<b>174,066</b>	<b>174,066</b>	<b>–</b>
<b>III. Capitals</b>	<b>744,199</b>	<b>744,199</b>	<b>–</b>

\* In this Report - pages 92 to 138.

