

SUMMARY AND RISK FACTORS

1. SUMMARY OF THE MOST IMPORTANT INFORMATION CONCERNING THE ISSUER AND ITS CAPITAL GROUP

1.1. DESCRIPTION OF THE ISSUER AND ITS CAPITAL GROUP

Bank Zachodni of Wrocław was established on February 1, 1989 as one of nine state-owned banks spun-off from the National Bank of Poland. Upon its establishment the Bank operated 49 outlets located chiefly in Lower Silesia. Initially, Bank Zachodni of Wrocław was a regional bank, and provided services primarily to state institutions and state-owned enterprises. The scope of these services steadily expanded over time and the Bank developed into a general retail and commercial bank, offering services and products to both corporate and retail customers.

On October 8, 1991 the Bank was transformed into a joint-stock company and obtained a full currency license and commenced the provision of services on the securities market. It was the Bank's strategy to expand its geographical reach in Poland through the opening of new outlets in the main industrial centres in Poland and by acquiring other banks. In 1993, it acquired Warszawski Bank Zachodni S.A. which marked the beginning of the so-called "little consolidation". This was followed with the acquisition in 1994 of Głogowski Bank Gospodarczy S.A. and Bank Rozwoju Rzemiosła, Handlu i Przemysłu "Market" S.A. and the acquisition of Bank Spółdzielczy of Tarnów Opolski in 1995. The 1996 acquisition of Bank Rozwoju Rolnictwa "Rolbank" S.A. provided the Bank with a presence in north-eastern Poland.

As a result of these acquisitions the Bank acquired 51 outlets. The Bank developed a nationwide presence, with 175 outlets by the end of 1998. During 1998, the Bank focused on optimising its operating and financial performance within strict risk guidelines and in accordance with NBP financial policies. As a result and to meet its customers requirements, the Bank extended and improved its range of services and products and invested in the development of its sales network, IT platform and electronic banking infrastructures.

In the first half of 1999 the Bank prepared for its privatisation. This resulted in an agreement for the sale of 80% of the shares in BZ S.A. to AIB European Investments Limited, a member of the AIB Group, by the Ministry of State Treasury in Warsaw. Following capital increases, AIB EI's shareholding increased to approximately 83% by December 31, 2000.

As at December 31, 2000 BZ S.A. was the twelfth largest bank in Poland in terms of net assets and the fourteenth largest in terms of total assets. In terms of the number of ATMs and payment cards issued, it was ranked seventh in Poland. As at December 31, 2000, it was estimated that the total number of BZ S.A. customers (personal and corporate/commercial) was 903,471.

At the date of this Prospectus, the Bank has 5 subsidiaries and 3 affiliated companies. Dom Maklerski BZ S.A. and Zachodnie Systemy Teleinformatyczne Spółka z o.o. are the principal subsidiaries of the Bank and are described in Chapter V.

1.2. CORE PRODUCTS AND MARKETS OF THE BANK AND ITS CAPITAL GROUP

1.2.1. Core fields of activity

BZ S.A. is a general retail and commercial bank offering its customers a broad spectrum of products and services in both Polish zloty and foreign currencies. BZ S.A.'s principal business areas can be described as:

- Personal banking,
- Corporate and commercial banking,
- Additional banking activities including electronic banking, domestic and international settlements, treasury and investment services.

1.2.2. Personal banking

The Bank provides its personal customers with a comprehensive range of products and services. The products and services offered to customers include:

- 1) personal accounts and deposits for retail customers,
- 2) personal loans,
- 3) electronic banking services, including:
 - remote access to the account (home banking),
 - debit and credit cards,
 - ATMs.

(see Chapter V, section 2.1.3.1. below for a description of electronic banking services), and

- 4) other services, including domestic and international cash settlements.

1.2.3. Corporate and commercial banking

BZ S.A. provides a wide range of products and services to its business customers. Its business customers include large corporates, SMEs, as well as other institutional clients including public sector and local government entities. The products and services offered to business customers include various types of loans, denominated in Polish zloty and foreign currencies, the arrangement and issuance of guarantees, suretyships and letters of credit, debt factoring and receivables financing, general and customised current and deposit accounts, international payment cards, remote account access (corporate banking), domestic and international settlements and international transactions.

1.2.4. Additional activities

1.2.4.1. Electronic banking

Electronic banking is a key growth area for the Bank and is comprised of:

- Payment cards (debit and credit cards),
- Automatic Teller Machine (“ATM”) network,
- Home/Corporate Banking, and
- Telephone and internet banking (planned to be launched).

1.2.4.2. Domestic and foreign settlements

The Bank offers both domestic and foreign settlement services to personal and business customers.

Personal domestic and international settlements

In the case of domestic settlements, BZ S.A. provides its retail customers with facilities for cashing personal domestic cheques, bearer cheques, and personal settlement cheques.

In the case of international settlements, the Bank provides its retail customers (on the basis of the currency license granted by NBP) with:

- payment orders,
- Western Union Money Transfer (“will call” transactions), and
- cheque settlements.

The largest proportion of revenues generated by the Bank from its personal domestic and international settlements is generated from the transfers made via Western Union transfers, followed by commission income on payment orders and cheques.

Corporate domestic and international settlements

BZ S.A. offers its corporate and commercial customers a diverse range of settlement products and services including: financial and documentary collection, domestic and foreign letters of credit, international settlement of payment orders, banking and travellers cheques, foreign guarantees for and on behalf of Polish residents and other guarantees.

1.2.4.3. International trade services

BZ S.A. assists commercial and corporate customers in their foreign trade activities and acts as an intermediary in promoting the foreign activities of Polish entities. In connection with these activities, BZ S.A. utilises its contacts with both foreign financial and non-financial institutions and, amongst others, the Trade and Commerce departments of Polish embassies throughout the world.

1.2.4.4. Treasury activities

The Treasury Division of the Bank is responsible for managing the liquidity, interest rate and foreign exchange rate exposure of the Bank as well as the development and implementation of internal procedures in this regard. It also provides a range of products to retail and corporate customers of the Bank.

BZ S.A. is an active participant in the inter-bank money market as a partner of established domestic and foreign banks. It is also a significant participant in the securities market, mainly in respect of treasury bills and bonds.

1.2.4.5. Investment services

The Bank carries out a number of investment services for its clients including services relating to debt securities issues and trustee and custodian services.

1.2.4.6. Debt securities issues and trading

BZ S.A. provides services with respect to debt securities issuances on the domestic market through: financial and legal consultancy services, the preparation of offering documents, the sale of debt securities on the primary market, the underwriting of offerings for corporate entities and municipalities, secondary market trading and the financial servicing of issues (payment of interest, redemption) etc.

Through its subsidiary, Dom Maklerski BZ S.A., BZ S.A. offers to retail and business customers a wide range of brokerage services. According to CERA, a Polish rating agency, as of the end of December 2000, BZ S.A. had an 8% share in the market of municipal bond issues, as defined in terms of programme value.

1.2.4.7. Trustee and custodian services

BZ S.A. provides trustee and custodian services on the basis of a permit issued by the Polish Securities and Exchange Commission on August 9, 1999. BZ S.A.'s services in this area are targeted at both domestic and foreign institutional clients and includes most of the instruments available on the Polish capital markets (i.e. publicly traded securities (shares, treasury bonds and bills) as well as commercial paper not publicly traded).

1.3. SUBSIDIARIES

1.3.1. Dom Maklerski BZ S.A.

Dom Maklerski BZ S.A. ("DM BZ S.A.") was established in July 1999 as a joint-stock company and was entered in the commercial register pursuant to a decision issued by the registry court on July 23, 1999. It commenced its activities on August 16, 1999. BZ S.A. is the founder and sole shareholder in DM BZ S.A. DM BZ S.A. was separated from the Bank's structure to enable the brokerage activity of the Bank to continue pursuant to Polish regulatory requirements.

Pursuant to its statutes, DM BZ S.A. provides services relating to trading securities, property rights which are not securities, and other financial instruments on the capital markets, in accordance with applicable laws and consents.

The scope of DM BZ S.A.'s activities covers securities in primary trade or pursuant to an initial public offering; purchasing or disposing of securities on account of a third party; purchasing or disposing of securities on its own account or in its capacity as a market maker; managing securities accounts and cash accounts used for servicing securities accounts; the taking of legal and other actions in connection with the purchase by an entity of securities not admitted to public trade; and other actions relating to the trading of such securities.

DM BZ's products are targeted at investors operating in the capital markets and entities requiring financing for their projects. Its product offering for retail investors primarily involves the execution of share trades on the WSE and the OTC market. DM BZ S.A. clients can place orders through a Customer Service Point, by phone or via the Internet. The share of phone or Internet orders has recently grown and represented 26.2% and 5.4%, respectively, of the total number of 275,169 orders received by DM BZ S.A. for the year ended December 31, 2000.

1.3.2. Zachodnie Systemy Teleinformatyczne Sp. z o.o. of Wrocław

Zachodnie Systemy Teleinformatyczne Sp. z o.o. ("ZST") was incorporated on February 5, 1999, on the basis of a Deed of Incorporation (Notary Deed, Rep. A, No. 1196/1999) and is the successor of Ośrodek Obliczeniowy Banku Zachodniego S.A., which ceased operations on February 28, 1999. ZST commenced operations on March 1, 1999.

ZST has four principal services: (i) telecommunication and IT networks service (LAN, WAN) and preparation of the local wiring system, (ii) servicing of computer hardware and office equipment (microcomputers, printing devices, terminals, faxes, telexes, counters of notes and coins, etc.), (iii) installation of system software and tool software and provision of services for the electronic systems, (iv) mechanical property security, and software service.

The company holds a licence, issued by the Ministry of Internal Affairs and Administration, for conducting property security activities in the form of technical protection.

2. FACTORS THAT MAY IMPACT THE FUTURE PERFORMANCE OF THE BANK AND ITS CAPITAL GROUP

2.1. EXTERNAL FACTORS

Presented below are, in the opinion of the Management Board of BZ S.A., the most important external factors influencing BZ S.A.'s operations and future results.

2.1.1. GDP growth

GDP growth is a key factor influencing the growth of the Bank as it influences the level of demand for banking products and services. GDP growth is impacted by the general economic condition of the country which in turn is influenced by the interest rate policy, inflation rate, growth in exports, domestic demand and government budget policy and unemployment rate. According to figures compiled by the Polish Central Statistics Office, GDP growth in 2000 was 4.1%.

2.1.2. Interest rates

Interest rate changes also affect the level of interest provided on deposits and charged on loans and consequently may impact the level of interest margin which in turn may affect the Bank's profitability.

2.1.3. Consolidation in the Polish banking sector

The Polish banking sector is experiencing increasing consolidation driven primarily by the consolidation of the banking sector outside of Poland, the influence of foreign shareholders and the drive for greater efficiency and scale. Examples include the merger of Bank Handlowy w Warszawie S.A. and Citibank (Poland) S.A. It is expected that this consolidation trend will contribute to increased competition in the market.

2.1.4. Increased investment and improving efficiency

Most banks in Poland are in various stages of substantially upgrading their main IT systems. Combined with this investment in IT, banks are also investing to develop new banking products and to streamline existing banking products, processes and operations. These IT investments coupled with improved operating systems are expected to significantly enhance the level of efficiency and the profitability of the sector and provide improved scope for banks to compete more effectively.

2.1.5. Increased competition in the Polish banking sector

Increased consolidation, the strategy of competitors to create a pan-Polish banking operation and increase their customer base, and continued investment in, and improvements to, IT and banking processes and operations, are all expected to contribute to an increase in the level of competition in the Polish banking sector. In addition, increased investment by foreign banks in the expanding Polish banking market and the privatisation of Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Gospodarki Żywnościowej S.A. is also expected to further increase the level of competition in the sector.

2.1.6. Financial trends

2.1.6.1. Operating costs

Operating costs for the sector in general are expected to continue to increase ahead of inflation as banks further expand their networks, increase their marketing and develop their product range. In addition, the increase in operating costs may arise from increased IT systems development and the increase in employee costs.

2.1.6.2. Asset quality and provisioning

Although it is difficult to assess the quality of the loan portfolio for the Polish banking sector it is expected that the continued growth of the economy and the employment of more prudent credit assessment procedures, should help to ensure that the ratio of non-performing loans to performing loans improves.

2.1.6.3. Customer trends

A notable feature of the Polish banking market is the recent growth in usage of credit cards and other electronic based services. This movement towards technology based services is expected to continue with the development of distribution channels such as phone banking and PC/internet banking, as the anticipated number of fixed phone lines and computers being used by Polish households increases. These electronic forms of distribution are believed to be more efficient and cost effective compared to the physical branch network. However considerable further development of this distribution medium is required and, given the current low level of usage of fixed phone lines and computers by Polish customers, it is expected that the physical branch network will remain the most important delivery channel for the next number of years.

In addition, customers are becoming more sophisticated and demand a higher quality of service. It is expected that differentiation based on quality of service will become a key competitive factor in the market.

2.2. INTERNAL FACTORS

2.2.1. Merger with WBK S.A.

The Management Board of the Bank believes that the Merger should provide the following benefits:

2.2.1.1. Opportunities to reduce costs and obtain other financial and operational benefits by integrating the businesses of both banks

It is expected that the Merger will produce savings which will be greater than those savings which could be achieved by each bank operating independently. These benefits should come from enhanced savings from the new technology platform being introduced, which should provide a uniform system to better support the business in all branches, as well as from streamlining existing work practices and Head Office functions.

2.2.1.2. Opportunity for BZ WBK S.A. to build critical mass to better compete in the face of recent in-market consolidation

Following the Merger it is expected that BZ WBK S.A. will:

- be the largest bank in the Wielkopolska and Lower Silesia regions,
- be one of the largest banks in Poland in terms of total assets,
- have the third largest ATM network in Poland,
- be the third largest bank in Poland in terms of the number of bank cards issued.

2.2.1.3. Improved range of products and services

It is expected that the Merger will provide current and future customers with a broader and more uniform range of products with better service at more competitive prices.

2.2.1.4. Strengthened position in new markets

It is expected that the strength of BZ WBK S.A. after the Merger following the increased investment resulting from pooling of resources and releasing additional resources should result in an accelerated rollout of new branches to strengthen its presence in existing areas and extend its reach to new areas. BZ WBK S.A.'s e-banking capabilities are also expected to be enhanced.

2.2.1.5. Strengthened management team

It is expected that the Merger will create a strong and experienced management team. The combination of management resources is expected to encourage the adoption of best practice across the whole organisation resulting in a more efficient single management team.

2.2.1.6. Greater staff development opportunities

The staff are a key resource of both BZ S.A. and WBK S.A. and the Merger will provide the staff with greater opportunities for both training and self-advancement.

2.2.2. Introduction of common branch banking system

The Bank is introducing a new IT system and common branch banking system, known as the B1 Project, which is expected to streamline its operations and improve the Bank's competitive position. This investment, which is anticipated to cost US\$100 million, is being implemented jointly with WBK S.A.

2.2.3. Introduction of BZ S.A.'s shares to public trading and listing on the Warsaw Stock Exchange

The introduction of BZ S.A.'s shares to public trading and listing on the Primary Market of the WSE should result in shareholders having the ability to trade their shares in BZ S.A. However as a result of the listing, BZ WBK S.A. will have to comply with the procedures and requirements laid down by Polish law for public companies, which may result in higher compliance costs going forward.

2.2.4. Role of AIB EI as the dominant entity

AIB has a stated strategy to invest and expand its presence in Poland in order to become one of the top tier banks in Poland. As part of this strategy, AIB EI will continue to provide experienced skilled personnel to facilitate the development of the Bank and to help identify development opportunities in Poland. AIB EI will continue to support the Bank's strategy for the development of its core businesses and to provide to the Bank products, technology and know-how through a combination of transfers of intellectual property, consultancy, and training. AIB EI, as the dominant entity, has the ability to directly influence the future strategy of the Bank. However, given the long term commitment of the AIB Group to the Polish banking market, it is expected that this influence and experience should assist BZ S.A.

2.2.5. Restructuring of loans, provisions for loans

The operating and financial performance of the Bank is influenced by the level and quality of the loan portfolio. Following the acquisition by AIB EI of a majority stake in BZ S.A. a quality assurance system and procedures consistent with AIB Group standards were implemented. It is expected that these new standards and procedures for assessing the quality of loan applications should help to improve the quality and profitability of the loan portfolio in the future.

3. RISK FACTORS FOR THE PURCHASER OF SHARES

3.1. RISK FACTORS RELATED TO THE BANK'S BUSINESS ENVIRONMENT

3.1.1. Economic risk

The banking sector in Poland, including BZ S.A., is influenced by the Polish economic environment as well as regional and local economic conditions. Any adverse changes in macro-economic factors, in particular increased inflation, growth in the current account deficit, as well as material changes in interest rates and foreign exchange rates, and a slowdown in foreign direct investment, could have a negative impact on the operating and financial performance of the Polish banking sector and BZ WBK S.A.

3.1.2. Competition

The Polish banking sector has been experiencing increasing competition among banks in various segments of the market, including corporate and retail banking. There is an increasingly large number of foreign financial institutions investing in the sector as a result of ongoing liberalisation. In addition, corporate customers are using alternative sources of finance, such as commercial paper, bonds, shares and leasing.

While the Management Board believes that ongoing liberalization of the banking sector and use by corporate customers of alternative sources of finance creates opportunities for BZ WBK S.A., no assurance can be given on the impact that competition may have on BZ WBK S.A.'s operations and financial condition.

3.1.3. Liquidity risk

It is typical for banks to have a maturity gap between customer loans and deposits as part of their operation. It is possible that should customers withdraw large amounts of deposits simultaneously a liquidity requirement may arise that may have an adverse affect on the financial performance of the Bank or BZ

WBK S.A. However, the Bank believes that a stable base of customer deposits reduces the liquidity risk. Additionally, in order to minimize the liquidity risk, the Bank on a daily basis also carries out monitoring and management of the maturity profile of its portfolio with strict procedures. The Bank has an emergency plan in order to manage liquidity, which contains procedures for identification of risks and for proceeding in crisis situations.

3.1.4. Foreign currency risk

The Bank undertakes in foreign exchange transactions on behalf of its customers and on its own account which leads to the maintenance, within set limits, of open currency positions. As a result, movements in exchange rates may have an adverse effect on the financial condition of BZ WBK S.A. The Bank seeks to minimise this risk by establishing internal policies and procedures with regard to foreign exchange activity, as well as procedures including monitoring and management of open currency positions within defined exposure limit levels.

3.1.5. Interest rates risk

Similar to other Polish banks, BZ S.A. is exposed to a possible risk resulting from movements in interest rates. This risk can occur due to a difference in the proportion of loans at fixed and floating rates versus the level of deposits at fixed or floating rates. This may result in the inability of the Bank to offset a decrease in revenues caused by a reduction of interest rates charged on loans with a reduction of interest paid on deposits, or, the inability to offset an increase in interest paid on deposits with an increase in the interest charged on loans. As a result any changes in interest rates may adversely affect the financial condition of BZ WBK S.A. The Bank seeks to minimise this risk through its ALCO committee which sets and monitors policies and procedures with regard to the management of interest rate risk in both its loan and deposit portfolio. Moreover, such risk is limited through matching interest rates and the appropriate use of interest rate derivatives/securities within strict guidelines.

3.1.6. Contributions to the Banking Guarantee Fund

Pursuant to the provisions of the Act on the Banking Guarantee Fund (the “BGF”), BZ S.A. is a member of a mandatory deposit guarantee system relating to retail deposits. Members of the system are required to make pre-determined annual contributions to the BGF. For the year ended December 31, 2000, BZ S.A.’s and WBK S.A.’s share of contributions to the BGF were approximately PLN 6,459,000 and PLN 7,871,000 respectively. Additionally, if a member of the BGF is declared insolvent, the other members of the BGF may be required to make additional *ad hoc* contributions in order to compensate the retail depositors of the insolvent member bank. The level of the additional contribution is determined *pro rata* to the amount of the guaranteed deposit protection fund available to each member. In 2000, BZ S.A. and WBK S.A. had to pay additional contributions of PLN 12,897,000 and PLN 13,242,000, respectively, into the BGF in connection with the bankruptcy of Bank Staropolski S.A.

After the Merger, BZ WBK S.A. could, in the case of the insolvency of any other member bank of the BGF, be required to make additional significant contributions to the BGF, which could have an adverse impact on its results or financial situation.

3.1.7. Legal restrictions imposed on entities controlled by foreigners

As AIB EI is the majority shareholder in BZ S.A., BZ S.A. is treated as a foreign entity pursuant to certain provisions of Polish law. As a result, when executing certain transactions it is required to obtain consents or permits from Polish administrative authorities in particular, consents from the Ministry of Internal Affairs and Administration (see Chapter III, Section 6.4.). The necessity of obtaining such consents or permits may result in delays in completing such transactions or, in extreme cases, may prevent such transactions from being completed.

3.2. RISK FACTORS RELATED DIRECTLY TO OPERATIONS OF THE BANK AND ITS CAPITAL GROUP

3.2.1. Risks inherent in lending activity

The activity of granting loans, guarantees and credits carries with it a credit default risk (on principal and interest repayments) and the security provided may turn out to be unenforceable or the security may not be sufficient to cover any losses. Therefore a default in repayment or the inability to enforce security provided, or a deficiency in the value of the security which could be collected may adversely impact the financial performance of BZ WBK S.A. In order to minimize this risk, the Bank maintains strict policies and procedures with regard to granting of loans, guarantees and other credits, including limiting discretionary lending levels and it requires the sanction of the Credit Committee for all major loans proposed whose criteria include, among others, guidelines regarding Bank's credit risk related to certain groups of customers, as well as the level and nature of security required. In addition, the Bank regularly undertakes a quality control, on a branch basis, of credit operations risk and of the level and value of the accepted security to ensure that it meets the Bank's internal guidelines.

3.2.2. Risks inherent in the concentration of the credit portfolio

In common with most other banks, BZ S.A. operates a diversified portfolio approach to lending to entities operating in different sectors. However for historical reasons the Bank has levels of exposure to certain sectors above the level which it would ordinarily deem prudent. It is the Bank's active strategy to diversify away from these sectors and where problem loans have been identified in this portfolio. The Management Board believes that the Bank has sufficiently provided against such loss through its bad debt provisioning.

3.2.3. Risks related to common branch banking platform

During 2000, BZ S.A. and WBK S.A. announced a U.S.\$100 million joint investment to upgrade and enhance each bank's information technology and the introduction of a common branch banking platform, known as the B1 Project, which should lead to increased operating efficiency. The implementation of this project will involve significant changes to the Bank's operating activities and the retraining of a large number of employees. As is the case with many similar IT projects, delays may be experienced and unexpected costs and technical difficulties in implementing the project may arise.

The Bank has engaged skilled and experienced renowned advisors to help ensure timely and cost effective implementation of this project.

Information on the common branch banking platform is given in Chapter VII, Section 1.4.

3.2.4. Risks relating to a majority of shares being held by a single shareholder

It is expected that following completion of the Merger the AIB Group, through AIB EI, will own approximately 70.5% of shares in BZ WBK S.A. and as such will be in a position to influence most decisions of the shareholders' meeting, including decisions concerning the proposed dividend payments, the Bank's strategy and selection of the Supervisory Board members, who in turn are authorised to select Management Board members.

3.3. RISK FACTORS RELATED TO THE MERGER

3.3.1. Risks related to legal environment

The management boards of both BZ S.A. and WBK S.A., having considered all legal aspects of the Merger and the introduction of the shares of BZ S.A. to public trading and the listing of such shares on the WSE, have not identified any legal issues that could have a material effect on the Merger.

Numerous new regulations which became effective as of January 1, 2001 may impact the Merger. These new regulations include the new Commercial Companies Code that replaced the former Commercial Code,

the new Act on National Court Register, the Business Activity Act, as well as amendments to the tax legislation. The Commercial Companies Code introduces certain new concepts, including new provisions governing mergers. In addition, the replacement of the Commercial Code with the Commercial Companies Code may affect certain rights and obligations of the shareholders.

The meaning and application of certain of the provisions of these new regulations and, in particular, those provisions relating to mergers is unclear. As a result, courts and administrative bodies could take different approaches when applying and interpreting these provisions. This uncertainty could result in significant delays in the completion of the Merger or in an extreme case the Merger might not complete in accordance with the Merger Resolutions.

3.3.2. Risks related to success of the Merger

The Merger will involve, among other things, the centralisation of management functions and the consolidation of the product offerings and operational procedures of the two entities. While the management boards of BZ S.A. and WBK S.A. believe that the Merger will proceed in line with current expectations, no assurance can be given that the pace and effectiveness of the Merger will proceed in line with such expectations, especially in the context of the consolidation of the product range and of BZ S.A.'s and WBK S.A.'s operational procedures.

3.3.3. Permits and consents

The Merger may not be completed unless all the required consents and permits of Polish administration authorities are obtained by BZ S.A. and WBK S.A., as the case may be. This means that the effectiveness of the Merger and the date of its registration shall be contingent upon obtaining the necessary consents which are required under Polish law. Any refusal to grant any such consent or permit, as well as any delays in proceedings conducted before the relevant administration authorities may result in delays in the implementation of the Merger.

Further, unless all the requisite permits and consents are obtained by December 31, 2001, the Final Merger Agreement will expire in accordance with the provisions of the Merger Resolutions, and accordingly the Merger will not be effected. No assurance can be given that the requisite permits and concessions will be obtained by December 31, 2001, or obtained at all. In addition, failure to register the increase in share capital of BZ S.A. by December 31, 2001 would also result in the Merger not having being effected. However, the management boards of BZ S.A. and WBK S.A. are not aware of any reasons that might prevent the granting of the requisite permits and consents before December 31, 2001, or any reason why the increase in share capital in BZ S.A. would not be registered.

3.3.4. Tax issues

The management boards of both BZ S.A. and WBK S.A. have obtained relevant opinions regarding tax issues and do not foresee any adverse tax consequences that would have a material adverse effect on the Merger. However, the Polish tax system is subject to frequent changes. Many provisions of the tax legislation are unclear, with no uniform interpretation in place. Interpretations of tax provisions often change, the practice of tax authorities and court judgments regarding tax issues are far from uniform. Due to these factors the risk that the operations of BZ S.A. and its tax returns could be challenged by the Polish tax authorities is much higher than it would be in more stable tax systems. No assurance can be given that changes to the tax legislation will not have an adverse effect upon the Merger process and the tax position of BZ WBK S.A.

The management boards of both banks intend to effect the Merger in 2001. As of January 1, 2001, several amendments were introduced to the Corporate Income Tax Act. One of them is the provision according to which regulations providing for a significant degree of neutral tax effect with respect to the mergers of companies do not apply when a merger is effected in order to avoid taxation and is not justified by economic reasons. Tax advisers have expressed their doubts regarding the brief nature of this provision and the fact that the tax authorities have a large amount of discretion and will be entitled to examine the reasons for the mergers of companies. However, the management boards of both banks believe that no reasons exist to apply the above provision to the Merger.

3.4. RISK FACTORS INHERENT IN SHARES

3.4.1. Personal income tax on sale of shares and taxation of other payments

The income earned by natural persons on the sale of shares is subject to taxation under general regulations. The taxation regulations on capital gains from the sale of shares are modified by virtue of the provisions of Art. 52.1.b) and c) of the Personal Income Tax Act. In accordance with the rules applied in the Act, in the period from January 1, 2001 to December 31, 2003, income on the sale of publicly traded securities is exempt from income tax, provided that the securities have been acquired in a public offering or on the stock exchange, or on the regulated secondary OTC market, or on the basis of a consent obtained pursuant to the provisions of Art. 92 or 93 of the Polish Securities Act. Additionally, the tax exemption extends to the sale of shares admitted to public trading, provided that they were purchased prior to their admittance to trading, excluding shares acquired free of charge from the State Treasury and shares acquired by persons entitled to make such acquisition pursuant to a resolution of the general shareholders meeting of a given company. Art. 52, (c) clause 1 of the Personal Income Tax Act, which envisages such an exemption, was to have been deleted pursuant to Art. 25 of the Act of March 2, 2001, on Performance of the State Budget in 2001 and on Amendment of the Act on the Revenues of Local Government Bodies in the period 1999 to 2001 (hereinafter: "Budget Performance Act"). However before signing the Budget Performance Act into law the President of the Republic of Poland asked the Constitutional Tribunal to rule on its conformity with the Constitution of the Republic of Poland. As a result of the ruling of the Constitutional Tribunal on April 25, 2001, this provision will not come into force, which means that the exemption stands.

The application of the aforementioned exemption to any subsequent sale of the shares acquired as a result of the Merger may be questionable. Since tax authorities may challenge such analysis and consider that the exemption does not apply, prospective investors and shareholders are advised to consult their tax and legal advisors prior to undertaking any action with respect to the shares in WBK S.A. or BZ S.A. A more detailed description of tax issues has been provided in Chapter III.

3.4.2. Postponed listing or denial of listing

BZ S.A. will make every effort to ensure that the admission of G Series Shares to WSE trading takes place in as short a time as possible. However, the admission to WSE trading requires the following approvals:

- A favourable decision of the PSEC on the introduction of BZ S.A.'s Shares to public trading;
- A favourable decision of the Registry Court on the registration of the issue of the G Series Shares;
- A favourable decision of the NDS on the admittance of the G Series Shares to deposit and the assignment of a code to such securities;
- A favourable decision of the Stock Exchange Council on the admission of the G Series Shares to trading on the WSE and an appropriate decision of the WSE Executive Board on the admission of the G Series Shares to the Primary Market on WSE.

The Bank cannot guarantee that the admission of the G Series Shares to trading on the WSE will take place as scheduled by the Issuer or at all.

3.4.3. Risks related to employee shares

During September, 2001 certain sale restrictions imposed under Art 38.3 of the Act on the Commercialisation and Privatisation of State-owned enterprises of August 30, 1996 on BZ S.A.'s employees will cease to apply and such employees will acquire the right to sell 4,178,354 A Series Shares of BZ S.A. The employee shares currently constitute approximately 12.7% of the issued share capital of BZ S.A. Following the issue of G Series Shares, the employee shares will constitute 5.73% of the issued share capital of BZ WBK S.A. The increase of a supply of shares in public trading may affect the share price.

3.4.4. Liquidity risks associated with the suspension of quotation of WBK S.A. shares

As part of the listing process for the Merger Shares, there will be a time gap between the date that the shares of WBK S.A. are suspended from quotation on the WSE and the first day of trading of the Merger Shares on the WSE. During this period it will neither be possible to trade WBK S.A. shares on the WSE, nor conduct off-exchange transactions on WBK S.A. shares. In addition, it will not be possible to sell short, lend, or otherwise exercise rights in relation to those shares. While no firm assurance can be given as to the precise duration of these restrictions, the Bank's Management Board along with its advisors will endeavour to ensure that the period of de-listing is no longer than is necessary.

4. COMPARABLE FINANCIAL DATA OF THE ISSUER AND ITS CAPITAL GROUP

4.1. FINANCIAL DATA OF BZ S.A. AND ITS CAPITAL GROUP

The table below presents financial data of the Bank and the Bank's capital group as at the dates specified.

Table No 1 (PLN '000)

No.	Item	Financial data		Financial data of capital group
		31.12.1998	31.12.1999	
1.	Income from Sales*	1,323,027	1,175,427	1,371,794
2.	Operational profit (loss)	118,781	42,074	(73,826)
3.	Operational profit (loss) before tax	118,831	41,741	(74,037)
4.	Net profit (loss)	26,545	3,171	(85,138)
5.	Total assets	7,971,529	7,983,624	9,302,245
6.	Total liabilities	7,276,247	7,146,181	8,349,886
7.	Short term liabilities	4,325,193	4,459,567	5,778,320
8.	Net assets (equity capital)	695,282	837,443	947,463
9.	Share capital	280,000	294,706	329,510
10.	Number of shares	28,000,000	29,470,589	32,950,982
11.	Net profit (loss) per share (in PLN)	0.95	0.11	(2.73)
12.	Declared or paid dividend per share (in PLN)	-	-	-

* Income from sales – shows income from interest and income from commission.

5. EFFICIENCY AND LIQUIDITY RATIOS

5.1. PROFITABILITY AND EFFICIENCY RATIOS OF BZ S.A. AND ITS CAPITAL GROUP

The table below sets out certain profitability and efficiency ratios of the Bank for the years ended December 31, 1998, 1999 and 2000 and certain profitability and efficiency ratios of the Bank's capital group for the year ended December 31, 2000.

Table No 2 (PLN '000)

No.	Item	Profitability and Efficiency of BZ S.A.		Profitability and Efficiency of capital group	
		1998	1999	2000	2000
		%			
1.	ROE ¹	4.25	0.42	(9.61)	(9.10)
2.	ROA ²	0.37	0.04	(1.04)	(0.99)
3.	Sales profitability ³	7.43	2.79	(4.13)	(3.75)
4.	Dividend rate ⁴	-	-	-	-

1 ROE: net profit to average equity capital inclusive of profit.

2 ROA: net profit to average total assets.

3 Gross profit to sales.

4 Dividend was not paid from profit for 1998 and 1999. In 2000, the Bank suffered a loss.

5.2. SECURITY OF THE BANK'S OPERATIONS

The table below sets out the solvency ratio of the Bank as at December 31, 1998, 1999 and 2000.

Table No 3

Solvency ratio calculated in accordance with NBP guidelines (%)	1998	1999	2000
Bank	11.61	16.63	17.05

6. INFORMATION ABOUT RATINGS

6.1. REPORT BY CAPITAL INTELLIGENCE LIMITED

In the report by Capital Intelligence Limited of November 30, 1999, BZ S.A. received the ratings described below (based on its financial performance at the end of 1998). The assumption is that the maximum rating (so called "sovereign ceiling") was granted to the country in which the Bank's registered office is located at the level of BBB- (long-term) and A3 (short-term) and no higher rating, with an exception for extraordinary events justified on legal or financial grounds or by significant transactional asset profile, may be given to the entity in question.

Poland's rating

Long-term (BBB-) – good credit worthiness; satisfactory potential with regard to timely fulfillment of financial obligations; acceptable credit profile, although accompanied by some vulnerability to unfavorable business developments and the economic and financial situation; average rating of the credit profile and the lowest category of investment rating;

Short-term (A3) – strong potential in respect of timely repayment which may be exposed to the effects of unexpected and unfavourable developments.

BZ S.A.'s rating

long-term (BB-) – speculative credit worthiness; potential timely fulfillment of financial obligations vulnerable to adverse developments related to internal or external factors; financial and/or non-financial factors do not provide significant security, which implies potential emergence of investment risk; unstable business environment;

short-term (B) – inadequate potential for timely repayment, potentially exposed to serious effects of unexpected and unfavourable developments (speculative rating);

domestic potential (BB-) – one or two weak points in the Bank's financial structure, which play a vital role due to their potential to cause problems; limited franchising may be a characteristic feature; other factors may be found insufficient to avoid the need to provide some temporary external support in case of extraordinary circumstances producing adverse business impact; likely unstable business environment;

support (2) – there is very high probability for government support to be provided despite the absence of guarantees in writing; potential occurrence of some uncertainty regarding the willingness or ability to provide support; a Bank under private ownership, with a very strong ownership structure;

prospects (Stable) – the rating agency did not indicate any special risks pertaining to the Bank's activities.

6.2. REPORT BY THOMSON FINANCIAL BANK WATCH

This report was prepared on May 25, 1999, by Thomson Financial Bank Watch ("TFBW"), based on BZ S.A.'s financial results at the end of 1998. TFBW rated BZ S.A. as follows: as an issuer (IC-A/B), in the short term (LC-1), with regard to senior debt (BBB); for comparison, the rating of Poland was BBB.

While rating BZ S.A., TFBW pointed to the strong and weak points of BZ S.A., as well as to the opportunities and threats arising in connection with its operations, including:

- Strong points: AIB EI will be able to provide strong support and will enhance the strategic development direction; one of the strongest networks of branches in the region;
- Weak points: historical lack of a strategic development direction, very poor quality of assets;
- Opportunities: links to AIB EI will ensure the development of the Bank's products and other strategies, a growing demand for advanced banking products in Poland provides opportunities for market expansion; and
- Threats: delayed implementation process of new IT systems restricts the ability of the Bank to compete efficiently in the market. Growing competition in the domestic and foreign markets may lead to a reduction in market share.

7. DIVIDEND POLICY OF THE MANAGEMENT BOARD DURING THE LAST THREE ACCOUNTING YEARS

7.1. DIVIDEND ESTABLISHMENT DATE

In accordance with the Commercial Companies Code, and the Bank's Statutes, the competent governing body having the power to decide upon the allocation of profits and the payment of dividends is the GSM which determines whether or not a dividend shall be paid, and the amount thereof. In accordance with the Statutes and the Commercial Companies Code, the ordinary GSM must be held within 6 months following the end of each business year. Pursuant to Article 348 § 2 in connection with Article 348 § 3 of the Commercial Companies Code, a resolution adopted by the GSM of the Bank regarding the allocation of annual profit to be distributed among the shareholders must set forth the term of payment of the dividend and the date by which the rights to the dividend shall be established.

7.2. DIVIDEND REFERENCE DATE

The G Series Shares will be eligible for the payment of dividend for the period commencing January 1, 2001; the claim for the payment of a dividend will arise if the GSM adopts a relevant resolution in 2002, and if other requirements provided by the provisions of law are met, especially the posting of profit in the preceding trading year, on the same terms and conditions as for the remaining shares.

7.3. METHODS OF ANNOUNCING THE INFORMATION ON DIVIDEND PAYMENTS

The GSM is the competent governing body to determine the date of establishment of dividend rights for each business year and the date of payment of the dividend.

Specific information regarding dividend payments will be published in the daily newspapers; "Gazeta Giełdy Parkiet" and "Rzeczpospolita".

7.4. TERMS OF DIVIDEND COLLECTION

Following the admission of the Bank's shares to public trading, the dividend shall be paid to shareholders via the NDS and brokerage houses as well as banks maintaining securities accounts.

7.5. SHARES PREFERRED IN TERMS OF DIVIDEND

No shares in the Bank are preferred shares with respect to dividend payments.

7.6. RESTRICTIONS ON DIVIDEND COLLECTION

The Bank's Statutes do not contain any restrictions regarding the collection of dividends. Such restrictions may only occur pursuant to generally binding provisions of law. In accordance with the provisions of the Civil Code, claims for the payment of dividend may be subject to the statute of limitations. Different opinions exist on the applicable limitation period for claims in respect of dividends. One opinion is that the term of limitation is 10 years; another is that it is three years.

7.7. BASIC MANAGEMENT BOARD POLICY WITH RESPECT TO DIVIDENDS

The Management Board's recommendation to the GSM in relation to the allocation of the earned profit is made based on an analysis of the results achieved in a business year. The Bank's Management Board believes that the best approach is to have flexibility in making this decision, and therefore BZ S.A. does not have formal policy rules to be followed by its Management Board regarding the payment of dividends.

General outlines of the dividend payment policy may be presented on the basis of specific resolutions adopted by the GSM:

The GSM held on July 1, 1998 adopted a resolution providing for the net profit earned during the period from January 1, 1997 to December 31, 1997, amounting to PLN 140,807,782.89 to be allocated in the following manner: (a) PLN 22,761,226 to be used for the payment of employee bonuses and the burdens payable thereon; (b) PLN 21,121,167 to be distributed among the shareholders (15% of the profits rounded up); (c) PLN 59,810,000 to be used to increase the general risk allowance fund; and (d) PLN 37,115,389.89 to be used to increase supplementary capital;

The GSM held on June 30, 1999 adopted a resolution providing for the net profit earned during the period from January 1, 1998 to December 31, 1998, amounting to PLN 26,544,531.33 to be allocated in the following manner: (a) PLN 11,010,000 to be used for the payment of employee bonuses and the burdens payable thereon, including PLN 10,000 for the Management Board; and (b) PLN 15,534,531.33 to be used to increase the supplementary capital;

The GSM held on March 15, 2000 adopted a resolution providing for the net profit earned during the period from January 1, 1999 to December 31, 1999, amounting to PLN 3,170,903.81 to be used to increase the supplementary capital.

Once the Merger has been completed, it is envisaged that BZ WBK S.A. will maintain a dividend policy in line with WBK S.A.'s current policy, so long as that policy is consistent with achieving the strategic goals of BZ WBK S.A.

Currently WBK's policy is as follows:

The amount of dividend paid in a given year depends on WBK S.A.'s management board's view or opinion of the following factors:

- realisation of profit in a given year;
- prospects for the subsequent year;
- adequacy of solvency ratio in the subsequent year;
- the level of future investment;
- expectations of shareholders and other persons connected with investment activities (investor, analysts of stock exchange market, rating agencies etc.); and
- comparison of the dividend payment ratio to dividend rate against other listed major Polish banks.

In the past, the dividend payment ratio for WBK S.A. was approximately 20% of net income, with the remaining 80% of net income generated in the previous year being reinvested. WBK S.A.'s general approach to its dividend payment assumes reasonable satisfaction of minority investors' expectations, and this is why the policy of applying a 20% dividend payment ratio has been followed since the purchase by AIB EI of WBK S.A.'s shares.

For the years 1998 and 1999, WBK S.A. paid a dividend amounting to approximately 20% of the net profit generated; in 1998 it amounted to 0.53 zloty per share, totalling PLN 36,472.48 thousand (or 20.06% of net profit), and in 1999, to 0.55 zloty per share, totalling PLN 37,848.80 thousand (or 20.46% of net profit). On April 4, 2001, the ordinary general shareholders meeting of WBK S.A. adopted a resolution on dividend payment for 2000; it amounted to 0.65 zloty per share, totalling PLN 44,730.40 thousand (or 19.96% of net profit).

8. PURPOSE OF THE G SERIES SHARES ISSUE

G Series Shares are to be placed with the shareholders of WBK S.A. in return for the transfer of all the assets of WBK S.A. to BZ S.A. following the Merger. The share exchange ratio is 1 G Series Share to 1.72 shares of WBK S.A. It is expected that following the Merger, BZ S.A.'s shareholders will hold approximately 45.2%, and WBK S.A.'s shareholders approximately 54.8% of the shares in BZ WBK S.A. After the Merger, AIB EI will hold approximately 70.5% of the share capital of BZ WBK S.A.

9. USE OF FUNDS FROM PREVIOUS ISSUES

Pursuant to the notarial deed of October 8, 1991, the State Treasury transformed Bank Zachodni, with its registered office in Wrocław, into a joint-stock company wholly owned by the State Treasury. The statutory funds of the state bank that was being transformed, amounting to PLZ 512,000,000,000 (the equivalent of PLN 51,200,000), were contributed to cover the share capital of the joint-stock company owned by the State Treasury. The reserve fund and the fixed assets fund of the transformed state bank were used for the supplementary capital of BZ S.A.

On November 27, 1996, the EGSM adopted a resolution regarding the classification of the existing shares as A Series Shares and the increase of the share capital. The share capital was increased to the amount of PLN 58,440,730 by way of issuance of 724,073 ordinary registered B Series Shares (at an issue price of PLN 10 each) which were fully covered by a contribution in kind consisting of a developed real estate property owned by the State Treasury, situated at ul. Ofiar Oświęcimskich 38/40 in Wrocław. All the shares in the increased share capital were acquired by the State Treasury in exchange for the contribution in kind.

C Series Shares were covered by the transfer of proceeds from supplemental capital.

Proceeds from the remaining share issues (being the issue of the D to F Series Shares described in the Prospectus in Chapter IV) have been used to increase the Bank's capital, pursuant to the purpose of those issues. The proceeds were used to acquire short-term debt securities issued by the State Treasury and the National Bank of Poland. The purpose of these acquisitions was to improve the Bank's financial liquidity and the amount of the Bank's funds.

10. BASIC FACTORS DETERMINING THE PRICE OF THE G SERIES SHARES ISSUE PRICE

The management boards of BZ S.A. and WBK S.A. agreed that the most appropriate method to be used for determining the share exchange ratio would be to calculate the ratio on the basis of the projected value of adjusted net assets. The management boards of each bank are of the opinion that this methodology best reflects the nature of the transaction (pooling of interests) and the relative size and contribution of each bank to the future growth of BZ WBK S.A.

In the process of determining the appropriate share exchange ratio, the management board of each bank took into consideration: (i) the projected financial results of both banks; (ii) the relative value of each bank's contribution to specific areas of activity of BZ WBK S.A. after the Merger (including analysis of synergies); and (iii) the projected impact on the amount of earnings per share held by the shareholders of WBK S.A. and BZ S.A. According to the management boards of both banks, the reference date for the comparison of adjusted net assets of each of the banks was December 31, 2000 under the assumption that the Merger would be effected in 2001. The calculation of the projected value of adjusted net assets took into consideration differences in the accounting policies applied, while at the same time reflecting all material assets and liabilities of each of the banks (including their subsidiaries and investments). The calculations took account of the estimated results at the end of the business year (i.e., as at December 31, 2000).

The Management Board of BZ S.A. received a fairness opinion regarding the share exchange ratio from CA IB Financial Advisers S.A. Similarly, the management board of WBK S.A. received a fairness opinion from Merrill Lynch International. CA IB Financial Advisers S.A. and Merrill Lynch International agreed that the share exchange ratio of 1 G Series Share to 1.72 shares of WBK S.A. was fair and reasonable for the shareholders of WBK S.A. and BZ S.A. to whom these opinions were addressed.

The shares issued by BZ S.A. following the Merger will be allotted to the shareholders of WBK S.A. pro rata to the number of shares which they held in WBK S.A., according to the Share Exchange Ratio. The number of shares to be issued to each shareholder of WBK S.A. will be established by dividing the number of shares in WBK S.A. held by such shareholder on the Reference Day, by the Share Exchange Ratio, and rounding the quotient down to the nearest integer. The shareholders of WBK S.A. who will receive a number of shares lower than such quotient, will receive an additional cash payment for the fractional part rounded down. The additional cash payment will amount to the product of the arithmetic mean of the share price of the shares in WBK S.A. during 30 consecutive sessions preceding the Reference Day on the Primary Market of the WSE, set according to the closing price under the continuous quotation system, and such fraction of share in WBK S.A. as was not converted to G Series Shares.

11. NET BOOK VALUE AND LIABILITIES

The net book value of the Issuer as at December 31, 2000, taking into account the net loss of PLN 89,980 thousand for the year ending December 31, 2000, was PLN 947,463 thousand.

The Issuer's liabilities as at December 31, 2000, calculated as total liabilities reduced by the Bank's equity as at December 31, 2000, were PLN 8,364,318 thousand.

The net book value of the Issuer as at March 31, 2001 was PLN 955,693 thousand.

The Issuer's liabilities as at March 31, 2001, calculated as total liabilities reduced by the Issuer's equity as at March 31, 2001 were PLN 8,483,130 thousand.

12. NET BOOK VALUE PER SHARE REDUCTION

Due to the fact that the G Series Shares have no issue price and due to the method of payment for the G Series Shares, only the following values are presented in the Prospectus:

	(in PLN)
Net book value per 1 share before the issue	28.75
Net book value per 1 share after the issue	28.14
Decrease in the net book value per 1 share purchased	(0.61)

The calculations were made on the basis of the book value of BZ S.A. as at December 31, 2000 and the pro-forma book value following the Merger.

CHAPTER II

PERSONS RESPONSIBLE FOR THE INFORMATION INCLUDED IN THE PROSPECTUS

Chapter II of the Prospectus contains responsibility statements from each of the parties responsible under Polish law for the information included in the Prospectus in accordance with the Prospectus Ordinance. The responsibility statements from each party relate to the particular sections of the Prospectus for which that party is legally responsible.

Responsibility statements were given on behalf of the following parties:

1. The Issuer – Bank Zachodni S.A.;
2. The Dominant Entity – AIB European Investments Limited;
3. Wielkopolski Bank Kredytowy S.A.;
4. The Issuer's Legal Advisor – The Law Firm: T. Kacymirow, J. Michalski, Z. Mrowice and Partners, Limited Partnership, associated with Hunton & Williams;
5. The Issuer's Financial Advisor – CA IB Financial Advisors Sp. z o.o.;
6. The Offeror – CA IB Securities Spółka Akcyjna;
7. The Issuer's Auditor – PricewaterhouseCoopers Sp. z o.o.

This Information Memorandum is provided for convenience only and has no official or formal status.

No responsibility statement or representation or warranty has been issued or made by any of the above parties in connection with this Information Memorandum or the accuracy and completeness of information contained herein.

CHAPTER III

DATA ON THE ISSUE

1. SECURITIES TO BE INTRODUCED TO PUBLIC TRADING

Pursuant to the Prospectus, 72,960,284 shares are being introduced into public trading, including:

Type of share	Number	Nominal value (PLN)	% of share	
			capital before G Series Shares issue	capital after G Series Shares issue
Registered A series	5,120,000	10	15.54%	7.02%
Registered B series	724,073	10	2.20%	0.99%
Registered C series	22,155,927	10	67.24%	30.37%
Registered D series	1,470,589	10	4.45%	2.02%
Registered E series	980,393	10	2.98%	1.34%
Registered F series	2,500,000	10	7.59%	3.42%
Registered G series	40,009,302	10	-	54.84%
Total	72,960,284	-	100%	100%

Apart from limitations resulting from the provisions of law, the Statutes of the Bank do not contain limitations on the transfer of rights in the shares of the Bank. No collateral or additional performance is connected with these shares.

2. THE PUBLIC OFFERING

The G Series Shares, accounting for 54.84% of the share capital of BZ WBK S.A., are being offered by Public Offering pursuant to the Polish Securities Act and the Prospectus. The G Series Shares are being issued in connection with the Merger. The G Series Shares will be allocated and issued to shareholders of WBK S.A. in proportion to the number of shares held by them in WBK S.A., using the following share exchange ratio: 1 G Series Share in exchange for 1.72 shares of WBK S.A.

3. DETAILS OF THE COSTS INCLUDED IN THE TOTAL ESTIMATED ISSUE COST

The estimated costs of the issue of G Series Shares that BZ S.A. has borne or will bear are approximately PLN 4,333,000.

The above sum includes the following:

	PLN '000
1. Financial and legal advisory services, cost of offering the shares for sale by public offering	3,540
2. Printing of the Prospectus, publication of notices and marketing	448
3. Administrative fees and costs	345
Total	4,333

The above mentioned costs will be recognized in the Issuer's accounts as follows:

(i) Pursuant to the Corporate Income Tax Act, costs related to the increase in a company's share capital constitute intangible assets that are subject to depreciation over a period of not less than 60 months. The costs of issuing the G Series Shares, which are related to the increase in the Issuer's share capital, shall be entered in the Issuer's accounts as expenditures of an investment nature, and will be recorded as intangible assets after the settlement process is completed.

4. LEGAL BASIS FOR THE ISSUE AND THE OFFERING

4.1. LEGAL BASIS FOR THE MERGER AND THE PUBLIC OFFERING

The legal basis for the Merger and the Public Offering is provided for in the provisions of the Commercial Code as well as, to the extent described herein, the Commercial Companies Code and BZ S.A.'s Statutes. Pursuant to Art. 408 and Art. 464 of the Commercial Code, the body with authority to make decisions concerning the Merger and the issue of G Series Shares is BZ S.A.'s General Shareholders Meeting.

As the Merger Resolutions were adopted on December 20, 2000 and the Commercial Companies Code, passed on September 15, 2000, only came into force on January 1, 2001, the Merger is being conducted in accordance with the provisions of the Commercial Code. Mergers of commercial companies are defined and provided for in Arts. 463-469 of the Commercial Code. Pursuant to Art. 463 of the Commercial Code, a merger of companies can be effected through mechanisms such as the transfer of all the assets of the acquired company to the acquiring company in exchange for shares which the acquiring company issues to the shareholders of the acquired company. This method has been followed with respect to the Merger. In order for the Merger to be effected, resolutions concerning the terms and conditions of the Merger had to be adopted by the general shareholders meeting of each of the banks. Pursuant to Art. 619 of the Commercial Companies Code, the provisions of the Commercial Code, apply to resolutions of the governing bodies of commercial companies, adopted before the Commercial Companies Code came into force.

The Merger will be effected after all the applicable provisions required by Polish law have been satisfied. Upon completion of the Merger, the Bank shall acquire all the rights and obligations of WBK S.A., excluding certain rights and obligations which result from the provisions of administrative law. During the Merger process, the Bank applied for the administrative licences and permits required in connection with the Merger. All of these have now been obtained except for the permit of the Ministry of Internal Affairs and Administration which the Bank is waiting for at the moment.

4.2. LEGAL AND CORPORATE BASIS FOR THE INTRODUCTION OF THE SHARES INTO PUBLIC TRADING

The legal basis for the introduction of the Shares into public trading is Art. 61 of the Polish Securities Act and Decision No. DSP1-411-02/01-24/2001 of May 8th, 2001 of the PSEC.

The corporate basis is Resolution No. 1 of December 20, 2000 regarding the Merger and amendments to the Bank's Statutes, passed by the General Shareholders Meeting of BZ S.A. as well as by the equivalent resolution of the general shareholders meeting of WBK S.A. passed on December 20, 2000. The General Shareholders Meeting of BZ S.A. pursuant to such Merger Resolution resolved to merge BZ S.A. with WBK S.A., which was to be effected by means of the transfer of all the assets of WBK S.A. to BZ S.A. in return for the G Series Shares which were to be issued by BZ S.A. to the shareholders of WBK S.A.

28,776,808 votes were cast in favour of the Merger Resolution which constituted 100% of all votes cast.

48,843,753 votes were cast in favour of the merger resolution passed at the general shareholders meeting of WBK S.A. 1,137,976 votes were cast against, and 637,190 votes abstained.

5. PRE-EMPTION RIGHTS

No pre-emption rights shall apply to the Merger Shares. Pursuant to the provisions of Art. 464 of the Commercial Code, the Merger Shares will be allocated and issued to the shareholders of WBK S.A.

6. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

6.1. COMMERCIAL COMPANIES CODE, BANK'S STATUTES AND CERTAIN OTHER RIGHTS

As a result of the Commercial Companies Code coming into force on January 1, 2001, the rights and obligations incorporated in shares of BZ S.A. are now stipulated by that Code.

The description of the rights and obligations of shareholders described below outlines the basic measures to which a shareholder may have recourse in order to protect his rights.

Persons who would like to obtain more detailed information should seek guidance from persons and entities that are qualified to provide legal advisory services.

- **Right to vote** – Pursuant to the Commercial Companies Code and, similarly, pursuant to the Commercial Code, one of the basic rights of shareholders is the right to vote at the general shareholders meeting. Furthermore, pursuant to the Commercial Companies Code, when shares which are admitted to public trade, and on which a lien or right of use has been established, are registered in securities accounts at a brokerage house or bank which manages securities accounts, such shares also entitle shareholders to voting rights. Although under Art. 351 of the Commercial Companies Code, a company may issue special preference shares (registered shares), such a preference with respect to voting rights shall not apply in the case of public companies. The Merger Shares are bearer shares admitted to public trade and, as such, entitle the holder to participate in and vote at General Shareholders Meetings, provided that at least one week prior to the date of the General Shareholders Meeting, registered depositary certificates issued by the entity managing the securities account, are submitted to BZ S.A. and not withdrawn from BZ S.A. until the General Shareholders Meeting has been concluded.
- **Pre-emption rights** – Shareholders are entitled to pre-emption rights to acquire newly issued shares in direct proportion to the number of shares held. However, the general shareholders meeting may, acting in the interests of the company, partially or completely exclude such pre-emption rights. Pre-emption rights may be waived by a resolution of the general shareholders meeting passed by a majority of four-fifths of the votes cast. This majority requirement does not apply if the resolution on a capital increase specifies (i) that all the newly issued shares are to be acquired by a financial institution (underwriter) which is obliged to offer the shares to the shareholders so they may exercise their pre-emption rights pursuant to the provisions set forth in such a resolution and (ii) that the newly issued shares are to be acquired by the underwriter if the shareholders who are entitled to exercise pre-emption rights do not acquire some or all of the shares offered to them.
- **Shares to be fully paid-up** – A shareholder is obliged to pay the full amount for the shares, although, in the case of publicly traded securities, payments should be made through a brokerage house (or any entity providing brokerage services with respect to securities offered in public trade) to the company's account which is managed by a bank located in the Republic of Poland.
- **Dividends** – Shareholders have the right to participate in the profits shown in the financial statements audited by a certified auditor and in the amounts which the general shareholders meeting has decided to pay out as dividends. Shareholders, who on the day when a resolution concerning the amount of dividends is adopted, are holders of shares, are also entitled to the dividend for a given accounting year. The dividend record date as well as the dividend payment date are specified by the general shareholders meeting. The dividend record date may be set for the day on which the resolution is adopted or any day within the three months following the day on which the resolution is adopted. In addition, if the provisions of the relevant statutes permit, the management board may make an advance dividend payment to shareholders with respect to dividends expected to be paid out at the end of the accounting year, provided that the company has sufficient funds to make such a payment. An advance dividend payment requires the prior consent of the supervisory board. At present, BZ S.A.'s Statutes do not provide for advance dividend payments.

- **Right to call meetings** – Shareholder(s) holding shares which represent at least one-tenth of the share capital have the right to submit a motion for the convening of an extraordinary general shareholders meeting and to apply to have particular matters included on the agenda. Such a request must be made in writing and submitted to the management board at least one month prior to the date proposed for the general shareholders meeting.
- **Distribution of assets** – A shareholder has the right to participate in the distribution of assets in the event of the company being wound up or liquidated in proportion to the number of shares held by him in the share capital.
- **Information rights** – Shareholders have the right to obtain information concerning the company to the extent and in the manner stipulated by applicable laws. In particular, during the general shareholders meeting, the management board is obliged to provide, upon request, the shareholders with information concerning the company, provided that information is necessary for the assessment of the issues included in the agenda. The management board may refuse to disclose information, if such disclosure could damage the interests of the company, a related company, a subsidiary or a subsidiary cooperative. In particular, disclosure of technical, trade or organisational secrets of the company is not permitted if such disclosure could render a member of the management board subject to criminal, civil or administrative liability. Where there are sufficient grounds for doing so, the management board may disclose information in writing not later than two weeks after the conclusion of the applicable general shareholders meeting. The management board may also provide shareholders with information concerning the company in circumstances other than the general shareholders meeting, provided that any such disclosure is subject to the restrictions described above. Such information, including the date on which it was made available as well as the name of the person who received such information, must be disclosed by the management board in writing and included in the documents which are to be made available at the next general shareholders meeting.
- **Additional rights** – Additional rights of shareholders in a public company result from Art. 158.b – Art. 158.d of the Polish Securities Act. Pursuant to these provisions, the general shareholders meeting of a public company may, following a resolution proposed by a shareholder or shareholders holding at least 5% of the total number of votes at the general shareholders meeting, adopt a resolution calling for a special auditor to examine a particular issue related to the incorporation of the company or its business activity. If the resolution regarding the appointment of a special auditor is rejected by the general shareholders meeting those proposing the resolution may, within 14 days following the day on which the resolution was voted on, apply to the registration court for the appointment of such an auditor.
- **Mandatory Announcements** – Pursuant to the provisions of § 52 of BZ S.A.’s Statutes, mandatory announcements, including those regarding the convening of the General Shareholders Meeting, are to be made by BZ S.A.’s Management Board in “Monitor Sądowy i Gospodarczy”.
- **Transfer rights** – BZ S.A.’s Statutes do not provide for any limitations on the transferability of rights in respect of the Shares. Each Share entitles the holder to one vote at the General Shareholders Meeting. It should be noted that pursuant to Art. 38.3 of the Commercialisation Act, shares acquired by eligible employees are subject to a lock-up period of two years following the day on which the first shares held by the State Treasury were disposed of; and in the case of shares acquired by employees who are members of the relevant company’s management board, to a lock-up period of three years following the day on which the first shares held by the State Treasury were disposed of. As at the date of the Prospectus, 4,187,900 A series shares held by employees and the members of the Management Board were subject to such a lock-up provision. The lock-up period in respect of employee shares expires in September 2001, and the lock-up period in respect of the shares held by members of BZ S.A.’s Management Board expires in September 2002.

6.2. POLISH SECURITIES ACT

The Polish Securities Act was enacted on August 21, 1997 and became effective as of January 4, 1998. Art. 7 of the Act specifies that securities admitted to public trade may only exist in a book account record form. The Act has been frequently amended, and the latest material amendments became effective as of January 15, 2001.

- Pursuant to Art. 11 of the Polish Securities Act, rights incorporated in shares admitted to public trade may be exercised on the basis of a registered depositary certificate which confirms the rights incorporated in the securities (including shares) to which the shareholder is entitled. A shareholder may not demand

that the share certificate of any share admitted to public trade be issued to him. The rights which a shareholder cannot exercise merely on the basis of a record in the securities account (in particular the right to participate in the general shareholders meeting) may be exercised upon presentation of his registered depositary certificate. A registered depositary certificate may be issued by a brokerage house, bank or any such entity that maintains the securities account for its holder upon his request.

Pursuant to the Polish Securities Act, shareholders who possess or acquire substantial blocks of shares have the following obligations:

- Pursuant to Art. 147 of the Polish Securities Act, a shareholder who:
 - (i) following acquisition of shares in a public company, reaches or exceeds the threshold of 5% or 10% of the total number of votes at the general shareholders meeting, or
 - (ii) a shareholder who prior to the disposal of shares held a number of shares in a public company which entitled him to at least 5%, or at least 10% of the total number of votes at the general shareholders meeting, and who, following the disposal of shares, holds a number of shares which entitle him to 5% or less, or 10% or less, respectively, of the total number of votes,

is obliged to notify such acquisition or disposal and certain other information to the PSEC, the company and the President of the Office for Protection of Competition and Consumers (the “Antimonopoly Office”), within four days of the recording of such acquisition or disposal of shares in the securities account. This obligation also applies to transactions in which shares are acquired or disposed of, and which change the number of shares held prior to such a transaction by a shareholder controlling more than 10% of the total number of the votes cast, by at least 2% of the total number of votes at the general shareholders meeting (in the case of a public company, whose shares are admitted to trade on the regulated market), or by at least 5% of the total number of votes at the general shareholders meeting, (in the case of other public companies). These obligations apply equally to a series of transactions, as well as to a single transaction.

This obligation to notify the relevant authorities also applies to entities which, following an acquisition of shares in a public company or following a disposal of such shares, come to hold a number of shares which increases or decreases the number of votes controlled by it at the general shareholders meeting to not more than or less than 25%, 50% or 75%, respectively.

It also equally applies in the case of an acquisition or disposal of (i) bonds which are convertible into shares in a public company, (ii) depositary receipts, and (iii) other securities, which confer the right or obligation to acquire shares in a public company.

- Pursuant to Art. 149 of the Polish Securities Act, the acquisition of shares in a public company or of depositary receipts which have been issued in connection with those shares, which allows the shareholder to 25%, 33% or 50% or more, respectively, of the total number of votes at the general shareholders meeting, requires the prior consent of the PSEC. This must be obtained by the party acquiring the securities in question. No such consent is required in the case of shares of a public company which are traded exclusively on the OTC market. The PSEC may, within 14 days following the submission of such request, (i) grant its consent and provide a press information agency with information concerning such consent, or (ii) refuse to give its consent, if such acquisition would result in a breach of the law, pose a threat to an important national interest, or involve a risk for the national economy. The consent may be given, containing a clause which stipulates that in the event of the shareholder not reaching or exceeding the required number of votes at the general shareholders meeting within the period specified in the consent, the consent will expire. The PSEC may also refuse to give its consent if, in the 24 months prior to the submission of the request, the proposing party has failed to fulfil or has been negligent in fulfilling the obligations set out in Art. 147 and Art. 150 of the Polish Securities Act.

- Pursuant to the provisions of Art. 151 of the Polish Securities Act, the acquisition within a period of less than 90 days of shares admitted to public trade or depositary receipts issued in connection with such shares, which trade on the secondary market and entitle their holder to at least 10% of the total number of votes at the general shareholders meeting, may only be effected by complying with certain public tender offer procedures. A public tender offer shall only be made following the securing of guarantees worth 100% of the value of shares which are to be the subject of the tender offer. Such guarantees must be documented by way of certificates issued by a bank, or any such authorised institution. Such obligation to make a public tender offer, does not apply in the case of acquiring shares in a public company admitted exclusively to OTC trading.

- Pursuant to the provisions of Art. 154 of the Polish Securities Act, a person who acquires shares in a public company, or depositary receipts which have been issued in connection with such shares, and who, on the basis of his holding, has the right to cast more than 50% of the total number of votes at the general shareholders meeting, is obliged to announce a public tender offer to acquire the remaining shares of the company or, alternatively, to dispose of, prior to the exercising of the right to vote conferred by the shares held, such number of shares as will result in him having no more than 50% of the total number of votes at the general shareholders meeting.
- The tender offers described above are to be announced through the offices of a brokerage house or bank providing brokerage services, which are obliged to notify any intention to make a public tender offer, without undue delay, to both the PSEC and the company which manages the stock exchange, or the company which manages the OTC market, if the shares are traded on the market in question. No withdrawal from the announced public tender offer is permissible, except in circumstances where after the announcement of this tender offer another entity announces a tender offer for the same shares. The obligation to announce a public tender offer does not arise in the case of shares acquired on the primary market or as part of an initial public offering. The public tender offer price cannot be less than the average market price of the relevant shares over the past six months prior to the announcement of the tender offer or, in the event of the relevant shares being traded on the regulated market during a period of less than six months, lower than the average price during this shorter period. The public tender offer price for shares which are not traded on the public market cannot be less than the price at which the shares were acquired on the Primary Market or in the first public offering. Also, the public tender offer price cannot be lower than the highest price at which the shares offered in the tender offer were acquired, in the 12 months prior to the announcement of the tender offer, by:
 - the entity announcing the tender offer or entities which are, directly or indirectly, its subsidiaries, or which are its immediate or indirect dominant entity; or
 - entities which are related to the entity announcing the tender offer under a written or oral agreement concerning: (i) the joint acquisition of the shares of the public company or of the depositary receipts which have been issued in connection with such shares, (ii) a joint voting strategy at the company's general shareholders meeting regarding issues which are material for that company or (iii) a joint and longterm policy with regard to the management of that company.

The value of assets which the entity announcing the public tender offer intends to exchange for the shares is also deemed to be the price quoted in the tender offer.

A public company, whose shares are the subject of tender offer and are traded on the stock exchange, is obliged, not later than two working days prior to the commencement of the tender offer to issue to the market an opinion of that company's management board concerning the tender offer.

Liability for non-compliance with the obligations defined in the Polish Securities Act regarding the acquisition of substantial blocks of shares is provided for in the following regulations:

- Pursuant to Art. 156 of the Polish Securities Act, the exercise of voting rights conferred by the shares purchased in contravention of the provisions referred to in Art. 147, 149, 151 and 155 (this last article relates to the manner of setting the proposed tender offer price) is invalid. Also, failure to perform the obligation referred to in Art. 154 will result in the exercise of voting rights conferred by all the shares held being invalid.
- Pursuant to Art. 167 to 173 of the Polish Securities Act, breach of the provisions referred to above may result in a fine of up to PLN 1,000,000.

- The applicability of obligations with respect to the acquisition of substantial blocks of shares is also extended by Art. 158.a of the Polish Securities Act. Pursuant to those provisions:
 - the acquisition, disposal or holding of shares in a public company, or of depositary receipts which have been issued in connection with such shares, by a direct or indirect subsidiary is deemed to be the acquisition, disposal or holding of such shares or depositary receipts by the dominant entity;
 - depositary receipts which have been issued in connection with shares in a public company are deemed to be securities which entitle the holder to exercise his right to vote conferred by a number of shares of that company which the holder of a depositary receipt may acquire as a result of the exchange of the depositary receipt for such shares.

Actions taken under the law by a subsidiary or the occurrence of legal events with respect to such subsidiary, shall mean that the obligations described above shall also apply to the dominant entity, provided however, that the above involves a change in the number of votes held by the dominant entity which is subject to the said obligations.

Additionally, the obligations regarding the acquisition of substantial blocks of shares apply (i) to the entity acquiring or intending to acquire shares, and (ii) jointly to:

- a) all entities which are related to each other under a written or oral agreement concerning:
 - the joint acquisition of shares in a public company or of depositary receipts issued in connection with such shares; or
 - the agreement of a joint voting strategy at the general shareholders meeting of that company in connection with issues which are material to that company; or
 - the agreement of a joint and long-term policy with regard to the management of that company,
- b) an investment fund, in the event of the relevant voting threshold being reached or exceeded as a result of the acquisition, disposal, or holding of shares or depositary receipts jointly by:
 - other investment funds managed by the same investment fund company;
 - other investment funds which were incorporated outside the Republic of Poland and which are managed by the same entity,
- c) an entity which reaches or exceeds the relevant voting threshold, as a result of the acquisition, disposal, or holding of shares or depositary receipts by a third party acting on its own behalf, but which is commissioned by or acts for the benefit of such an entity, exclusive of the shares acquired under any brokerage services; and
- d) in connection with securities portfolio management, with regard to the shares of which the managed securities portfolios are comprised, and which entitle the entity managing such portfolios, to exercise the voting rights at the general shareholders meeting on behalf of the parties issuing instructions for the management of the securities portfolio.

- The persons who are obliged to comply with the obligations arising from such provisions in the Polish Securities Act are described in Art. 4.16 of the Act, which defines the term “dominant entity”. According to such definition, a dominant entity is a company which:
 - a) holds, directly or indirectly through other entities (being subsidiaries), the majority of votes in the governing bodies of another entity (being a subsidiary), including any such control based on agreements with other persons; or
 - b) is entitled to appoint or dismiss the majority of members of the governing bodies of another entity (being a subsidiary); or
 - c) where more than half of the members of the Management Board of the other entity (being a subsidiary) are at the same time members of the Management Board, proxies or the managerial staff of the first entity or another entity, which is a subsidiary of the first entity.

6.3. BANKING LAW

Under Art. 25 and Art. 26 of the Banking Law any person who acquires or intends to acquire shares or rights incorporated in shares of a bank must:

- 1) notify the bank of the acquisition of such shares or rights, if the acquired shares or rights, together with other shares and rights incorporated in shares of the bank held by such person will carry more than 5% of votes at the bank's general shareholders meeting;
- 2) obtain, each time, through the bank, the BSC's permission for the acquisition of such shares or rights, if the acquired shares or rights, together with other shares and rights incorporated in shares of the bank held by such person will carry more than 10%, 20%, 25%, 33%, 50%, 66% or 75% of votes at the bank's general shareholders meeting. A bank which is a joint stock company must apply immediately to the BSC on behalf of such person for such BSC permission.

A person who acquires shares or rights incorporated in shares of a bank without complying with the above provisions may exercise 5% of the votes at the relevant bank's general shareholders meeting, or any such number of votes as may have been stated in any previous permission granted by the BSC. Any resolution of the general shareholders meeting adopted in violation of these limits is invalid.

The BSC may refuse to grant permission for any such acquisition, if the person who intends to acquire the shares or rights is not of sufficient creditworthiness to ensure that the bank's operation will not jeopardise the interests of the customers of the relevant bank, or if the funds for such acquisition have been obtained by way of a loan or undocumented sources.

A person who intends to sell shares or rights incorporated in shares that:

- 1) carry more than 10% of votes at the general shareholders meeting of the bank;
- 2) will result in the seller's remaining shares or rights incorporated in shares carrying less than 20%, 33% or 50% of votes at the general shareholders meeting,

must notify the BSC of its intention to effect such sale.

A bank which is a joint stock company must also immediately inform the BSC if one shareholder holds a block of shares conferring the right to over 5% of the votes at the bank's general shareholders meeting.

In addition, the acquisition or holding of shares by a subsidiary is deemed to be an acquisition or holding of shares by the dominant entity. "Dominant entity" and "subsidiary" for the purposes have the same respective meanings as set out in Art. 4.16 of the Polish Securities Act.

6.4. OTHER LICENSES AND PERMITS

6.4.1. Concentrations under New Antimonopoly Act

As of April 1, 2001, a New Antimonopoly Act came into force, and replaced the Act on Counteracting Monopolistic Practices. Pursuant to the New Antimonopoly Act, the intent to concentrate is subject to notification filed with the President of the Office for Protection of Competition and Consumers, if the aggregate sales revenues of the enterprises participating in the concentration (as defined in the new Antimonopoly Act) in the financial year preceding the year of notification exceed the equivalent of Euro 50,000,000. An obligation to file a notification arises, for example, in the event of a concentration of two or more independent entrepreneurs or an acquisition or purchase of the shares in another entrepreneur, which results in the holding of, at least 25% of the votes at the general shareholders meeting. Additionally, a concentration by a subsidiary is deemed to be a concentration by a parent entity, and the value of sales revenues taken into account in deciding whether there is an obligation to file a notification on the intent to concentrate, is calculated on the basis that other entities belonging to the same capital group are entities directly participating in the concentration.

Similar to the Act on Counteracting Monopolistic Practices, the New Antimonopoly Act provides that a merger effected within the same capital group is not subject to notification requirements. Due to the fact that WBK S.A. and BZ S.A. belong to AIB Group, they have not been obliged (both under the waived Act and under the New Act) to fulfil the aforementioned requirements.

6.4.2. Acquisition of Real Estate by Foreigners Act Permit

Under the Acquisition of Real Estate by Foreigners Act, the acquisition of real estate by foreigners requires a permit. The permit is granted by the MIAA, by way of an administrative decision, and also requires a consent of the Minister of National Defence, and, in the case of agricultural real estate, a consent of the Minister of Agriculture and Food Economy.

Under this Act, the terms “foreigner” or “foreign entity” include legal persons having residence in the Republic of Poland and controlled directly or indirectly by foreign entities; and commercial companies in which foreign persons hold, directly or indirectly, at least 50% of the share capital.

On the basis of these provisions, BZ S.A. is a foreign entity under Polish law. The acquisition by BZ S.A. of ownership rights to real estate, or the right to perpetual usufruct resulting from the Merger with WBK S.A., requires the appropriate permits.

6.5. TAXATION

The following information is of a general nature and is based solely upon the Polish tax provisions prevailing at the time the Prospectus was drafted, as well as on interpretations announced by the Minister of Finance and decisions of the Supreme Administrative Court. Potential investors are encouraged to seek professional advice from licensed tax and/or legal advisors with respect to the tax consequences of holding and trading in shares, and in particular the tax consequences associated with the acquisition of the shares.

6.5.1. Income tax on dividends and other forms of share in profits of a corporate entity

Corporate income tax

Art. 10.1 of the Corporate Income Tax Act defines the term “income from sharing profit of corporate entities”. Pursuant to such definition the income from sharing profit of a corporate entity is “income actually generated on such share of profit, including the income on the redemption of shares, the value of property obtained due to a liquidation of the corporate entity, income designated for increasing its share capital, or participation funds in cooperatives, as well as income equivalent to the amounts transferred to this capital (fund) from other capitals or funds of the corporate entity”.

Therefore, a shareholder incurs a tax liability in the following circumstances: 1) if dividend or cash from a share redemption is paid out on the basis of a resolution of the general shareholders meeting, 2) if the company’s share capital is increased by transferring all, or a portion of, net profit, supplementary capital or capital reserve to the share capital, pursuant to the relevant resolution of the general shareholders meeting and a respective decision of the registry court, and 3) if the shareholder receives a part of the company’s property in the event of its liquidation.

Dividend income and other income generated by sharing profit of a corporate entity cannot be compounded with other income and is subject to a withholding tax at the rate of 15%, as set forth in Art. 22.1 of the Corporate Income Tax Act. As a rule, tax is based on the entire income obtained by the taxpayer, although in the event of a redemption of shares or the receipt of a portion of the company’s property in course of its liquidation, the taxpayer’s income will not include a part of the income that is equivalent to the cost of acquisition or the cost of purchase of the shares. The company that pays out dividends or provides other benefits that a shareholder records as income on sharing profits of a corporate entity, is required to withhold and remit the relevant tax. According to Art. 23 of the Corporate Income Tax Act the tax on dividends and other income on sharing profit of corporate entities having their seat in Poland is deducted from the tax calculated pursuant to general rules on the global amount of other income of the shareholder. If the tax on dividends or other income of sharing profit of corporate entities cannot be deducted during the given fiscal year, the same amount shall be deducted in the following fiscal years.

These discussed rules governing taxation fully apply to income generated by the taxpayers that are subject to unlimited tax liabilities – being those that are subject to Polish taxes on their entire income, regardless of the place in which it is generated. According to Art. 3.1 of the Corporate Income Tax Act, all the corporate entities that have either their registered office or their management function in the Republic of Poland, or both, are subject to this liability.

With respect to a taxpayer that is not subject to the unlimited tax liability, being one who has neither its registered office nor the management function in the Republic of Poland, and that is subject to Polish tax liabilities only insofar as its income is generated within the Republic of Poland (Art. 3.2 of the Corporate Income Tax Act), the above tax rules and rates applicable to income generated by such a taxpayer in the territory of the Republic of Poland on sharing profits of joint-stock companies, may be modified, depending on the provisions of any double taxation treaty entered into by the Republic of Poland and the country of the tax-payer's seat or its management board's seat.

If a double taxation treaty modifies the rules governing taxation of income obtained by a taxpayer on sharing profits of corporate entities, the provisions of the treaty shall prevail. However, according to the second sentence of Art. 26.1 of the Corporate Income Tax Act, a company which makes payments on account of an entity's right to participate in its profits, may, as the entity withholding and remitting the tax, apply the tax rate specified in the appropriate double taxation treaty. This may only be applied if, before such payment is made, the taxpayer provides a certificate proving that it has its registered office abroad for tax purposes. Such certificates (the so-called "certificates of residence") are issued by the relevant tax authorities in the country where the taxpayer's has its registered office.

If the double taxation treaty between the Republic of Poland and the country of the taxpayer that is not subject to the unlimited tax liability does not provide for any modification of the tax rules governing the taxation of income on sharing profits of corporate entities or no such treaty has been signed, then this income will be taxed pursuant to the rules specified in the Corporate Income Tax Act discussed above (Art. 22.2 of the Corporate Income Tax Act).

Personal income tax

Natural persons may participate in the profit of a company by obtaining dividend and/or other income from sharing profit of the corporate entity, if they have legal title to such a share of profit, typically in the form of shares in the share capital of the company (Art. 17.1.4 of the Personal Income Tax Act). Income from dividends and other income on sharing profit of corporate entities is not amalgamated with other kinds of income. This income is subject to withholding tax at the rate of 15% of the income (Art. 30.1.1a of the Personal Income Tax Act). As a rule, the tax base is the entire income. However, if contribution to the company's share capital is returned, or if the taxpayer obtains income on redeemed shares, a part of the income that is equivalent to the cost of acquisition of the shares shall be tax exempt. If the acquisition had the form of inheritance or donation, the exempted income shall be equal to the value of the shares as at the date of inheriting or donating, respectively. The company that pays out dividends or provides other benefits that a shareholder records as income on sharing profits of a corporate entity, is required to withhold and remit the relevant tax.

These discussed rules governing taxation fully apply to income generated by the taxpayers that are subject to unlimited tax liabilities – being those that are subject to Polish taxes on their entire income, regardless of the place in which it is generated. According to Art. 3.1 of the Personal Income Tax Act, the unlimited tax liability applies to any natural person who permanently resides in the Republic of Poland, or resides in the Republic of Poland temporarily, if his/her stay exceeds 183 days. On the other hand, the taxpayers who are not permanent residents of the Republic of Poland, as defined in Art. 3.1 of the Personal Income Tax Act, or reside in the Republic of Poland temporarily for the purpose of employment with foreign production companies, companies with foreign equity interest, branches or representative offices of foreign enterprises and banks, will be subject to Polish tax liabilities only insofar as their income is generated in the Republic of Poland on the basis of the employment relationship, official relations, or other income generated within the territory of the Republic of Poland, which is defined as limited tax liability (Art. 4 of the Personal Income Tax Act).

With respect to a taxpayer who is not subject to the unlimited tax liability in the Republic of Poland, the above tax rules and rates of income generated in the Republic of Poland in particular on sharing profits of corporate entities may be modified, depending on the provisions of the double taxation treaty executed by the Republic of Poland and the country of the taxpayer. The double taxation treaties may also specify certain circumstances, in which the persons that would otherwise be subject to the general rule set forth in Art. 3 of the Personal Income Tax Act and subject to the unlimited tax liability, shall be treated as foreign "tax residents".

If a double taxation treaty modifies the rules governing taxation of income obtained by a taxpayer on sharing profit of corporate entities, the provisions of the treaty shall prevail, and exclude the aforementioned Personal Income Tax Act regulations. However, according to the Art. 30.1a of the Personal Income Tax

Act, a company which makes payments on account of a person's right to participate in its profits, may, as the entity withholding and remitting the tax, apply the tax rate specified in the appropriate double taxation treaty. This may only be applied if, before such payment is made, the taxpayer provides a certificate proving that it is resident abroad for tax purposes. Such certificates (the so-called "certificates of residence") are issued by the relevant tax authorities in the taxpayer's country of residence.

However, if the double taxation treaty between the Republic of Poland and the country of the taxpayer does not provide for any modification of the tax rules governing the taxation of income on sharing profit of corporate entities or no such treaty has been signed, then this income will be taxed pursuant to the rules and rates discussed above, on the basis of the Personal Income Tax Act.

6.5.2. Income tax on sale of shares and rights incorporated in shares

Corporate income tax

Tax liability on the sale of shares will arise if the difference between the income on sale of the shares and the amount the taxpayer paid to obtain the shares is positive. Pursuant to Art. 16.1.8 of the Corporate Income Tax Act, while determining the income on sale of shares, the expenses incurred in the acquisition or purchase of these shares are considered to be the income – generating costs, as these expenses are not subject to settlement at the time of acquiring (purchasing) these shares. Income on sale of share generated by corporate income taxpayers is subject to general rules governing taxation, as any other income from other sources. Thus, pursuant to Art. 25 of the Corporate Income Tax Act, corporations selling the shares are obliged to disclose the amounts obtained as a result of the sale in the tax return which discloses the amount of income generated (or loss incurred) since the beginning of the fiscal year.

According to Art. 19.1.1 of the Corporate Income Tax Act, a taxpayer generating income on a sale of shares is required to pay the tax of 28% of the tax base for the fiscal year corresponding to the calendar year 2001, or commenced in the calendar year 2001. According to presently prevailing statutory regulations, the corporate income tax rate is to gradually fall, down to 22% in 2004. There are special regulations pertaining to transactions between related parties. Each of such parties is required to prepare additional tax documentation. If the relationship between the parties causes an understatement of the taxable income of any participant of the transaction, and such party cannot present the required additional tax documentation, the difference between the level of income determined by tax authorities and the income level understated by the party shall be subject to a special 50% income tax rate. However, the understatement of the income generated on a transaction with a related entity allows the tax authorities (despite the production of additional tax documentation) to determine the relevant party's income to be such amount as would have been generated by the taxpayer on an identical transaction, having regard to market conditions.

A foreign entity, subject to a limited tax liability in the Republic of Poland and having its registered office or its management function in a country that is a party to a bilateral double taxation treaty signed with the Republic of Poland, shall be subject to such tax rules as are set forth in the treaty. Most of the double taxation treaties signed by the Republic of Poland provide that such entities are released from income tax on the sale of most of their property in the Republic of Poland. In addition, according to the Ordinance of the Minister of Finance of February 18, 2000, regarding the waiver of income tax collection from certain foreign corporate entities (Dz.U. No. 13, pos. 165), income tax is not payable on the sale of shares admitted to public trading, acquired on the stock exchange by a foreign entity having either its registered office, or management function, or both located abroad. This waiver applies if the country of the taxpayer reciprocally applies similar rules to taxation of Polish entities operating in such country. The waiver does not clearly mean that tax will not be assessed and collected on the sale of the shares acquired as a result of the Merger. Therefore, there is a risk that the tax authorities may declare the income as taxable on the general basis, i.e. pursuant to the rules set forth in the Corporate Income Tax Act.

Personal income tax

Income of natural persons on the sale of shares is subject to taxation pursuant to the general rules. Income is the difference between the amount due as a result of the sale transaction (even if not actually paid), and the amount the taxpayer paid to purchase the shares. Pursuant to Art. 23.1.38 of the Act on Personal Income Tax, while determining the income on sale of shares, the expenses incurred in the acquisition or purchase of these shares are considered to be the income generating costs, as these expenses are not subject to settlement at the time of acquiring (purchasing) these shares. Personal income taxpayers who generate income

on a sale of shares are subject to Art. 44.8 of the Personal Income Tax Act, which requires them to remit advances against the income tax at the rate of 19% of the income generated as a result of such transactions. The advance must be remitted by the 20th day of the month following the month in which they obtained the income (i.e. the amounts receivable resulting from the sale fell due) and for the month of December – within the time limit set for the submission of the annual tax return. In addition, such taxpayers are required to file returns declaring the level of their income. In annual returns income on such transactions is included in the tax base and taxed together with other income at the applicable tax rate.

Income that personal income tax payers generate on selling the rights incorporated in the shares (dividend rights, preemption rights) is subject to taxation together with the income taxable pursuant to the general rules.

The discussed rules governing the taxation of income on sale of shares are modified by regulations set forth in Art. 52.1.b) and Art. 52.1.c) of the Personal Income Tax Act. Pursuant to those regulations, between January 1, 2001 and December 31, 2003 income on the sale of securities admitted to public trading is exempt from income tax, provided that they have been acquired in a public offering or on the WSE, or on the regulated secondary OTC public market or on the basis of the permit granted under Art. 92 or Art. 93 of the Polish Securities Act. In addition, the exemption applies to the sale of shares which are admitted to public trading provided that they were acquired before being admitted to public trading and they were sold later than three years following their admission to public trading. The exception from the exemption concerns shares acquired by persons entitled to do so by the relevant resolution of the company's general shareholders meeting and shares acquired free of charge from the State Treasury. The latter of the discussed cases subject to the tax exemption pertains to a narrow category of events. Furthermore, the relevant provisions of Art.52.1.c of the Personal Income Tax Act, which provides for this exemption, was to be deleted pursuant to Art. 25 of the Budget Performance Act. However, prior to signing the act into law, the President of the Republic of Poland asked the Constitutional Tribunal for a ruling on the constitutionality or otherwise of the said provision. On April 25, 2001 the Constitutional Tribunal passed a ruling as a result of which the provision repealing the exemption will not come into force. As a result the aforementioned exemption of revenue from the sale of shares acquired prior to their first listing on the stock exchange and held for three years from the moment of such listing, remains in force.

The exemption from income tax does not clearly refer to the sale of the shares acquired as a result of a merger. Therefore there is a risk that the tax authorities may declare the income arising on receipt of the Merger Shares as taxable on a general basis, i.e. pursuant to the rules set forth in the Personal Income Tax Act.

Tax on civil law transactions

According to the general rules of the Polish Securities Act, shares are sold at the stock exchange through the offices of entities' operating brokerage houses. In concluding transactions a brokerage house acts on its own behalf but on account of the investor. Pursuant to the provisions of Art. 9.9 of the Act on Tax on Civil Law Transactions (Dz.U. of 2000, No. 86, pos. 959), a tax exemption applies in the case of "the sale of securities to brokerage houses and banks conducting brokerage activity, and the sale of securities that is performed through the offices of brokerage houses or the banks conducting brokerage activity".

However, the Polish Securities Act provides for numerous exemptions from the above general rule, permitting the sale of shares admitted to public trade without the use of a brokerage house. This also applies to the direct sale of shares carried out between natural persons. The rate of tax on civil law transactions applicable to the transactions concluded without the use of a brokerage house amounts to 1%. The seller and buyer engaged in such a transaction are jointly and severally responsible for the payment of tax within 14 days of the execution of the agreement.

Taxation of Additional Cash Payments to the WBK S.A. shareholders

Tax regulations do not directly regulate the Additional Cash Payments (as defined in Section 9.2 below) that BZ S.A. will pay to the shareholders of WBK S.A. if the applied Share Exchange Ratio results in fractional shares. In the opinion of BZ S.A., such Additional Cash Payments should be subject to the same rules as other income on the share of profits in corporate entities. Therefore, when making Additional Cash Payments to either natural persons or corporate entities, BZ S.A., as the payee of the tax, will deduct the 15% withholding tax, unless the recipient is a foreign tax resident, and the relevant double taxation treaty between the Republic of Poland and the tax payer's country of residence provides for other tax settlements and the recipient presents its certificate of residency.

However, the tax regulations concerning these issues are unclear. Therefore the tax authorities may adopt a different position and treat the income on Additional Cash Payments in the same way as income subject to taxation on a general basis. Investors are recommended to seek advice from their tax advisors and tax authorities in order to avoid potential adverse tax consequences.

6.5.3. Selected tax consequences for the surviving company

The amendments introduced, as of January 1, 2001, to the Corporate Income Tax Act include amendments to the provisions on the neutral tax effect of companies' mergers. Pursuant to Art. 10.2 of Corporate Income Tax Act, in the event of a merger by way of acquisition, the surplus value of the acquired company's assets received by the surviving company over the nominal value of the shares granted to the shareholders of the acquired company, except for the surplus of these assets falling into the shares held by the surviving company in the acquired company, will not be treated as income of the surviving company. Pursuant to Art. 12.4.4 of the Corporate Income Tax Act, the amounts designated for the creation or increase of the share capital are not considered to be the revenues of the company which increases its share capital.

As BZ S.A. does not hold shares in WBK S.A., the Merger should not result in an increase in BZ S.A.'s taxable income.

7. UNDERWRITING AGREEMENT

Section 5 of the Merger Resolution includes an authorization for the execution of a best-efforts underwriting agreement, provided that the sole purpose of such an agreement will be the acquisition of those G Series Shares not allocated as a result of the application of the Rules of Issuing Shares (as defined in Section 9.2 below).

8. AGREEMENT PROVIDING FOR THE ISSUE OF DEPOSITORY RECEIPTS

BZ S.A. has not entered into any agreement facilitating the issue of depository receipts representing its shares. In addition, BZ S.A. neither intends to enter into such an agreement in the foreseeable future nor is it aware of any issue of depository receipts representing shares issued by BZ S.A.

9. GENERAL RULES GOVERNING THE ALLOCATION OF SHARES

9.1. PERSONS ENTITLED TO ACQUIRE G SERIES SHARES

Pursuant to the Merger Resolution, 40,009,302 G Series Shares will be allotted to the shareholders of WBK S.A., in the manner described in Section 9.4 below.

The persons entitled to the G Series Shares are the shareholders of WBK S.A. as at the Reference Day.

9.2. SHARE EXCHANGE RATIO AND THE ADDITIONAL CASH PAYMENTS FOR WBK S.A. SHAREHOLDERS

Pursuant to the Merger Resolution, the Merger Shares will be allotted to shareholders of WBK S.A., in proportion to their number of shares in WBK S.A., and in accordance with a share exchange ratio of: 1 Merger Share in exchange for 1.72 WBK S.A. shares (the "Share Exchange Ratio").

The number of Merger Shares to be allotted to each shareholder of WBK S.A. will be determined by dividing the number of shares in WBK S.A. held by such shareholder on the Reference Day by the Share Exchange Ratio, and rounding the quotient down to the nearest integer (the "Rules of Issuing Shares"). Each shareholder of WBK S.A. who, as a result of applying the Rules of Issuing Shares, is allotted a number of Merger Shares lower than the number resulting from dividing the number of WBK S.A. shares held by him on the Reference Day by the Share Exchange Ratio will receive from BZ S.A. an additional payment in cash (the "Additional Cash Payment").

The Additional Cash Payment will be the product of the arithmetic mean of the share price of WBK S.A. during 30 consecutive sessions preceding the Reference Day on the Primary Market of the WSE, set according to the close price under the continuous quotations system, and such fraction of a share in WBK S.A. as was not converted to Merger Shares as a result of the application of the Rules of Issuing Shares. The amount will be calculated to the nearest one-hundredth of a share and to PLN 0.01.

9.3. REGISTRATION OF THE INCREASED SHARE CAPITAL

The Management Board of the Issuer will register the increase in the share capital resulting from the issue of the Merger Shares, as well as the Merger in the relevant official register within seven days from the day on which the last consent, permission, or court decision necessary for the Merger is obtained, but by not later than December 31, 2001.

9.4. ALLOCATION OF MERGER SHARES

Under the specific operational rules of the NDS, the share allocation in connection with the Merger will be made “according to the ownership of securities on a given day, referred to as the Reference Day”.

The Merger Shares will be allocated to the shareholders of WBK S.A. through NDS within seven days of the Reference Day pursuant to the NDS regulations. The Management Board of BZ S.A. acting in agreement with the management board of WBK S.A. is entitled to indicate to the NDS the day which is to be the Reference Day, provided that it will not be later than the seventh business day following the day of registration of the BZ S.A.’s increase in share capital in connection with the Merger Issue, unless another date is required by law or regulations of the NDS.

Promptly after a competent court issues a decision on registration of the Merger, WBK S.A. will announce such decision in the form of a current report. The management board of WBK S.A. will also request the WSE to suspend trading in its securities.

Promptly after the registration of the increase of BZ S.A.’s share capital by way of issuing the G Series Shares, the Issuer’s Management Board shall file an application with the NDS for determination of the Reference Day, and shall submit the documents evidencing the registration of the increase of the share capital together with the accounting letter for G Series Shares.

After the Reference Day, the participants of the NDS shall provide the NDS with information on the number of BZ S.A.’s shares issued to the shareholders of WBK S.A. based on the Share Exchange Ratio and the information on the amount of Additional Cash Payments to which individual shareholders of WBK S.A. are entitled.

9.5. TRANSFER OF ADDITIONAL CASH PAYMENTS

The NDS will advise BZ S.A. of the amount of the Additional Cash Payments to be paid. Following receipt by the NDS of the relevant funds from BZ S.A., the funds will be transferred to the securities accounts of WBK S.A. shareholders via the relevant participants of the NDS.

The transfer of Additional Cash Payments to the relevant WBK S.A. shareholders will occur immediately after the relevant NDS participants have received the necessary funds, within seven business days of the Reference Day and will be made to the cash accounts of the WBK S.A. shareholders which are used to service securities accounts.

9.6. NON-ACQUIRED SHARES

Section 5 of the Merger Resolution authorises the Management Board of BZ S.A. to take all steps to allot those Merger Shares which were not allotted as a result of the application of the Rules of Issuing Shares. The options available to the Management Board include, entering into an underwriting agreement, offering the shares to an entity other than a shareholder in WBK S.A. or redeeming the shares in the event of the shares having been issued to and then acquired from another entity.

The Management Board of BZ S.A. intends to enter into an agreement with an external entity pursuant to which the Additional Cash Payments will be financed from the funds obtained from this entity. In consideration for the payment of the Additional Cash Payments, the Merger Shares which were not allotted as a result of the application of the Rules of Issuing Shares will be allocated to such entity through the NDS simultaneously with the allocation of shares to WBK S.A. shareholders. This will ensure that the share capital of BZ S.A. is maintained at the level specified in section 12 of the Merger Resolution.

9.7. ANNOUNCEMENT IN THE EVENT OF THE ISSUE HAVING BEEN UNSUCCESSFUL

The issue of G Series Shares shall be unsuccessful if the Management Board of BZ S.A. does not file an appropriate application with the Registry Court or if the Registry Court issues a final and unappealable decision refusing the registration of the BZ S.A.'s share capital increase relating to the G Series Shares. Should this occur, the Management Board of BZ S.A. will promptly inform the public that the issue of the G Series Shares has been unsuccessful, in accordance with Art. 81 of the Polish Securities Act. Furthermore, within 14 days the Management Board of BZ S.A. shall publish information on such unsuccessful issue through an advertisement in "Monitor Sądowy i Gospodarczy" and "Rzeczpospolita".

9.8. INTENTIONS REGARDING SECONDARY TRADING IN SHARES

After all the terms and conditions and requirements under applicable law relating to the issue of the G Series Shares and the Merger have been met by BZ S.A., BZ S.A.'s Management Board intends to apply promptly for the introduction of the G Series Shares to trade on the Primary Market of the WSE.

10. SHARES BEING INTRODUCED TO PUBLIC TRADING OTHER THAN MERGER SHARES

10.1. RIGHTS AND OBLIGATIONS ARISING OUT OF SERIES A THROUGH F SHARES

The rights and obligations described in Section 6 above also apply to the rights and obligations arising out of the A to F Series Shares. However, the tax treatment of shares that are subject to stock exchange trading and shares that are not is different (See Section 6.5 above).

10.2. INDICATION OF REGULATED MARKET FOR SHARES OTHER THAN THE MERGER SHARES

At present, BZ S.A. does not intend to introduce the C to F Series Shares into trading on a regulated stock market. BZ S.A. currently intends to introduce the A Series Shares, held by former and present BZ S.A. employees, along with A and B Series Shares held by the State Treasury into trading on the Primary Market of the WSE in the future.

Part of the A Series Shares are held by present and former employees of the Bank and as at the date of this Prospectus, they may not be traded, pursuant to the provisions of the Commercialization Act. This restriction will expire on September 15, 2001 in respect of A Series Shares held by present and former employees of the Bank (other than members of the Management Board) and after that date the necessary steps will be taken to admit A Series Shares held by such former and present employees, to listing on the Primary Market of the WSE. The restriction on A Series Shares held by members of the Management Board will expire on September 15, 2002.

See Sections 11 and 12 of Chapter IV for a detailed description of the share capital of the Bank and changes in the share capital of the Bank during the last five years.

CHAPTER IV

DATA ON THE ISSUER

1. GENERAL INFORMATION

Bank's name:	Bank Zachodni Spółka Akcyjna
Abbreviated name:	Bank Zachodni S.A. or BZ S.A.
Principal place of business:	Wrocław
Country:	Poland
Address:	Rynek 9/11, 50-950 Wrocław, Poland
Telephone:	+48 71 370 10 00
Fax:	+48 71 370 24 36
REGON Industry Identification Number:	930041341
Tax ID No. (NIP):	896-000-56-73
E-mail:	investor.relations@bz.pl
URL	www.bz.pl

2. DOMESTIC BRANCHES

As at March 31, 2001 the Bank had 80 full branches.

The number of branches of the Bank entered in the commercial register is 181 which includes sub-branches and outlets of the Bank, as well as its full branches. The Bank is in the process of re-organising its network of units, and transforming its sub-branches and outlets into full branches.

3. FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

The Bank had a representative office in Kaliningrad, the Russian Federation. In December 1999, BZ S.A. decided to close the representative office and the Bank believes that the liquidation of the representative office has now been completed.

This representative office operated on the basis of Permit No. 266 of the Central Bank of the Russian Federation dated November 25, 1996. The permit was initially granted up until November 24, 1999. The Central Bank of the Russian Federation extended the period until April 14, 2002.

The Bank has no other branches or representative offices abroad.

4. TERM OF EXISTENCE OF THE BANK

The Bank was established for an unlimited period.

5. PREVIOUS LEGAL STATUS OF THE BANK

BZ S.A. is a joint-stock company operating under Polish law. The Bank was established on February 1, 1989 as one of nine state regional banks spun-off from the National Bank of Poland. Bank Zachodni was transformed into a joint-stock company on the basis of the Deed of Transformation of a State-owned Bank into a Joint-stock Company of October 8, 1991, in accordance with the provisions of Art. 86¹ of the Repealed Banking Law and on the basis of § 1 of the Directive of the Council of Ministers of May 14, 1991 regarding the consent to the transformation of some state banks into joint-stock companies (Dz.U. No. 45, item 196). Pursuant to the provisions of § 3 of this Directive, the registered equity of the transformed

state-owned bank, amounting to PLZ 512,000,000,000 (PLN 51,200,000) was contributed to cover the share capital of the state-stock company. The remaining assets of the bank were transferred free of charge to the newly transformed Bank. The reserve fund and the fixed assets fund of the transformed state-owned bank became the supplementary capital of BZ S.A. The share capital of PLZ 512,000,000,000 (PLN 51,200,000) was divided into 5,120,000 bearer shares with a par value of PLZ 100,000 (PLN 10) per share. All the shares were acquired by the State Treasury. BZ S.A. was entered in the commercial register on November 8, 1991.

6. LEGAL BASIS FOR THE ESTABLISHMENT OF THE BANK

The Bank was established as a state-owned bank on the basis of Art. 63 of the Banking Law of February 26, 1982 (Dz.U. No. 7, item 56) and the Directive of the Council of Ministers of April 11, 1988 on establishment of Bank Zachodni S.A. of Wrocław (Dz.U. No. 21, item 142).

7. REGISTRY COURT

The Bank's Registry Court is the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, ul. Grabiszyńska 269, 53-235 Wrocław. The Bank was registered in Section B of the Commercial Register in Wrocław under the entry number RHB 2655 on November 8, 1991.

Pursuant to the Act of August 20, 1997 – Implementing regulations to the Act on the National Court Register (Dz.U. No. 121, item 770, as amended), all entities that are subject to registration in the register of entrepreneurs and which are entered into a court register in accordance with the commercial register regulations previously in force, are currently required to apply for registration in the register of entrepreneurs. Pursuant to the provisions of Article 8.1 of the Act on the National Court Register of August 20, 1997 (Dz.U. No. 121 of 1997, item 769, as amended), the Bank is required to apply for registration in the register of entrepreneurs by December 31, 2003, provided that no other events requiring an earlier registration occur in the interim. Until such time as the Bank is entered into the register of entrepreneurs, all of the Bank's previous entries into the commercial register in the Registry Court remain in full force and effect. The Bank filed an application for registration in the register of entrepreneurs on April 10, 2001. On April 27, 2001, BZ S.A. was entered in the register of entrepreneurs under No. KRS 000 000 8723.

8. HISTORICAL BACKGROUND

After being spun off from the structure of the NBP, Bank Zachodni operated 49 outlets located chiefly in Lower Silesia. In the initial years of its activity the Bank was a regional bank, and provided services and products primarily to state institutions and state-owned enterprises. The scope of these services steadily increased and over time the Bank developed into a general retail and commercial bank, offering services and products to both corporate and retail customers.

In the course of its activity, BZ S.A. acquired five banking businesses. These businesses included the:

- (a) Banking business of Warszawski Bank Zachodni S.A., in liquidation, head office in Warsaw. The purchase was effected on the basis of a purchase agreement for the banking business – notary deed of September 16, 1993. The purchase price equalled PLZ 500,000,000 (PLN 50,000).
- (b) Banking business of Głogowski Bank Gospodarczy S.A., in liquidation, head office in Głogów. The purchase was effected on the basis of a purchase agreement for the banking business – notary deed of July 1, 1994. The purchase price equalled PLZ 150,000,000 (PLN 15,000).
- (c) Banking business of Bank Rozwoju Rzemiosła, Handlu i Przemysłu "Market" S.A., head office in Poznań. The purchase was effected on the basis of a purchase agreement for the banking business – notary deed of October 8, 1994. The purchase price equalled PLZ 6,100,000,000 (PLN 610,000).
- (d) Banking business of Bank Spółdzielczy w Tarnowie Opolskim S.A. in liquidation head office in Tarnów Opolski. The purchase was effected on the basis of a purchase agreement for the banking business – notary deed of September 30, 1995. The purchase price equalled PLN 34,000.

(e) Banking business of Bank Rozwoju Rolnictwa "Rolbank" S.A., in liquidation, head office in Poznań. The purchase was effected on the basis of a purchase agreement of the banking business – notary deed of May 5, 1996. The purchase price equalled PLN 80,000.

In each transaction, BZ S.A. purchased an organised business as understood under the provisions of Art. 55¹ of the Polish Civil Code, comprising in particular, such elements as the trading name, accounting records, movables, real property, liabilities, burdens, accounts receivable, as well as rights and obligations under property, lease and rent agreements. Pursuant to the terms and conditions of each of the above purchase agreements, the following were transferred to the Bank: (a) liabilities, accounts receivable as well as other assets of the acquired entities; (b) rights to receive income and other claims payable to each of the acquired entities, to which they were entitled before the day of sale of the relevant entity; (c) all other income derived from such assets or rights; (d) responsibility for the liabilities of the relevant entity; (e) responsibility for the deposits received since the day of liquidation until the day of sale of the relevant business. Pursuant to Art. 23¹ of the Polish Labor Code, the Bank became a party to employment contracts with the employees from the acquired entities.

As a result of the purchase of the five bank businesses, the Bank acquired 51 new outlets, and together with the opening of new outlets, the Bank developed a nationwide presence, with 175 outlets by the end of 1998.

In 1998 the Bank's activity focused on optimising its operating and financial performance within strict guidelines, taking into account external factors and the monetary policy pursued by the NBP. The Bank expanded and improved the range of its services and modified and extended its product range by investing in the development of its sales network, IT products and electronic banking infrastructures.

In 1999, BZ S.A. focused on striving to increase its share of the financial services market by providing diversified services and on ensuring the achievement of improved financial performance.

The initiatives launched by BZ S.A. in 1999 centered on the current management and organisation of its activities, its participation in undertakings operating in the financial and capital markets, the expansion of its branch network and the modernisation of its portfolio of products and, in particular, the development of card-related products. These initiatives also took into account issues relating to the Y2K problem and the protection of personal data. A number of projects were also launched with a view to improving the quality of the Bank's credit portfolio.

In 1999 the Bank also prepared for its privitisation. On June 24, 1999 the State Treasury concluded an agreement for the sale of the shares of BZ S.A. to AIB EI, a member of the AIB Group. Under the terms of the agreement, AIB EI purchased 80% of the Bank's shares.

In 2000, numerous changes were introduced in the organisation and methods of management of the Bank. The project to change the organisational structure of the Head Office, begun toward the end of 1999, was implemented in January 2000 with the introduction of a new Head Office structure, consisting of 8 divisions; these divisions encompass individual departments and offices. One important organisational change involved the replacement of the ATM Management Center with the Electronic Banking Division, which is responsible for widening the range of electronic products and services, expansion of the network of ATMs and for ensuring client access to new distribution channels.

In 2000, BZ S.A.'s network of branches was divided into eight regions. Regional offices of BZ S.A. are responsible for maintaining day-to-day relations with the Bank's outlets under their supervision. They also implement and co-ordinate initiatives designed to ensure the implementation of business and financial plans in outlets, as well as providing overall support to outlets in their operations. Other organisational changes included the introduction of initiatives to limit non-core activities and the centralisation of selected functions.

For a detailed description on the organisational structure of the Bank, see Chapter VII.

The changes implemented in the Bank in 2000 were aimed at improving the economic performance of the Bank by streamlining in-house procedures and processes, widening the range of products and services offered to customers, ensuring better credit risk management and improving the quality of management of the Bank's outlets.

In 2000, the Bank established 23 new outlets, commenced the long-term and complex process of establishing a "Model Branch" network which is focussed on sales, the capturing of new clients, the maintenance of good co-operation with present clients and ensuring a high quality of service.

Work also commenced on a project of strategic importance to the Bank. This project known as the B1 Project is aimed at devising and implementing a new IT system to support its branch banking model and the “Model Branch” network and is based on the International Comprehensive Banking System, a comprehensive system for retail banking.

In 2000, the representatives of the management boards of the Bank and WBK S.A. held, with the approval of AIB, a number of meetings to discuss the possibility of a merger between them. AIB’s commitments made in connection with the acquisition of BZ S.A.’s shares under the privatisation process affected the proposed structure of the Merger and the outcome of the discussions. Such commitments include: a restriction on AIB EI’s right to transfer or dispose of its shares in the Bank, and a temporary restriction on the right to use or dispose of a material part of the Bank’s assets or business. In addition, the Bank’s registered office must remain in Wrocław. The Minister of the State Treasury, who was informed of the proposed Merger, has granted his consent to the Merger and to a subsequent change of the Bank’s name to “Bank Zachodni WBK S.A.”.

On October 9, 2000, meetings of the management boards of both BZ S.A. and WBK S.A. were held to consider a proposed merger. Upon due consideration of the information presented, each of the respective management boards unanimously approved the Merger, and the Preliminary Merger Agreement providing a framework for the agreement on the final terms and conditions of the Merger, and passed resolutions, pursuant to which the management boards of BZ S.A. and WBK S.A. decided to commence the Merger process. On the same day, the Bank Council of WBK S.A. and the Supervisory Board of the BZ S.A. were provided with information on the background of the Merger process and on the provisions of the Preliminary Merger Agreement. Both these supervisory bodies approved the proposed Merger and its method of implementation in accordance with the framework set out in the Preliminary Merger Agreement.

In addition, the respective management boards appointed advisors responsible for the provision of advisory services with respect to the Merger. Upon completion of due diligence, the data to be used as a basis for the calculation of the projected adjusted net asset value was agreed and the Share Exchange Ratio was determined. On November 13, 2000 the management boards of BZ S.A. and WBK S.A. approved the Share Exchange Ratio and the terms and conditions of the Final Merger Agreement, and decided to recommend the Merger Resolutions to their respective shareholders. The basis for this recommendation and the adoption of the resolutions included opinions issued by selected financial institutions regarding the fairness of the Share Exchange Ratio calculations. On the same day, the Final Merger Agreement was also signed by both banks.

In the Final Merger Agreement, BZ S.A. and WBK S.A. both approved draft Merger Resolutions which were to be put before general shareholders meetings of both banks and which were attached as appendices to that agreement. The Management Board of BZ S.A. further undertook to recommend to the EGSM a resolution concerning an amendment to its Statutes, to be made in accordance with the draft Merger Resolution.

On November 13, 2000, the Bank Council of WBK S.A. and the Supervisory Board of BZ S.A. held special meetings to consider the Final Merger Agreement and the resolutions adopted by the management boards of both banks with respect to the Merger. Upon due consideration of the documents, both supervisory bodies approved the Final Merger Agreement and the draft Merger Resolutions, and expressed support for their respective management board’s recommendations to their respective shareholders, concerning the adoption of the Merger Resolutions. In addition, the Supervisory Board of the Bank approved the draft resolution of the EGSM regarding the amendment to the Bank’s Statutes.

On December 20, 2000, extraordinary general shareholders meetings of BZ S.A. and WBK S.A. passed the respective Merger Resolutions.

The form of the Merger Resolution approved by the shareholders of the Bank is available upon request from the Head Office of the Bank.

9. TYPES AND VALUES OF THE BANK'S FUNDS AND RULES GOVERNING THEIR ESTABLISHMENT

According to the Bank's Statutes and currently binding law, the Bank's funds include share capital, supplementary capital, reserve capital and the general banking risk fund.

Under Art. 30.1.a of the Banking Law, a bank is required to maintain capital in an amount commensurate with the kinds of banking activity anticipated and the scale of operations intended. A bank's capital cannot be funded from loans, credits or any undocumented sources.

Under Art. 127 of the Banking Law, a bank's capital comprises core capital and additional capital. Depending on the legal status of the bank in question, core capital may comprise of: registered equity, paid-up and registered share capital or the members' share fund, together with other funds (capital) appropriated from net profit, share premiums and additional contributions to capital by shareholders (according to the law and a bank's statutes the additional contributions may be used solely to absorb net losses of the bank), as well as a general banking risk fund, held against unspecified risks arising from banking operations.

Subject to the approval of the BSC, a bank's additional capital may comprise, in particular, of:

- Funds accepted by the bank for a period of at least 5 years, which under contractual agreement cannot be withdrawn from the bank earlier, and in the event of the bank's bankruptcy or liquidation shall be subordinated to the claims of all other creditors, with the amount of such funds included in capital being no greater than 50% of core capital and being reduced annually by 20% of the initial value during the final 5 years of the agreement; where such funds are accepted in foreign currency they shall be translated into zloty at the mid-rate published by the NBP ruling on the date the agreement is concluded; and
- Funds established by value adjustments to fixed assets, performed in accordance with specific regulations.

In addition, the BSC may specify by resolution other items of a bank's balance sheets which may be included in supplementary capital, and the conditions and procedure for such inclusion. A bank may also set up and release special accounts during and at the end of the accounting year, on the basis of resolutions of the general shareholders meeting.

The principles for the disclosure of a bank's funds in its accounting records are set out in the Banking Law.

9.1. SHARE CAPITAL

For a detailed description of the Bank's share capital see Sections 10 and 11 below.

9.2. SUPPLEMENTARY CAPITAL

Supplementary capital comprises of:

- (a) share premiums;
- (b) transfers from net profit.

Annual transfers from net profit to supplementary capital must amount to at least 8% of the net profit and are made until the supplementary capital attains the level of at least one third of the share capital of BZ S.A. The amount of the transfer from the net profit is determined by the General Shareholders Meeting. This capital may also be supplemented with funds from other sources, if this is allowed by the law. The supplementary capital is intended to cover the balance sheet losses of the Bank. Any decision regarding use of the supplementary capital is taken by the General Shareholders Meeting.

9.3. RESERVE CAPITAL

Reserve capital comprises of transfers from net profit.

Reserve capital is intended to cover balance sheet losses if such losses exceed the amount of supplementary capital. Any decision regarding use of the reserve capital is taken by the General Shareholders Meeting.

9.4. GENERAL BANKING RISK FUND

The general banking risk fund against unspecified risks associated with banking activity is established from transfers from net profit, in the amount specified by a resolution of the General Shareholders Meeting. The general banking risk fund is intended to cover the costs and losses related to unspecified risks associated with banking activity, for which BZ S.A. has not established a separate reserve.

9.5. SPECIAL ACCOUNTS

Special accounts are established from transfers from net profit pursuant to relevant resolutions of the General Shareholders Meeting, which also determines the level of transfer for each particular special account, unless the obligation to set up a special account is provided for by the law. BZ S.A. has not established any such special accounts.

10. NUMBER AND TYPES OF THE SHARES IN THE SHARE CAPITAL

The Bank's share capital amounts to PLN 329,509,820 and is divided into 32,950,982 registered shares with a par value of PLN 10 (ten złoty) each.

The share capital consists of:

- (a) A Series Shares numbered from No. 0000001 to No. 5120000 – in the amount of 5,120,000 shares, with an issue price of PLN 10.00 per share, issued at par and with a total value of PLN 51,200,000;
- (b) B Series Shares numbered from No. 0000001 to No. 724073 – in the amount of 724,073 shares, with an issue price of PLN 10.00 per share, issued at par and with a total value of PLN 7,240,730;
- (c) C Series Shares numbered from No. 00000001 to No. 22155927 – in the amount of 22,155,927 shares, with an issue price of PLN 10.00 per share, issued at par, with a total value of PLN 221,559,270;
- (d) D Series Shares numbered from No. 0000001 to No. 1470589 – in the amount of 1,470,589 shares, with a par value of PLN 10.00 per share, a total par value of PLN 14,705,890, an issue price of PLN 102.00 per share and a total issue price of PLN 150,000,078;
- (e) E Series Shares numbered from No. 0000001 to No. 980393 – in the amount of 980,393 shares with a par value of PLN 10.00 per share, a total par value of PLN 9,803,930, an issue price of PLN 102.00 per share and a total issue price of PLN 100,000,086;
- (f) F Series Shares numbered from No. 0000001 to No. 2500000 – in the amount of 2,500,000 shares with a par value of PLN 10.00 per share, a total par value of PLN 25,000,000, an issue price of PLN 40.00 per share and a total issue price of PLN 100,000,000.

All the shares constituting the Bank's share capital were acquired and paid-up in cash with the exception of the A and B Series Shares. The A Series Shares became valid as a result of the transformation of BZ S.A. into a joint-stock company. The B Series Shares were paid up with a contribution in the form of certain real estate (a property of the State Treasury), located in Wrocław at ul. Ofiar Oświęcimskich 38/40 (the present building at which BZ S.A.'s Head Office is located).

The Bank's share capital has been fully paid up.

11. CHANGES IN THE SHARE CAPITAL DURING THE LAST FIVE YEARS

On January 1, 1996 the Bank's share capital amounted to PLN 51,200,000 and was divided into 5,120,000 ordinary bearer shares with a par value of PLN 10. All the shares were acquired by the State Treasury.

On November 27, 1996, an Extraordinary General Shareholders Meeting adopted a resolution classifying the shares previously issued as A Series Shares and increasing the share capital of the Bank to the amount of PLN 58,440,730 through the issue of 724,073 B Series Shares, which were paid up in full by a contribution in kind in the form of certain real estate (being a property of the State Treasury), located in Wrocław at ul. Ofiar Oświęcimskich 38/40. All the shares in the increased share capital were acquired by the State Treasury.

The increase in the share capital was registered by the Registry Court on December 21, 1996. Following the increase, the State Treasury held 5,844,073 shares, consisting of 100% of the Bank's share capital.

On December 23, 1996, an Extraordinary General Shareholders Meeting adopted a resolution increasing the share capital through the issue of new shares. The Bank's share capital was increased to the amount of PLN 280,000,000 by the issue of 22,155,927 C Series Shares with a total value of PLN 221,559,270. The C Series Shares were acquired in full by the State Treasury and paid up by the transfer of PLN 170,000,000 from the reserve capital, PLN 37,037,011.69 from the supplementary capital and PLN 14,522,258.31 from the risk fund set up from the 1991 net profit. This increase in the share capital was registered by the Registry Court on December 31, 1996. Following the increase, the State Treasury held 28,000,000 shares, consisting of 100% of the Bank's share capital.

On January 29, 1999, an Extraordinary General Shareholders Meeting approved the conversion of the A and C Series Shares from bearer to registered shares. As a result, all the shares held by the State Treasury became ordinary registered shares. This change was registered by the Registry Court on February 26, 1999.

Pursuant to the share purchase agreement concluded on June 24, 1999 between the Minister of State Treasury and AIB EI, some of the A Series Shares and all of the C Series Shares, constituting in total 80% of the share capital of the Bank, were sold to AIB EI. The shares were transferred to AIB EI on September 16, 1999.

On October 14, 1999 an Extraordinary General Shareholders Meeting adopted a resolution increasing the share capital of the Bank to PLN 294,705,890 through the issue of 1,470,589 D Series Shares. These shares conferred a right to participate in dividend payments commencing in 1999. Pursuant to the Privatisation Agreement, the D Series Shares were acquired by AIB EI. A resolution by the Extraordinary General Shareholders Meeting excluded the State Treasury's pre-emption rights to acquire these shares. The total issue price amounted to PLN 150,000,078. The share premium, amounting to PLN 135,294,188, was transferred in full to the supplementary capital of BZ S.A. This capital increase was registered by the Registry Court on October 25, 1999. Following the increase, BZ S.A.'s share capital consisted of 29,470,589 shares of which 5,600,000 shares were held by the State Treasury (constituting approximately 19% of the share capital) and 23,870,589 shares were held by AIB EI (constituting approximately 81% of the share capital).

On March 15, 2000, an Extraordinary General Shareholders Meeting adopted a resolution increasing the share capital of the Bank to PLN 304,509,820 through the issue of 980,393 E Series Shares, which were acquired in full by AIB EI. The total issue price amounted to PLN 100,000,086. These shares conferred a right to participate in dividend payments commencing in 2000. Pursuant to the provisions of the Privatisation Agreement, the existing shareholders' pre-emption rights were excluded by a resolution of the General Shareholders Meeting. Pursuant to the resolution of the General Shareholders Meeting, the share premium, amounting to PLN 90,196,156 arising from the issue of the E Series Shares, was allocated to the supplementary capital of BZ S.A. This increase was registered by the Registry Court on May 17, 2000. Following this increase, the Bank's share capital was divided into 30,450,982 shares, including 5,600,000 shares held by the State Treasury (constituting approximately 18.4% of the share capital) and 24,850,982 shares held by AIB EI (constituting approximately 81.6% of the share capital).

Pursuant to Art. 36.1 of the Commercialisation Act, some of the Bank's shares held by the State Treasury were made available to certain eligible current and former BZ S.A. employees. Following the delivery of the shares to such eligible employees, the following held shares in the Bank, as at November 14, 2000:

- (a) AIB EI, which held in total 24,850,982 shares constituting approximately 81.6% of the share capital;
- (b) current and former employees of BZ S.A., who held in total 4,094,847 A Series Shares, constituting approximately 13.4% of the share capital;
- (c) the State Treasury, which held in total 1,505,153 shares, including 781,080 A Series Shares and 724,073 B Series Shares constituting approximately 4.9% of the Bank's share capital.

On November 21, 2000, an Extraordinary General Shareholders Meeting adopted a resolution increasing the share capital of the Bank to PLN 329,509,820 through the issue of 2,500,000 F Series Shares. These shares were acquired in full by AIB EI and paid up in cash. The total issue price amounted to PLN 100,000,000. F Series Shares are entitled to participate in dividend payments starting from 2001. In accordance with the relevant resolution, the pre-emption rights of the existing shareholders to acquire new shares were excluded. The General Shareholders Meeting resolved that the share premium, amounting to PLN 75,000,000, be transferred to the supplementary capital of BZ S.A. This increase was registered by the Registry Court on November 30, 2000.

Following this increase, as at January 31, 2001, the Bank's share capital amounted to PLN 329,509,820 and is divided into 32,950,982 ordinary registered shares, including:

- (a) 27,350,982 shares held by AIB EI (including 244,073 A Series Shares, 22,155,927 C Series Shares, 1,470,589 D Series Shares, 980,393 E Series Shares and 2,500,000 F Series Shares), constituting approximately 83% of the share capital;
- (b) 1,412,100 shares held by the State Treasury (including 688,027 A Series Shares and 724,073 B Series Shares), constituting approximately 4.29% of the share capital;
- (c) 4,187,900 A Series Shares held by current and former employees, constituting approximately 12.71% of the Bank's share capital.

On December 20, 2000, an Extraordinary General Shareholders Meeting of BZ S.A. passed a resolution on the Merger with WBK S.A. and on the amendment to the Bank's Statutes. The Extraordinary General Shareholders Meeting resolved to implement the Merger through a transfer of all the assets of WBK S.A. to BZ S.A., in exchange for the shares to be allotted by BZ S.A. to the shareholders of WBK S.A. Upon the Merger becoming effective, the share capital of the Bank will be increased by PLN 400,093,020 through the issue of 40,009,302 G Series Shares, with a par value of PLN 10. The G Series Shares will be allotted to the shareholders of WBK S.A. in exchange for their shares in WBK S.A., in accordance with the Share Exchange Ratio of 1 G Series Share for 1.72 WBK S.A. shares.

Pursuant to the Merger Resolution, the G Series Shares shall participate in dividends, pari passu with the previously issued BZ S.A. shares, commencing from January 1, 2002 (i.e. in relation to the accounting year 2001).

As a result, holders of G Series Shares will be entitled to dividends out of the Bank's net profit for 2001, provided such profits are made and the General Shareholders Meeting passes an appropriate resolution on the distribution of such profit in 2002.

After all required consents and permits and the court decisions necessary to effect the Merger have been obtained, the Management Board shall notify the Registry Court of the capital increase of BZ S.A.

The table below presents the individual types and respective amounts of the Bank's capital as at the specified dates.

Table No. 5

	31.12.1996 (PLN)	31.12.1997 (PLN)	31.12.1998 (PLN)	31.12.1999 (PLN)	31.12.2000 (PLN)
Share Capital fully paid up	280,000,000.00	280,000,000.00	280,000,000.00	294,705,890.00	329,509,820.00
Supplementary capital	94,599,729.99	94,626,202.63	95,400,760.71	246,723,971.09	412,003,877.92
Revaluation reserve	22,067,541.39	22,041,068.75	21,266,510.67	20,772,019.62	20,688,268.79
General risk fund	71,414,493.94	92,937,736.94	59,810,000.00	59,810,000.00	59,810,000.00
Other capital (reserves)	13,184,162.89	91,481,239.85	212,259,987.68	212,259,987.68	215,430,891.49
Accumulated net/loss/profit from previous years	134,757,370.96	140,807,782.89	26,544,531.33	3,170,903.81	(89,980,123.64)
Total equity	616,023,299.17	721,894,031.06	695,281,790.39	837,442,772.20	947,462,734.56

12. SHARES HELD BY THE BANK OR A MEMBER OF ITS CAPITAL GROUP

Neither the Bank nor any of the members of its capital group hold any Shares.

13. SECURITIES MARKETS ON WHICH THE SHARES ARE LISTED

The Shares have not been listed on any regulated securities markets.

14. SHAREHOLDINGS IN OTHER ENTITIES

The Bank is the dominant entity within the meaning of Art. 4.16a of the Polish Securities Act with respect to five entities registered in the Republic of Poland. In addition, and excluding its trading portfolio, the Bank also has share interests (i.e. holds such numbers of shares as does not result in a relationship of dominance) in 28 entities registered in the Republic of Poland, and one entity registered outside the Republic of Poland.

Its relationship with Dom Maklerski BZ S.A. and Zachodnie Systemy Teleinformatyczne Sp. z o.o. are of a permanent nature because to a limited extent they pursue a shared management policy. With respect to the remaining entities, such relations are not permanent due to the minority share held by the Bank in the capital of these companies and, thus, the Bank has no ability to control their activities, or due to the fact that the scope of their activities is not complimentary with the Bank's activities.

The tables presented below specify the Polish companies in which BZ S.A. had share interests, as at February 28, 2001.

BZ S.A. subsidiaries:

Table No. 6

No.	Company name	Type of business	Type of dominance	Beginning of dominant relationship	Inclusion in the consolidated financial statements of the Bank	% of votes	% of capital
1.	Dom Maklerski BZ S.A.	Brokerage services	Majority holding	1999	Yes	100.0	100.0
2.	Zachodnie Systemy Teleinformatyczne Sp. z o.o.	Services	Majority holding	1999	No	100.0	100.0
3.	G.R. NIEPRUSZEWO Sp. z o.o.	Agricultural production	Majority holding	1996	No	100.0	100.0
4.	G.R. CISY Sp. z o.o.	Under liquidation	Majority holding	1996	No	100.0	100.0
5.	LEN S.A.	Manufacturing	Majority holding	1998	No	50.1	39.40

BZ S.A. affiliates:

Table No. 7

No.	Company name	Type of business	Year of achieving substantial impact	Inclusion in the consolidated financial statements of the Bank	% of votes	% of capital
1.	Kanwig-Trading Żurawica Sp. z o.o.	In liquidation	1996	No	45.57	77.00
2.	Kanwig Agencja Celna Sp. z o.o.	In liquidation	1996	No	49.00	49.00

BZ S.A. minority interests:

Table No. 8

No.	Company name	% of votes	% of capital
1.	Chocianowska Spółdzielnia Mieszkaniowa*	N/A	N/A
2.	Spółdzielnia Mieszkaniowa Nadodrze*	N/A	N/A
3.	Międzynarodowa Szkoła Bankowości i Finansów Sp. z o.o.	3.8	3.8
4.	Invest Park Wałbrzyska Specjalna Strefa Ekonomiczna Sp. z o.o.	0.7	2.0
5.	Fabryka Urządzeń Mechanicznych Poręba Sp. z o.o.	0.0	0.0
6.	Fabryka Nici ODRA S.A., in bankruptcy	12.5	12.5
7.	Huta Szczecin S.A.	1.6	1.6
8.	Bank Powierniczo-Gwarancyjny S.A. w Warszawie, in liquidation	1.6	1.8
9.	Dolnośląska Agencja Rozwoju Regionalnego S.A.	2.2	2.5
10.	Agencja Rozwoju Regionalnego Agroreg S.A.	7.8	7.8
11.	Agencja Rozwoju Regionalnego Arleg S.A.	5.2	5.2
12.	Karkonoska Agencja Rozwoju Regionalnego S.A.	2.7	2.7
13.	Bankowe Przedsiębiorstwo Telekomunikacyjne Telbank S.A.	3.3	3.3
14.	Środowoeuropejskie Centrum Ratingu Analiz S.A.	2.3	2.3
15.	Wrocławska Agencja Rozwoju Regionalnego S.A.	0.6	0.6
16.	Legnicka Specjalna Strefa Ekonomiczna S.A.	0.6	0.5
17.	Biuro Informacji Kredytowej S.A.	2.6	2.6
18.	Krajowa Izba Rozliczeniowa S.A.	5.7	5.7
19.	Giełda Poznańska S.A.	1.0	1.6
20.	Polska Giełda Finansowa S.A.	3.1	3.1
21.	Wałbrzyska Giełda Rolno-Spożywcza S.A.	0.7	0.6
22.	Dolnośląskie Centrum Hurtu Rolno-Spożywczego S.A.	1.9	2.2
23.	Gorzowski Rynek Hurtowy S.A.	9.9	5.7
24.	Giełda Elbląska S.A.	1.1	0.8
25.	Vienna Leas International S.A.	2.5	8.7
26.	Wrocławski Park Technologiczny S.A.	19.9	21.2

* Both these entities are co-operatives and do not have share capital

Interests in Companies outside the Republic of Poland

Table No. 9

No.	Company name	Type of business	Type of dominance	Beginning of dominance relationship	Inclusion in the consolidated balance sheet of the BAnk	% of votes	% of capital
1.	International Westfund Holdings Ltd.	Fund management	Capital	1995	no	33.7	33.7

INFORMATION ON THE ACTIVITY OF THE ISSUER

1. GENERAL INFORMATION ON THE ISSUER'S ACTIVITY

1.1. INTRODUCTION

As at December 31, 2000 BZ S.A. is the twelfth largest bank in Poland in terms of net assets and the fourteenth largest in terms of total assets. In terms of the number of ATMs and payment cards issued, it is ranked seventh in Poland. As at December 31, 2000, it is estimated that the total number of BZ S.A. customers (personal and corporate/commercial) was 903,471.

At the date of this Prospectus, the Bank has 5 subsidiaries and 3 affiliated companies. Dom Maklerski BZ S.A. and Zachodnie Systemy Teleinformatyczne Spółka z o.o. are the principal subsidiaries of the Bank and are described in Chapter V.

1.2. MANAGEMENT OF OPERATIONS

The Bank follows a branch banking operating model. The branch network is the core delivery channel of the Bank's products and services and is central to the Bank achieving its business goals by providing opportunities for customer capture and customer relationship management. During 2000, BZ S.A. continued to expand its branch network by opening 17 new outlets, and increasing its network to 208 outlets by the end of December, 2000. The Bank's most concentrated branch representation is in the Lower Silesia region. In 2000, BZ S.A. introduced a new style branch design which was created to offer customers a full range of banking services in an open plan, friendly environment which is more conducive to transacting banking business.

Also during 2000, BZ S.A. introduced a new regional structure whereby the branch network was divided into 8 regions. This structure was designed to enhance the management of the branch network and to develop specific strategies for distinct geographic markets. The structure also enables branches to optimise the support from the Head Office and thereby deliver an enhanced sales and service proposition to customers.

Head Office of the Bank is responsible for providing operational support to the branch network and regional offices. It also establishes the strategic objectives for the Bank, is primarily responsible for the management of the development of new products and services, treasury and risk management, and the loan portfolio of the Bank in relation to large corporations and public sector entities. Head Office is also responsible for certain legal and administrative functions.

Apart from its branch network, the Bank has invested extensively in developing its ATM network as an electronic delivery channel for its banking services. Following the announcement in October 2000 of the intended merger between BZ S.A. and WBK S.A., the network of ATMs of both banks has been unified under the common name BZ-WBK-24. Since November 1, 2000, customers of BZ S.A. can access a network of ATMs which, as at December 31, 2000, totalled 487 facilities. It is estimated that BZ S.A. and WBK S.A. together have the third largest number of ATMs in Poland. Other forms of electronic banking, such as payment cards, home and corporate banking, and the planned commencement of telephone and internet banking, are delivery channels for the Bank's products and services and are expected to become increasingly important.

2. INFORMATION ON BANK ZACHODNI S.A. AND MAJOR ENTITIES IN THE CAPITAL GROUP

2.1. CORE PRODUCTS AND SERVICES OF BANK ZACHODNI S.A.

BZ S.A. is a general retail and commercial bank offering its customers a broad spectrum of products and services in both Polish zloty and foreign currencies. BZ S.A.'s principal business areas can be described as:

- Personal banking,
- Corporate and commercial banking,
- Additional banking activities including electronic banking, domestic and international settlements, treasury and investment services.

The table below sets out the Bank's gross income from banking operations by principal business areas for each of the years ended December 31, 1998, 1999 and 2000.

Table No.10 (PLN '000)

Principal Business Area	1998	1999	2000
Personal banking	137,438	143,482	170,663
Corporate and Commercial banking	912,838	769,787	872,608
Additional activities	367,974	385,915	609,042
Total	1,418,250	1,229,184	1,652,313

2.1.1. Personal banking

The Bank provides its personal customers with a comprehensive range of products and services. The products and services offered to customers include:

- 1) personal accounts and deposits for retail customers,
- 2) personal loans,
- 3) electronic banking services, including:
 - remote access to the account (home banking),
 - debit and credit cards,
 - ATMs,

(see Section 2.1.3.1 below for a description of electronic banking services),

- 4) other services, including domestic and international cash settlements.

The Bank is pro-active in developing new products and updating its current range of personal banking products and services to meet its customers' requirements while remaining competitive. The Bank has also undertaken steps to standardise and improve its services.

2.1.1.1. Personal accounts and term deposits

BZ S.A. offers its personal customers the following personal accounts and deposit products:

- 1) standard personal accounts,
- 2) "X-tra" Student accounts and personal accounts for young people,
- 3) demand deposit accounts in Polish zloty and foreign currencies,
- 4) time deposit accounts,
- 5) PLUS deposit accounts,
- 6) savings accounts,
- 7) START time deposits for personal account holders.

The table below presents the principal personal current and deposit accounts of BZ S.A., by amount and percentage of total of such principal personal current and deposits accounts as at the dates specified below.

Table No.11 (PLN '000)

Account Type	Dec. 31, 1998		Dec. 31, 1999		Dec. 31, 2000	
	Amount	%	Amount	%	Amount	%
Standard personal accounts	477,720	12.2	573,203	13.4	567,517	11.1
X-tra Student account and personal accounts for young people	-	0.0	-	0.0	6,647	0.1
Demand deposit accounts in PLN	27,427	0.7	8,101	0.2	9,161	0.2
Demand deposit accounts in foreign currencies*	173,345	4.4	196,240	4.6	205,432	4.0
Time deposits accounts in PLN	2,723,945	69.3	2,874,428	67.2	3,652,705	71.4
Time deposit accounts in foreign currencies*	528,695	13.4	627,301	14.7	672,592	13.2
Total	3,931,132	100.0	4,279,273	100.0	5,114,054	100.0

* Principally denominated in GBP, CHF, EUR, DEM, FFR or USD

Total funds held in personal and term deposit accounts as at December 31, 2000 was PLN 5,114,054 thousand (an increase of 19.5%) which is due primarily to the increase in time deposits in Polish zloty. Total personal accounts and term deposits accounted for 54.92% of the Bank's total liabilities and equity as at December 31, 2000.

The principal highlight in 2000, was the strong growth recorded by the Bank in the number of personal accounts maintained, which grew by 32%. As at December 31, 2000, the Bank managed approximately 355,000 accounts. This strong growth was due to changes introduced in 2000 with regard to personal accounts such as: simplification and standardisation of procedures for opening personal accounts; improvement in commercial conditions of the accounts; easy access to the funds; and loans granted to the owners of the accounts. The Bank offers a standard personal account, a personal account for young people and X-tra Student account.

The Bank also launched in 2000 its X-tra Student accounts and personal accounts for young people as part of the Bank's strategy to develop products which meet the requirements of individual segments of its personal customer base. Those personal accounts have proved to be very popular, with approximately 20,000 accounts opened by the end of December 2000.

As at December 31, 2000, time deposits made by retail customers both in Polish zloty and foreign currencies totalled PLN 4,325,297,000 of which Polish zloty-denominated deposits accounted for PLN 3,652,705,000 (84.44% of total amount of time deposits). This translated into nominal retail deposit growth of 19.5%, (or PLN 834,781,000) as compared to 1999. As of December 31, 2000 they constituted 54.92% of the total assets. The increase in Polish zloty denominated time deposits in 2000 was mainly due to the general increases in interest rates in Poland during 2000 and the increased sophistication of the Bank's personal customers.

2.1.1.2. Personal lending activity

General

The table below presents the loan products offered to personal customers of BZ S.A., and their respective amount and percentage of the total amount of personal loans as at the dates specified below.

Table No. 12 (PLN '000)

Loan Product Type	Dec. 31, 1998		Dec. 31, 1999		Dec. 31, 2000	
	Amount	%	Amount	%	Amount	%
Cash loans	181,975	31.1	244,637	33.1	300,382	33.3
Overdrafts on personal accounts	40,825	6.9	68,009	9.2	166,516	18.5
Car Installment loans	158,559	27.1	135,886	18.4	103,905	11.5
Installment loans for goods and services	107,619	18.4	178,756	24.2	184,807	20.5
Mortgage loans	22,504	3.9	35,006	4.8	65,360	7.2
Lombard loans	4,353	0.7	2,716	0.4	3,468	0.4
Loans for purchase of securities	3,214	0.6	5,299	0.7	11,447	1.3
Student loans	167	0.0	6,571	0.9	11,719	1.3
Other	64,981	11.3	61,187	8.3	54,381	6.0
Total	584,197	100.0	738,067	100.0	901,985	100.0

As at December 31, 2000 the total amount of loans granted by BZ S.A. to personal customers was PLN 901,985,000, which comprised 9.7% of the Bank's total assets as at December 31, 2000. Compared to December 31, 1999, the total amount of personal loans increased by 22.21% primarily due to the growth of cash loans and overdrafts on personal accounts. As at December 31, 2000 the most important loan products, by amount, were cash loans, overdrafts on personal accounts and installment loans. In percentage terms, the largest increase was reported in loans for the purchase of securities and student loans, reflecting the expansion of the Bank's brokerage activity, and its focus on the growing student market as a source of customers.

The increases in cash loans and overdrafts arose primarily as a result of strong growth in the number of personal accounts opened with BZ S.A., driven by modifications made to the personal account product offering which simplified and standardised procedures for opening a personal account, improved the commercial conditions of the account, and facilitated easy access to the funds for the owners of the accounts.

Overall levels of personal indebtedness in Poland are low compared to European Union levels. This is due to the effects of NBP monetary policy, and macro economic fundamentals. The NBP increased interest rates sharply during 2000 which resulted in a dampening of consumer demand and limited growth in personal lending in Poland. However, it is expected that overall levels of personal indebtedness will increase over time and personal lending will be a key area of growth for BZ S.A. in the medium to long-term.

The Bank's Management Board believes that the three principal growth areas in personal lending will be (i) cash loans and overdrafts on personal accounts (ii) mortgage loans and (iii) credit cards. The Bank during 2000 has taken a number of steps to improve its product offering in these three areas with a view to increasing volume and market share.

The growth of credit to personal customers will be driven primarily by increases in the numbers of personal accounts maintained with BZ S.A. and is discussed further in the above section of this Chapter V entitled "Personal accounts and term deposits".

In relation to mortgage lending, the Bank heavily modified its product offering to make it more attractive to its customers. These modifications included (i) increasing the maximum term of mortgage loans from twelve to twenty five years; (ii) granting mortgage and building loans denominated in DEM, EUR and USD; (iii) the extension of mortgage loans for cottages, recreational land and the purchase of flats for rent; (iv) facilitating credit insurance until the mortgage is registered; and (v) the simplification of mortgage and building loan approval procedures.

The description of the Bank's credit cards services is provided in Section 2.1.3.1 "Electronic Banking" below.

Personal lending policies and procedures

Detailed rules and guidance are provided to outlets by the Bank's Head Office regarding loan approvals, determining customer creditworthiness, security requirements and the monitoring of personal loans. Individual outlets are responsible for processing personal loan applications and monitoring such loans. Following the acquisition by AIB EI of a controlling stake in BZ S.A., a number of measures were introduced to improve the quality of the personal loan portfolio and to ensure consistent practice throughout the Bank's outlets. These included the introduction of a quality assurance system which involved a designated team visiting each of the Bank's outlets to review and assess the loan portfolio, to advise on additional procedures and practices to be introduced and to determine what additional loan provisioning may be required in respect of personal lending.

In order that the Bank can grow its personal lending activities in a controlled and prudent manner, the Bank is introducing a number of measures relating to loan origination procedures and assessment of customer creditworthiness.

The Bank is also taking steps to make personal lending more attractive to its customers by simplifying and standardising loan application procedures, and accepting loan security which is more convenient for customers while providing the Bank a prudent level of protection.

The Bank is also in the process of implementing a credit scoring system for personal lending which will be operated by a centralised credit scoring centre. Each customer will be awarded a credit score based on a number of factors, including income and credit history. This system will ensure a standardisation of approach to personal lending through the Bank and will accelerate the loan approval process.

The risk management policies of the Bank are described in detail in Chapter VI – Section 1.3.

2.1.1.3. Other personal banking services

The Bank also provides its customers with other services and products including payment cards (debit and credit cards) and international and domestic settlement services.

During the year 2000, the Bank issued 261,311 payment cards to its customers, representing a 148% increase in the number of cards issued in the previous year. For further information, see Section 2.1.3.1 "Electronic Banking".

For a detailed description of the international and domestic settlement services offered by the Bank, see Section 2.1.3.2.

2.1.2. Corporate and commercial banking

BZ S.A. provides a wide range of products and services to its business customers. Its business customers include large corporates, small and medium sized enterprises ("SMEs"), as well as other institutional clients including public sector and local government entities. The products and services offered to business customers include various types of loans, denominated in Polish zloty and foreign currencies, the arrangement and issuance of guarantees, suretyships and letters of credit, debt factoring and receivables financing, general and customised current and deposit accounts, international payment cards, remote account access (corporate banking), domestic and international settlements and international transactions.

As at December 31, 2000, the Bank had approximately 55,000 business customers. Historically, the Bank's primary distribution channel for its business clients has been its branch network. Although the branch network will be the core delivery channel for the Bank going forward, the primary relationships with the larger corporates and institutions will be managed from Head Office.

2.1.2.1. Corporate and commercial credit products

BZ S.A. offers its business customers a comprehensive range of credit products. These credit products include short and medium term loans, including working capital facilities in the form of overdrafts, and medium and long term investment loans, denominated in Polish zloty and foreign currencies. The Bank also offers its business customers debt factoring and receivable financing products, as well as off-balance sheet products such as guarantees, suretyships and letters of credit and discounting bills of exchange.

BZ S.A. requires its business customers to provide security in connection with credit provided by the Bank. This security may be in a number of forms including suretyships under civil law, suretyships for promissory notes, guarantees, transfer of receivables, pledges, mortgages, assignment of claims, transfer of ownership of assets, promissory notes, cash collateral and power of attorney to bank accounts. The nature and level of collateral required by the Bank will depend on a number of factors, but, in particular, on the credit standing of the relevant customer assessed by the Bank using strict criteria.

As at December 31, 2000 the Bank's total exposure in relation to loans granted to its business customers amounted to 82.4% of its total loans.

Following the acquisition by AIB EI of a controlling interest in the Bank, a detailed quality assurance process was carried out by a designated team from the Bank which involved the team visiting each outlet of the Bank and reviewing the business loan portfolio of the Bank to determine the level of non-performing loans within the loan portfolio and to ensure that they were adequately provisioned against. See Chapter VI – Section 1.3.2.

Loan products

The table below sets out the principal loan products offered to BZ S.A.'s corporate clients and their respective balances as at the dates specified.

Table No. 13 (PLN '000)

Credit Products	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 2000
1. Overdrafts and Working Capital Loans:	1,442,011	1,491,040	1,849,930
– PLN loans	1,100,121	1,162,500	1,489,820
– Foreign currency loans	341,890	328,540	360,110
2. Capital and Investment Loans:	841,890	980,460	954,390
– PLN loan	626,983	631,920	587,920
– Foreign currency loans	214,907	348,540	366,470
3. Subsidised Loans	452,559	399,500	358,100

The Bank provides overdraft and working capital facilities to its business customers in order to finance their current operations and working capital needs. These loans comprised of approximately 44% of the Bank's business loan portfolio, or 36.2% of the Bank's total loan portfolios as at December 31, 2000.

Capital and investment loans are made available to business customers to finance their acquisition of investment assets and other capital expenditures, including building and acquisition of goods (including those payable in installments) and construction and development costs. These investment loans represented 22.66% of the Bank's business loan portfolio as at December 31, 2000.

The Bank is also an active participant in the syndicated loan market, which primarily involves the provision of capital and investment loans. As at December 31, 2000, the Bank was a participant in 21 banking syndicates, involving total commitments by the Bank of PLN 636,483,000.

The Bank also makes available to its business customers subsidised loans. These loans are provided by the Bank in conjunction with relevant public sector entities such as:

- Agency of Agriculture Restructuring and Modernisation,
- Housing and Urban Development Authority,
- Polish Agency of Regional Development,
- Bank Gospodarstwa Krajowego,
- Polish Agency for Enterprise Development,
- Provincial Fund for Environmental Protection and Water Management,
- National Fund for Rehabilitation of the Disabled.

Subsidised loans involve the Bank lending to businesses at market rates of interest, but on terms whereby the borrower is only required to pay a certain portion of such interest, with the sponsoring public sector entity being responsible for the remainder of the interest. Subsidised loans are made available to finance projects which are supported or sponsored by the State, including agricultural activities, investments in environmental projects and projects providing employment to disabled persons. The terms and conditions of these loans must comply with specific and detailed requirements, which are agreed by the Bank and the relevant sponsoring public sector entity, as well as the normal credit criteria of the Bank. Subsidies are applied when the borrower meets all the requirements for a given credit line and repays in full the principal amount and the interest according to the repayment schedule provided for in the loan agreement. In the event of a delayed repayment, the borrower loses the right to the subsidies for the period from the day on which the last payment was paid on schedule to the day preceding the scheduled date for the repayment.

As of December 31, 2000, the Bank, had 16 different preferential loan products, and the aggregate amount outstanding under preferential loans totalled PLN 358.1m, which amounted to 8.5% of its business loan portfolio.

Credits by economic sector

The table below sets out an analysis of the Bank's business loans by economic sector as at December 31, 1998, 1999 and 2000.

Table No.14 (PLN '000)

Sector	Involvement by loans granted					
	Dec. 31, 1998		Dec. 31, 1999		Dec. 31, 2000	
	Amount	%	Amount	%	Amount	%
Wholesale and commission trade						
excluding sale of vehicles	522,503	14.67	449,300	11.93	467,927	11.90
Agriculture, hunting and related services	361,787	10.16	357,767	9.50	335,458	8.53
Construction	171,763	4.82	274,209	7.28	281,291	7.15
Retail trade, excluding sale of mechanical vehicles and motocycles, repair of personal and household use goods	134,576	3.78	203,085	5.39	255,139	6.49
Public administration and national defence;						
Social security	90,875	2.55	70,372	1.87	236,735	6.02
Water gas and electricity supply	99,422	2.79	154,736	4.11	232,904	5.92
Food and beverages processing	184,607	5.18	175,154	4.65	174,072	4.43
Coal mining	178,335	5.01	194,925	5.18	169,495	4.31
Financial services excluding insurance and pension funds	201,485	5.66	210,651	5.59	145,601	3.70
Total – above sectors	1,945,353	54.61	2,090,199	55.51	2,298,622	58.45
Other sectors	1,616,803	45.39	1,674,954	44.49	1,634,168	41.55
Total economic entities	3,562,156	100.00	3,765,153	100.00	3,932,790	100.00

1. All the above loan amounts exclude debt factoring

2. Data for the years 1998 and 1999 includes unpaid and accrued interest.

The Bank's loan exposure to economic sectors has developed over time and reflects the policies earlier pursued by the Bank before AIB EI acquired control over the Bank. In recent years the Bank has identified certain sectors where its credit exposure should be reduced. The Bank is also in the process of re-focusing its business loan portfolio towards higher quality loans.

Credits by Maturity Profile

As at December 31, 2000, the Bank's receivables consisted of 81% of term loans, 15% of current loans and interest of 4%. This 81% of term loans consisted of 12% of loans having a maturity of up to 3 months, 13% having a maturity of 3 months to 1 year, 25% having a maturity of 1 year to 5 years and 31% having a maturity in excess of five years.

2.1.2.2. Debt factoring and receivables financing

Receivables financing enables a customer to access funds prior to when the relevant account receivables would normally become payable or be paid. The Bank provides three types of receivables financing products to its business customers: (i) the purchase of accounts receivables owed to customers; (ii) debt factoring of account receivables with a maturity of up to 90 days; and (iii) discounting of domestic promissory notes with a maturity of up to 180 days which meet the requirements of the applicable laws.

As at December 31, 2000, the Bank's total exposure to receivables financing was approximately PLN 267 million compared to PLN 746 million as at December 31, 1999. This decrease was primarily due to the conversion of receivables payable by the State Treasury into securities, and a reduction in the activity levels of the Bank in this product area.

2.1.2.3. Off-balance sheet items

The Bank in the ordinary course of its business enters contractual commitments on behalf of its customers and, in order to meet the financial needs of its customers, is party to financial instruments which involve off-balance sheet risk. Such financial instruments include guarantees and suretyships, bills of exchange, and letters of credit. Under such arrangements, the financial instruments are issued in favour of third parties and the Bank agrees to make payments on behalf of its customer to such third parties on the happening of certain events, including customer payment default. The relevant customer provides a counter-indemnity to the Bank. These services are usually provided by the Bank on a fee basis. The Bank in entering into such off-balance sheet financial instruments carries out the same credit procedures as if it were being requested to provide a loan directly to the relevant customer.

The table below sets out the amount of the Bank's corporate and commercial off-balance sheet credit liabilities as at December 31, 1998, 1999 and 2000.

Table No. 15 (PLN '000)

Off balance sheet items	Dec. 31, 1998		Dec. 31, 1999		Dec. 31, 2000	
	Amount	%	Amount	%	Amount	%
Guarantee of bills of exchange	9,438	1.1	11,910	1.5	7,688	0.8
Bank guarantees	161,764	19.4	138,050	17.5	139,526	14.6
Letters of credit	31,735	3.8	12,914	1.6	21,966	2.3
Underwriting of securities issue	100	0.0	31,000	3.9	12,500	1.3
Open credit lines	579,844	69.7	583,103	73.8	658,319	68.7
Other	49,574	6.0	13,237	1.7	117,915*	12.3
Total	832,455	100.0	790,214	100.0	957,914	100.0

* Includes liabilities due to sale and repurchase transactions in an amount of PLN 98.8 million.

2.1.2.4. Corporate and commercial lending policies and procedures

Historically, individual outlets were responsible for providing and managing the Bank's credit products made available to its business customers. Branch managers typically had a wide discretion to determine the amount of credit to be made available to customers and the management of such credit. In addition, the Bank did not segment its business customer base.

The Bank has taken a number of steps to streamline and centralise the procedures for granting and managing its credit exposures to its business customers, based on a modern banking credit assessment criteria. In this regard, the Bank introduced a Handbook of Business Loan Services which sets out detailed procedures for among other things: (i) evaluating credit applications; (ii) lending limit exposures for customers and economic sectors; and (iii) collateral required for certain types of loans and the valuation of such collateral. The credit discretion limits of branch managers have been significantly reduced with the Credit Division of the Bank assuming responsibility for approving loans over a certain threshold amount. In addition, the Bank has established a quality assurance department to review on a continual basis the loan portfolio of each outlet and of Head Office.

The Management Board of the Bank believes that these initiatives will ensure greater consistency in the quality of the credits granted, while also enabling the branches and outlets to devote more time to improving and managing their relationship with its business customers and to marketing and selling products and services to these customers.

The Management Board of the Bank is also in the process of segmenting its business customer base into groups with similar banking needs in order to better service the specific requirements of such customers. The Bank intends to divide its business customers into two primary segments; (i) SMEs and (ii) Corporate. A full range of products and services will be developed and/or adapted to meet the specific requirements of SME customers and the Bank's outlets will continue to have prime responsibility for managing this relationship, with support from regional offices and the Head Office. The Credit Division will have responsibility for managing the relationship with corporate customers which will include large corporates, public sector institutions, public companies, foreign controlled-companies and specific economic sectors.

2.1.2.5. Current and Deposit Accounts

BZ S.A. offers various kinds of current and time deposit products to its business customers.

The table below sets forth information on current and time deposits offered by the Bank to business customers as at the dates specified in the table.

Table No. 16 (PLN '000)

	Dec. 31, 1998		Dec. 31, 1999		Dec. 31, 2000	
	Amount	%	Amount	%	Amount	%
PLN current accounts	1,424,619	66.6	1,339,420	66.1	1,092,378	48.3
Foreign currency current accounts	42,374	2.0	41,468	2.0	61,399	2.7
PLN time deposits	656,059	30.7	611,433	30.2	1,026,480	45.4
Foreign currency time deposits	13,126	0.6	34,331	1.7	35,176	1.6
Overnight deposits	2,624	0.1	1,167	0.1	45,642	2.0
Total	2,138,802	100.0	2,027,819	100.0	2,261,075	100.0

Source: BZ S.A.

As at December 31, 2000, BZ S.A. maintained approximately 60,000 current accounts for corporate and commercial customers. As at December 31, 1998, 1999, and 2000, the total amount of all deposits maintained by the Bank on behalf of business customers was PLN 2,138,802,000, PLN 2,027,819,000 and PLN 2,261,075,000, respectively, which represented 35.2 %, 32.14 %, and 30.7% of all deposits held by the Bank.

As at December 31, 2000 funds held in business current and deposit accounts represented 24.3% of the Bank's total liabilities and equity, compared to 25.4% as at December 31, 1999.

As at December 31, 2000 the value of the funds held in business current accounts in Polish zloty and foreign currencies was approximately PLN 1,153,777,000 of which 94.6% were denominated in Polish zloty.

As at December 31, 2000 time deposits made by business customers in Polish zloty and currencies amounted to approximately PLN 1,061,656,000 of which 96.6% were denominated in Polish zloty. Time deposits denominated in Polish zloty as at December 31, 2000 increased by 67.9% compared to December 31, 1999. This increase was primarily due to the overall increase in average interest rates in Poland during 2000 making time deposits more attractive to business customers. In addition, business customers utilised available cash in a more efficient manner as is reflected by the decrease in the balances in current accounts and the corresponding increase in time deposits.

The Bank modifies its range of business current account and deposit products on an on-going basis. As part of its customer segmentation strategy, the Bank is developing current account and deposit products, which more closely match the specific requirements of particular customer segments and SMEs in particular.

2.1.2.6. Other corporate and commercial banking services

The Bank also provides its business customers with other services and products which assist them in their activities, including international payment cards, electronic banking (corporate banking), international and domestic settlement and foreign trade services.

The Bank provides its business customers with debit cards. During the year ended December 31, 2000, the Bank issued approximately 4,842 payment cards to its business customers, representing an 83.5% increase in the number of cards issued in the previous year. For further information, see Chapter V – Section 2.1.3.1. below.

For a detailed description of the international and domestic settlement services and foreign trade services, see Chapter V – Section 2.1.3.2. below.

Since 1994, BZ S.A. has participated in the financing of leasing activities by entering into cooperation agreements with numerous leasing companies. The basic forms of financing include loans for the purchase of leased assets and the buyout of leasing receivables. Such loans are mostly granted to leasing companies for the partial or full financing of the purchase of leased assets, based on the concluded leasing agreements.

2.1.3. Additional activities

2.1.3.1. Electronic banking

Electronic banking is a key growth area for the Bank and is comprised of:

- Payment cards (debit and credit cards),
- Automatic Teller Machine (“ATM”) network,
- Home/corporate banking, and
- Telephone and internet banking (planned to be launched).

A separate division of the Bank, the Electronic Banking Division, has responsibility for all strategic and certain operational matters relating to electronic banking.

Payment cards

BZ S.A. offers the following payment cards to its personal customers: 1) Visa Electron and Maestro – electronic debit cards, 2) Maestro X-tra Student – an electronic debit card for students; 3) Euro<26 Visa Electron – an electronic debit card for young people; 4) Visa Classic – debit card; 5) Eurocard/Mastercard – a charge card; and 6) Visa Classic – a credit card. For its business customers, BZ S.A. provides Visa Business cards and Eurocard/Mastercard Business Gold cards, all of which are embossed charge cards within defined agreed limits.

The table below outlines the number of payment cards issued by the Bank during 1998, 1999 and 2000 respectively.

Table No.17

Card Type	1998	1999	2000
Personal	70,641	175,773	437,084
– Embossed cards	1,486	16,195	48,349
– Credit cards	-	-	1,848
– ATM and electronic cards	69,155	159,578	386,887
Corporate	1,306	2,638	4,842
– Embossed cards	1,306	2,638	4,842
– Credit cards	-	-	-
– ATM and electronic cards	-	-	-
Total	71,947	178,411	441,926

In 2000, the Bank estimates that it was the seventh largest bank issuer of payment and ATM cards in Poland.

As at December 31, 2000, BZ S.A. had issued 441,926 cards to both retail and corporate and commercial customers. This represents an overall growth of 514% since 1998. In that period personal payment cards increased by 519%, while corporate cards increased by 271%. As at December 31, 2000, personal customers represented 98.9% of all payment cards issued.

The table below sets out the volume of payment card transactions completed for each of the years ended December 31, 1998, 1999 and 2000.

Table No.18

Card Type	1998	1999	2000
	Volume	Volume	Volume
Personal	2,118,260	5,327,371	10,724,204
Corporate and commercial	47,040	84,806	171,110
Total	2,165,300	5,412,177	10,895,314

The Bank has experienced a significant increase in the volume of payment card transactions over the last number of years. The Management Board of BZ S.A. expects this trend to continue and believes that payment cards represent an important growth area for BZ S.A. as well as for BZ WBK S.A. in line with its Electronic Banking strategy.

ATMs

As at December 31, 2000, BZ S.A. had an ATM network consisting of 283 ATMs representing an increase of 49 since 1999. BZ S.A. has been increasing its market reach and range of services through the active growth of its ATM network as indicated in the table below.

The table below outlines the number and growth of BZ S.A.'s ATMs for each of the years ended December 31, 1998, 1999 and 2000.

Table No.19

	1998	1999	2000
Number of ATMs	180	234	283
Growth	-	30%	20.9%

As at December, 31 2000, the Bank had 171 ATMs located in its branches, with the remainder located in areas with high traffic intensity and other attractive locations important for the Bank. The Bank's estimated ATM market share as at December 31, 1999 and 2000 respectively, was 5.5 %, and 5.9% according to the Kwartalny Raport Rady Wydawców Kart Bankowych (Bank Card Issuers' Council Quarterly Report).

Following the announcement of the proposed merger between BZ S.A. and WBK S.A., BZ S.A. customers since November 1, 2000 have had access to the ATM networks of both BZ S.A. and WBK S.A. under the common brand BZ-WBK 24; with a total network of 487 ATMs as at December, 31, 2000. All users of payment cards of BZ S.A. and WBK S.A. are able to use the newly enlarged ATM network on the same terms as previously. It is estimated that such a network would rank the ATM network of BZ S.A., following its merger with WBK S.A., as the third largest in Poland.

Home and Corporate Banking System

The Electronic Banking Division intends to offer in the near future a number of products and banking services which enable the customer to remotely obtain account information and conduct transactions on their account. The products will be offered to both personal (NetBank2 Home Banking) and corporate and commercial customers (NetBank2 Corporate Banking).

The NetBank2 application enables customers to have control over their finances and receive information on their accounts with BZ S.A. The NetBank2 Home Banking system is designed for individual users and small and medium sized companies, while the NetBank2 Corporate Banking system is designed for large corporations. Customers are able to complete the following transactions in relation to their BZ S.A. accounts: payment orders, transfers in domestic and foreign currency, standing orders, account balance inquiries, and account statement information. In addition, NetBank2 enables the automatic exchange of messages between the user and the Bank, the exchange of recent information on foreign currency exchange rates, on banking services offerings, as well as other items such as cheque book ordering. The Corporate Banking system is a similar product to Home Banking except it is capable of being networked. NetBank2 has been developed using up-to-date methods of access verification and data encryption security systems to ensure the confidentiality of exchanged information.

As at December 31, 2000, BZ S.A. had 312 customers using NetBank2.

2.1.3.2. Domestic and foreign settlements

The Bank offers both domestic and foreign settlement services to personal and business customers.

Personal domestic and international settlements

In the case of domestic settlements, BZ S.A. provides its retail customers with facilities for cashing personal domestic cheques, bearer cheques, and personal settlement cheques.

In the case of international settlements, the Bank provides its retail customers (on the basis of the currency license granted by NBP) with:

- payment orders;
- Western Union Money Transfer ("will call" transactions);
- cheque settlements.

Payment orders are the most popular form of international settlement for BZ S.A.'s customers, due to their simplicity, quick execution and relatively low cost. Payment orders in international settlements are executed through an international telecommunications system called SWIFT.

The Bank, acting as an agent of Western Union, a US financial institution, offers to its individual clients "will call" transactions. This consists of executing instant money transfers internationally. The transactions are executed within 15 minutes of the transmission and the money may be withdrawn at any of the 90,000 agencies of Western Union situated in over 180 countries worldwide (of which 540 are situated in Poland).

Cheque settlements are also an important element of international services.

BZ S.A. offers the following services with respect to international cheque settlements:

- sale of banking and traveller cheques – American Express;
- purchase of banking and traveller cheques – American Express and Thomas Cook; and
- collection of other cheques (not mentioned above), which are cashed after the drawer of the cheque pays the amount specified in the cheque.

The largest proportion of revenues generated by the Bank from its personal domestic and international settlements is generated from the transfers made via Western Union transfers, followed by commission income on payment orders and cheques.

Corporate domestic and international settlements

BZ S.A. offers its corporate and commercial customers a diverse range of settlement products and services including: financial and documentary collection; domestic and foreign letters of credit; international settlement of payment orders; banking and travellers cheques; foreign guarantees for and on behalf of Polish residents and other guarantees.

In term of revenues, payment orders generated the largest proportion of the Bank's revenues in respect of corporate domestic and international settlements, followed by letters of credit, bankers and travellers cheques, guarantees and financial and documentary collection.

2.1.3.3. International trade services

BZ S.A. assists commercial and corporate customers in their foreign trade activities and acts as an intermediary in promoting the foreign activities of Polish entities. In connection with these activities, BZ S.A. utilises its contacts with both foreign financial and non-financial institutions and, amongst others, the Trade and Commerce departments of Polish embassies throughout the world.

2.1.3.4. Treasury activities

The Treasury Division of the Bank is responsible for managing the liquidity, interest rate and foreign exchange rate exposure of the Bank as well as the development and implementation of internal procedures in this regard. It also provides a range of products to retail and corporate customers of the Bank.

BZ is an active participant in the inter-bank money market as a partner of established domestic and foreign banks. It is also a significant participant in the securities market, mainly in respect of treasury bills and bonds.

During 2000, the Bank was involved on the inter-bank market in approximately 1,088 investment-deposit transactions in Polish zloty, with an aggregate value of PLN 25 billion and in approximately 1,949 investment-deposit transactions in foreign currencies with an aggregate value exceeding PLN 37 billion.

The Bank offers currency exchange transactions, including futures, and foreign exchange and interest rate swaps and forward rate agreements.

As at December 31, 2000 amounts due from financial institutions was PLN 1,568 million, representing 16.8% of the Bank's total assets and government debt securities held by the Bank amounted to PLN 1,017 million, representing 10.9% of the Bank's total assets.

Since January 2001, as one of the ten most active participants in the inter-bank market, BZ S.A.'s money market quotes are taken into account when fixing on a daily basis the WIBID (Warsaw Inter-Bank Bid Rate) and WIBOR (Warsaw Inter-Bank Offered Rate). In addition, the Bank has signed an agreement with NBP, which qualifies BZ as a money market dealer.

2.1.3.5. Investment services

The Bank carries out a number of investment services for its clients including services relating to debt securities issues and trustee and custodian services. The Bank also holds shares in a number of entities which it received in connection with debt/equity swaps relating to the Polish privatisation process. These shareholdings are managed within investment services.

2.1.3.6. Debt securities issuance and trading

BZ S.A. provides services with respect to debt securities issuances on the domestic market through: financial and legal consultancy services; the preparation of offering documents; the sale of debt securities on the primary market; the underwriting of offerings for corporate entities and municipalities; secondary market trading; and the financial servicing of issues (payment of interest, redemption) etc.

Through its subsidiary, Dom Maklerski BZ S.A., BZ S.A. offers to retail and business customers a wide range of brokerage services. According to CERA, a Polish ratings agency, as of the end of December 2000, BZ S.A. had an 8% share in the market of municipal bond issues, as defined in terms of programme value.

BZ S.A. has prepared and conducted seven bond issue programmes for local governments. As the issue agent for housing bonds of the Municipality of Wrocław, the Bank prepared and managed the first and only issue of housing bonds in Poland. The creation of this new product has enabled local governments to achieve two objectives: to obtain funding for the implementation of development projects and to privatise their housing assets.

BZ S.A. has prepared and conducted 12 issues of corporate bonds and three issues of convertible bonds. Debt securities offered in issues organised by the Bank were sold to the Bank's corporate customers and local government units.

BZ S.A. also provides services pertaining to management stock options. The Bank currently services one stock option programme.

2.1.3.7. Trustee and custodian services

BZ S.A. provides trustee and custodian services on the basis of a permit issued by the PSEC on August 9, 1999. BZ S.A.'s services in this area are targeted at both domestic and foreign institutional clients and includes most of the instruments available on the Polish capital markets (i.e. publicly traded securities (shares, treasury bonds and bills) and commercial paper not publicly traded).

BZ S.A. also offers services relating to the servicing of assets held by BZ S.A. in custody for its clients including the settlement of transactions, the servicing of dividend and interest payments, and other securities-related rights, the representation of clients at general shareholders meetings and the valuation of clients' portfolios.

In addition, the Bank began to act as a custodian for investment funds at the beginning of 2000.

2.2. DOM MAKLERSKI BZ S.A.

Dom Maklerski BZ S.A. ("DM BZ S.A.") was established in July 1999 as a joint-stock company and was entered in the commercial register pursuant to a decision issued by the registry court on July 23, 1999. It commenced its activities on August 16, 1999. BZ S.A. is the founder and sole shareholder in DM BZ S.A. DM BZ S.A. was separated from the Bank's structure to enable the brokerage activity of the Bank to continue pursuant to Polish regulatory requirements.

In connection with the merger of BZ S.A. and WBK S.A., it was also decided to merge the brokerage activities of the respective banks. On December 21, 2000, the General Shareholders Meetings of DM BZ S.A. and Dom Maklerski WBK S.A. adopted a resolution on the merger of these two entities. As at the date of updating of the Prospectus, this process is continuing. On April 10, 2001, the PSEC issued a permit for BZ S.A., to purchase shares in those companies conducting brokerage activity, whose shares are currently being held by WBK S.A.

Pursuant to its statutes, DM BZ S.A. provides services relating to trading securities, property rights which are not securities, and other financial instruments on the capital markets, in accordance with applicable laws and consents. The scope of DM BZ S.A.'s activities covers securities in primary trade or pursuant to an initial public offering; purchasing or disposing of securities on account of a third party; purchasing or disposing of securities on its own account or in its capacity as a market maker; managing securities accounts and cash accounts used for servicing securities accounts; the taking of legal and other actions in connection with the purchase by an entity of securities not admitted to public trading; and other actions relating to the trading of such securities.

DM BZ S.A.'s products are targeted at investors operating on the capital trading markets and entities requiring financing for their projects. Its product offering for retail investors primarily involves the execution of share trades on the WSE and the OTC market. DM BZ S.A.'s clients can place orders through a Customer Service Point, by phone or via the Internet. The share of phone or Internet orders has recently grown and represented 26.2% and 5.4%, respectively, of the total number of 275,169 orders received by DM BZ S.A. for the year ended December 31, 2000.

DM BZ S.A. is the only brokerage house in Poland which offers its clients a Maestro Investor card, which enables customers to withdraw funds from their investment account with DM BZ S.A., at ATMs throughout the world. As at December 31, 2000, there were approximately 4,400 users of this card.

The table below sets out DM BZ's gross revenues from its activities for the periods specified below

Table No. 20 (PLN '000)

Activity	16.08.1999-31.12.1999		1.01.2000-31.12.2000	
	Revenues	% Share	Revenues	% Share
Brokerage services	4,023	59.45	15,364	53.11
Revenues on securities transaction	77	1.14	835	2.89
Other operating income	6	0.09	391	1.35
Financial revenues	2,661	39.32	12,339	42.65
Total	6,767	100.00	28,929	100.00

2.3. ZACHODNIE SYSTEMY TELEINFORMATYCZNE SPÓŁKA Z O.O.

Zachodnie Systemy Teleinformatyczne Spółka z o.o. ("ZST") was incorporated on February 5, 1999, on the basis of a Deed of Incorporation (Notary Deed, Rep. A No. 1196/1999) and is the successor of Ośrodek Obliczeniowy Banku Zachodniego S.A., which ceased operations on February 28, 1999. ZST commenced operations on March 1, 1999.

ZST has four principal services: (i) telecommunication and IT networks service (LAN, WAN) and preparation of the local wiring system; (ii) servicing of computer hardware and office equipment (microcomputers, printing devices, terminals, faxes, telexes, counters of notes and coins, etc.); (iii) installation of system software and tool software and provision of services for the electronic system; and (iv) mechanical property security and software services.

The company holds a licence, issued by the MIAA, for conducting property security activities in the form of technical protection.

3. INFORMATION ON THE ENVIRONMENT IN WHICH BZ S.A. AND ITS CAPITAL GROUP OPERATES

3.1. LEGAL ENVIRONMENT

3.1.1. Banking sector in Poland

In accordance with the conditions prevailing under the centrally planned economy, banks played a marginal role in Poland's economic life, and the provision of credit was made in accordance with plans devised by central government. Due to its subordination to administrative decisions relating to the scope of its activities, the banking system was non-competitive.

In 1988 the Polish banking system comprised of the NBP (National Bank of Poland), and four other specialist state-owned banks and two joint-stock companies controlled by state bodies. The four specialist state-owned banks were: (i) Bank Polska Kasa Opieki S.A., (ii) Bank Handlowy w Warszawie S.A. (mainly servicing foreign trade), (iii) Powszechna Kasa Oszczędności Bank Państwowy (mainly involved in retail deposits and housing loans), and (iv) Bank Gospodarki Żywnościowej S.A. (mainly servicing the agriculture and foodstuffs sector). The two joint-stock companies controlled by state bodies were Bank Rozwoju Exportu S.A. and Łódzki Bank Rozwoju S.A. Apart from discharging the functions of a central bank, the NBP also operated as a commercial bank servicing the whole country.

Two Acts passed by the Polish Parliament in 1989 – the Banking Law and the National Bank of Poland Act – introduced changes to the formal and legal basis for the functioning of the banking system. The NBP became a more traditional central bank, and its Chairman, who following the enactment of the new laws was appointed by the Polish Parliament following nomination by the Polish President, was accorded a greater degree of independence. The new Banking Law also contained measures which liberalised the rules for establishing private banks, and in addition, allowed such banks to act with the participation of foreign capital.

In 1988 there were just six banks in Poland (as well as 1,663 cooperative banks operating under the direction of Bank Gospodarki Żywnościowej S.A.), while in September 2000 there were over 70 banks (and 745 cooperative banks).

As a result of the recession which took place in 1991/1992 a number of banks experienced considerable growth of bad debts in their portfolios. To address this problem, in 1993 the Polish Parliament passed the Act on the Financial Restructuring of Enterprises and Banks and amendment of other acts certain other Acts (Dz.U. of 1993 No. 18, pos. 82 as amended). This Act allowed banks to restructure their problem loans through the use of such measures as settlement proceedings, changes to repayment terms or debt-equity swaps. Furthermore in 1993, the Ministry of Finance issued restructuring bonds with a 15 year maturity having a total value of PLZ 11,000,000m (PLN 1,100m) to increase the capital base and to establish reserves at the seven state-owned commercial banks and took additional measures to restructure their loan portfolios.

BZ S.A. was one of these banks, and received 144,506 bonds with a total par value of PLZ 1,445,060m (PLN 144.5m). Additionally, in 1993 and 1994 the Ministry of Finance provided capital strengthening for the specialist banks, PKO BP, Pekao S.A. and BGŻ S.A. Proceeds from bonds issued with a view to providing these banks with additional capital were allocated in the following manner: in 1993: PLN 573 m for PKO BP and PLN 427 m for BGŻ S.A., and in 1994: PLN 1,530 m for BGŻ S.A. and PLN 370 m for Pekao S.A.

At the end of 1995, the Polish government announced its plans for the consolidation of the banking sector, based on the concept of organising certain banks into two banking groups under the leadership of Pekao S.A. and Bank Handlowy w Warszawie S.A. Pekao S.A. was the leader of the banking group comprising Pomorski Bank Kredytowy S.A., Powszechny Bank Gospodarczy S.A.'s of Łódź and Bank Depozytowo-Kredytowy S.A. of Lublin. The public offering of Pekao S.A. shares took place in June, 1998. The merger of the banking group under the leadership of Pekao S.A. was registered on December 31, 1998. The plan for creating a banking group around Bank Handlowy w Warszawie S.A. failed and this bank was privatised separately.

3.1.2. Structure of the Polish banking system

The end of the 1980's in Poland saw the initiation of a process of reforms which consisted of adapting the banking system to the rules and mechanisms operating in free-market economies and of the creation of a "central bank – commercial banks" banking structure.

As a result of the separation of commercial activity from NBP structures, based on approximately 400 central bank operational departments, nine regional commercial banks were created. WBK S.A. and BZ S.A. belong to this group of commercial banks. Pursuant to the Banking Law, the NBP is now responsible exclusively for central bank functions, and does not engage directly in transactions with customers.

At the end of September 2000, the number of commercial banks was 75. Prior to that date the American Express Branch (Poland) Ltd. in Warsaw went into liquidation, Bank Staropolski S.A. collapsed and BWR REAL BANK S.A. was merged into to Bank Współpracy Regionalnej S.A.

The State Treasury controls (directly or indirectly) seven banks and it exercises direct control over three of them. Only Bank Gospodarstwa Krajowego has the status of a state-owned bank. In April 2000, PKO BP was transformed into a joint-stock company and changed its name to PKO Bank Polski S.A.

The shares of a number of banks are listed on the Warsaw Stock Exchange. These include: Bank Handlowy w Warszawie S.A., Bank Śląski S.A., Bank Przemysłowo-Handlowy S.A., WBK S.A., Powszechny Bank Kredytowy S.A., BRE Bank S.A., BIG Bank GDAŃSKI S.A., Bank Polska Kasa Opieki S.A., Bank Komunalny S.A., Kredyt Bank S.A., Bank Ochrony Środowiska S.A., LG Petro Bank S.A., FORTIS BANK POLSKA S.A., Bank CZESTOCHOWA S.A., Bank Amerykański w Polsce S.A. "AmerBank", and Bank Współpracy Regionalnej S.A.

The development of the Polish banking sector exhibits the following trends:

- Consolidation effected through the merger of banks and the purchase of banks by other banking institutions; and
- Steadily increasing presence of foreign banks in Poland.

Foreign banks are particularly active in the corporate sector. However, some of these institutions, such as Citibank, are now entering the retail market through wide-ranging promotional campaigns for card products and personal accounts, which should result in them increasing their respective market shares of the retail-customer base.

3.1.3. Legal provisions regulating banking activity

At present all banks in Poland operate pursuant to the Banking Law and banks which are joint-stock companies are subject to the Polish Commercial Companies Code. Other important legal regulations affecting the organisation and operations of banks include the Act on Restructuring, the Act on the Bank Guarantee Fund, the Accountancy Act and resolutions and decisions issued by the BSC, NBP Management and the Monetary Policy Council.

3.1.4. Act on Restructuring of Enterprises and Banks

As a result of the significant increase in portfolios of problem debts in the early 1990s, the Polish Parliament in 1993 passed the Act on Restructuring which enabled banks to restructure debt and improve the financial standing of borrowers through the adoption of one of the following restructuring procedures: bank settlement proceedings, the public sale of accounts receivable, or the purchase of shares in joint-stock companies in consideration for accounts receivable (debt-equity swaps). The Act also provided for the transfer by the Minister of Finance, acting on behalf of the State Treasury, to state-owned banks and banks in which the State Treasury controlled more than 50% of the stock, of restructuring bonds intended to increase the share capital and reserves of these banks. The amount of restructuring bonds issued by the State Treasury and transferred to BZ S.A. was PLZ 1,445,060m (PLN 144.5m).

3.1.5. Act on the Bank Guarantee Fund

The Act on the Bank Guarantee Fund establishes a mandatory and agreed system for guaranteeing funds held in bank accounts or payable on account of debts confirmed by banking documents. The aim of this system is to guarantee the payment on demand of funds held in bank accounts if an entity covered by the system is unable to discharge such obligations itself.

Banks are obliged to establish funds to secure the guaranteed funds as coverage for payments which have to be made to the BGF, under the terms of the mandatory fund guarantee system.

The Act on the Bank Guarantee Fund requires banks to hold assets as coverage for guaranteed funds in the form of treasury securities and NBP bills.

The Act provides for the entities covered by the guarantee system to make contributions to the BGF of mandatory annual payments which are now comprised of:

- a contribution not exceeding 0.2% of the total of the risk-weighted balance-sheet assets, guarantees and suretyships of the relevant bank, and/or
- a contribution not exceeding 0.1% of the total of all other risk-weighted off-balance sheet liabilities, with the exception of undrawn promised lines of credits, for which the rate shall be zero.

As of January 1, 2001, the percentage figures described above were reduced by 50% (originally 0.4% and 0.2% respectively). The shortfall resulting from such reduction of payments to the BGF will be met by contributions by NBP.

The mandatory guarantee system provides coverage for individual deposits in the following amounts (including interest accrued up until the date on which the terms of the guarantee are met):

- PLN equivalent of EURO 1,000 – 100% of the funds guaranteed,
- in excess of PLN equivalent of EURO 1,000, but not exceeding the PLN equivalent of EURO 15,000 – 90% of the funds guaranteed.

3.1.6. Banking Law, Banking Supervision Commission and NBP Management regulations

The Banking Law and detailed NBP regulations and the BSC establish the basic rules governing banking activity in Poland, and include rules relating to a bank's customer exposure limits, foreign-currency position limits, capital adequacy ratios and the rules for the classification and creation of special reserves and provisions for accounts receivable and off-balance-sheet liabilities. Other important banking regulations include mandatory reserves, as well as accounting and reporting requirements. The activity of a bank is supervised by NBP. BSC is entitled to perform the supervision.

3.1.7. Customer exposure limits

Pursuant to Art. 71 of the Banking Law, the total of loans and credits, cash loans issued by a bank, as well as bonds and any securities (other than shares), debts on bank guarantees, suretyships, letters of credit and any other of the bank's claims on individual entities or entities linked by capital or any other organisational ties, must not exceed 25% of the bank's own funds. The increase to 25% from 15% stipulated in the now defunct Banking Law of 1989, took effect in conjunction with the abolition of the possibility of the Chairman of the NBP to consent to a greater concentration up to 50% of the bank's own funds. Further more, a bank is obliged to notify the BSC each time it provides a loan for an amount exceeding 10% of the bank's own funds.

Pursuant to Art. 71 of the Banking Law, each bank is required to establish and verify its own limits for customer exposure, taking into account the specific nature of its business and the need to observe the mandatory limits.

Art. 71.4 of the Banking Law imposes an additional requirement, under which the aggregate value of individual exposures to customers or groups of related companies which exceeding 10% of the bank's own funds, may not exceed 800% of the bank's own funds.

3.1.8. Foreign/Currency Law

The Foreign/Currency Law regulates the rules for foreign-currency transactions and the application of exchange rates, as well as establishing the administrative bodies responsible for foreign-currency matters and foreign-currency controls.

3.1.9. Limits on foreign currency positions

Resolution 2/2000 of the BSC of November 8, 2000 (Dz.Urz. NBP of 2000, No.15, pos. 27) allows banks to incur currency risk provided the relevant bank achieves the standard of acceptable currency risk in a form of a surplus of own funds over the total capital requirement relating to credit risk and the reserve capital requirement, such surplus being not less than the capital requirement relating to currency risk.

The capital requirement relating to credit risk is a product of the minimum capital adequacy ratio determined by the Banking Law, and the total of risk-weighted assets and off-balance sheet liabilities.

The reserve capital requirement is 4% of the total of risk-weighted assets and off-balance sheet liabilities except:

- a) for banks which use the value at risk method for calculating the capital requirement, the reserve capital requirement is 3%,
- b) for banks which use the combined method for calculating the capital requirement, the reserve capital requirement is 3.5%.

The capital requirement relating to currency risk is the product of:

- a) in 2001 – 16%
- b) in 2002 – 12%
- c) in 2003 and later – 8%

of an amount by which the absolute value of the total currency position exceeds 2% the bank's own funds. The excess of acceptable currency risk should be reported by the banks to the BSC.

3.1.10. Capital adequacy ratio

Pursuant to Art. 128 of the Banking Law, banks are obliged to maintain their capital adequacy ratios at a level of not less than 8% of the bank's risk-weighted assets and off-balance sheet liabilities. A new bank is obliged to maintain the capital adequacy ratio at a level of not less than 15% during the first 12 months of its operations, and not less than 12% during the following 12 months. The BSC has established methods for calculating a bank's capital adequacy ratio and the percentage value of risk weighting assigned for individual categories of assets and off-balance sheet liabilities.

3.1.11. Rules for the classification and creation of special reserves and provisions for accounts receivable, guarantees and suretyships

Pursuant to Resolution No. 8/99 of the BSC dated December 22, 1999 (Dz.U. NBP of 1999, No. 26, pos. 43) banks are required to limit the effects of risk arising from their activities through the creation and maintenance of special reserves and loan loss provisions. The resolution stipulates that banks shall set up special reserves and loan loss provisions for accounts receivable and granted off-balance sheet liabilities (categorised as regular, under observation or endangered groups), on the basis of an assessment of the risk associated in connection with each instance of accounts receivable and liability, provided however that such amounts shall be at least equal to the required level of reserves and provisions, determined in the following way:

- 1) regular – 1.5% of relevant amounts,
- 2) under observation – 1.5% of relevant amounts,
- 3) endangered groups:
 - a) 20% of relevant amount categorised as sub-standard;
 - b) 50% of relevant amount categorised as doubtful;
 - c) 100% of relevant amount categorised as lost.

3.1.12. Rules for the calculation and settlement of mandatory reserves and provisions

Pursuant to the NBP Act and Decision No. 10/98 of the NBP Management June 5, 1998 (Dz.Urz. NBP No. 12, pos. 23, as amended) concerning the procedures and rules for calculating and maintaining mandatory bank reserves, and to the Resolution No. 12/99 of the Monetary Policy Council of July 21, 1999 (Dz.Urz. NBP No. 15, pos. 24) concerning the rate of bank mandatory reserves, banks are required to calculate, and maintain a mandatory reserve with the NBP. This is calculated on the basis of the arithmetic mean of the funds in Polish zloty and foreign currencies held on account, the funds obtained from the sale of securities and other returnable funds held by the bank (with the exception of funds acquired from

another domestic bank), and of funds acquired from a foreign bank on the basis of agreements concluded before the Act came into effect, and of funds obtained from a foreign source for a period of at least two years. The mandatory reserve rate is calculated and forwarded in Polish zloty.

The NBP Act stipulates that the level of mandatory reserve may vary depending on the term for which the funds are held and their currency denomination. The current mandatory reserve rate is 5%.

3.1.13. Accounting and reporting requirements

Banks must keep accounting books and prepare annual financial reports in accordance with the Accountancy Act and Resolution No. 1/98 of the BSC, of June 3, 1998, on special accountancy rules for banks and the preparation of additional reports (Dz.Urz. NBP of 1998, No. 14, pos. 27), Resolution No. 2/98 of the BSC of June 3, 1998 sets out special rules for the preparation by banks of consolidated financial statements (Dz.Urz. NBP No. 14, pos. 28) and Resolution No. 15/1999 of the NBP Management (Dz.Urz. NBP No. 10, pos. 15) sets out procedures and detailed rules for the submission by banks to NBP of data necessary for making decisions with respect to monetary policy and for the periodic assessment of the country's monetary situation, evaluation of banks' respective financial positions and of risk related to the banking sector. These regulations specify the manner of keeping accounting records by banks, preparation of periodical and annual inventory of assets, capital and liabilities, valuation of assets, capital and liabilities, preparation and audit of financial statements. Additionally, they include detailed requirements regarding the contents of financial statements in relation to liquidity, capital adequacy, loan exposure and adherence to other safety standards. They also specify detailed procedures and dates for submitting to the NBP information concerning banks, their balance-sheets, off-balance-sheet liabilities and income statements.

Under the Banking Law, banks are obliged to submit to the BSC audited financial statements (consolidated and non-consolidated) together with an auditor's opinion and a shareholders resolution approving them. Banks are also obliged to ensure that employees of the BSC have access to the financial reports, balance sheets, registers, plans and certain other documents of the bank, and on written demand are obliged to provide these employees with copies of such documents. In addition, banks are subject to reporting requirements with respect to the PSEC as specified, in separate regulations, if their shares are admitted to public trading.

3.1.14. Limits on capital investment

Under Art. 6.1 of the Banking Law, banks may acquire or purchase shares or rights incorporated in shares, or an interest in another legal person other than a bank, or units in mutual funds, provided that the total investment in one entity shall not exceed 15% of the bank's own funds. This limitation also applies to the additional payments stipulated in Art. 177 of the Commercial Companies Code and to contributions and capital liability in limited partnerships. Also, the amount spent by a bank on investments described above must not exceed 60% of the bank's own funds.

3.1.15. Enforcement of the law

Pursuant to Art. 131.1 of the Banking Law, the activities of banks, and of branches and representative offices of foreign banks in Poland, are subject to supervision of the BSC. The purpose of this supervision is to guarantee the safety of funds held in bank accounts, and to ensure that each bank complies with the provisions of the Banking Law, the NBP Act, the by-laws and the decision granting permission for the establishment of such bank. The BSC may impose on any given bank binding standards regarding liquidity and other standards for acceptable levels of risk associated with the bank's activity. In addition, the BSC may take a number of measures including procedures to investigate capital adequacy, financial liquidity and the economic results achieved by the bank, and to verify that the terms of loans and guarantees granted by the bank comply with the applicable legislation. As part of its supervisory activities, the BSC may instruct a bank to take measures necessary to restore financial liquidity, to increase its own funds, or to refrain from certain forms of advertising. If the bank fails to comply with these instructions, or is engaged in activities which are in breach of the law or its by-laws, or creates a threat to its customers'

deposits, the BSC may apply to the proper banking authority for an order (i) to remove the member of the management board directly responsible for the irregularity or to impose on any such member a financial penalty, (ii) to place restrictions on the activity of the bank, or (iii) in the last resort to revoke its banking license.

3.2. MARKET ENVIRONMENT

The Polish banking sector is undergoing an accelerated consolidation, resulting mainly from the participation of foreign banks, which are now able to offer directly their services in Poland.

The competition within the institutional and SMEs sector is constantly increasing. The competition within the public sector and especially with regard to municipalities is also growing. In addition, BZ S.A. faces competition in the retail client segment from banks, which have regional and nationwide branch networks.

The pace of Polish economic development decelerated in 2000. GDP growth in real terms amounted to 4.1%. A tight monetary policy has contributed to a slow down in GDP growth. The increase in export revenues has to a minor extent only mitigated the negative influence of weak domestic consumption and investment on aggregate demand.

The Council of Monetary Policy increased interest rates in Poland twice in 2000 (in February by 1% and in August by a further 1.5%), which resulted in an increase of nominal interest rates on the financial markets.

The increase of interest rates in part absorbed the fall in the interest margin, which helped banks generate higher profits. However, due to the deteriorating economic position of borrowers and more expensive loans, the quality of the loan portfolio in the banking sector deteriorated and loan loss provisions increased.

In March 30, 2000, Resolution No. 8/1999 dated December 22, 1999 of the BSC on the rules governing the creation of reserves connected with banking activity risk became effective. Its impact on banks varied depending on the structure of their loan portfolios.

The reduction in the level of required loan loss provisions for performing loans and for “under observation” loans from 1.5% (the level imposed by the previous regulation) to 1.0% and the decrease in the required level of reserves for these categories by an amount equivalent to 25% of the general risk reserve have together mitigated the banks’ burden in relation not only to reserves, but also in relation to income tax. However, this benefit was limited by changes in rules permitting the offset of registered pledges against loans other than consumer loans, for the calculation of required loan loss provisions, to 75%. In the case of consumer loans, no offset is permitted.

In 2000, the amount of funds guaranteed by BGF increased to the equivalent of EUR 11,000. The BGF Council set the level of the annual contribution at 0.23% of the sum of risk-weighted balance sheet items and guarantees and at 0.115% of the sum of risk-weighted off balance sheet liabilities excluding guarantees and undrawn credit lines. The rate of deductions for the protection of guaranteed funds was set at a maximum level of 0.4% of bank customer deposits.

The situation of Polish banks in 2000 was affected by a number of one-off negative factors, including the collapse of Bank Staropolski S.A. and the deterioration of assets resulting in a substantial increase in loan loss provisions.

The growth of retail and corporate lending decreased. The value of loans to the non-financial sector increased by 17.3% in 2000 compared to growth of 27% in 1999. The value of retail loans increased by 32%, in 2000 compared to 53.1% in 1999.

The propensity to save increased in 2000. Consequently, the number of retail deposits increased by 24.4%, while the growth experienced in 1999 was only 13.2%. Deposits by corporate customers increased by 2.1% compared to growth of 30.1% in 1999.

The table below presents the percentage market share of BZ S.A. in certain non-financial sectors of the banking system as at December 31, 1998, 1999 and 2000.

Table No. 21

	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 2000
	%	%	%
Deposits and loans			
Deposits in total	2.76	2.57	2.55
– retail customers	2.88	2.72	2.69
– corporate customers	2.49	2.23	2.21
Loans in total	3.39	2.82	2.41
– retail customers	2.47	2.04	1.80
– corporate customers	3.59	3.02	2.59

Calculations based on data from NBP and BZ S.A. internal estimates

The table below sets out the average percentage market share of BZ S.A. in certain selected retail products for the years ending December 31, 1998, 1999, 2000

Table No. 22*

	1998	1999	2000
	%	%	%
Product			
Personal accounts	3.6	3.1	3.0
Deposit accounts	3.9	2.5	3.6
Cash loans, consumption loans	3.2	2.1	3.5
Instalment car loans	1.8	2.8	2.2
Other instalment loans	2.9	2.8	3.0
Construction and housing loans	2.8	1.0	1.6
Debit limits within personal accounts	2.6	2.5	3.5
Standing orders within personal accounts	3.5	3.4	3.8
Cards	n.a.	2.9	4.4
Analysed group (persons)	30,107	30,857	30,099

** On the basis of quantitative analyses conducted by SMG/KRC Poland Media*

In terms of the total number of deposits, the share of BZ S.A. in the banking market amounted to 2.55% as at the end of 2000. In terms of the total number of loans granted, its market share was 2.41%.

The share of BZ S.A. in the number of personal accounts amounted to 3% as at the end of 2000. The leading institutions in this category are PKO BP and Pekao S.A. while the Bank is in eighth place. A similar situation arises in the case of deposits, loans for retail customers and ongoing servicing of corporate clients.

As at December 31, 2001, BZ S.A. was the twelfth bank in Poland in terms of net assets. In terms of total assets, BZ S.A. was ranked fourteenth, having 2.42% of the total assets in the banking sector. Leading banks in this category are also PKO BP and Pekao S.A.

The branch network of the Bank, comprising 208 outlets, is the ninth largest branch banking network in Poland.

3.3. MARKET ENVIRONMENT OF DOM MAKLERSKI BZ S.A.

In 2000, 49 brokerages operated in Poland, of which 6 were bank operated. 38 of them acted as intermediaries in securities trading on the WSE, while 19 of them were members of the OTC market and acted as intermediaries on that market.

In 2000, the total volume of stock exchange trading amounted to PLN 146,772.69 million. The brokerage with the largest share in stock exchange trading volume was CDM Pekao S.A. Dom Maklerski BZ S.A. ranked 25th with a market share of 1.3%, which included: respective market shares in equity trading of 1.27%, in bond trading of 1.82%, and in the futures trading of 2.35%.

The share of trading volumes of DM BZ S.A. on the WSE is presented in the table below for the years ending 31 December 1998, 1999 and 2000.

Table No. 23

Market Segments	1998	1999	2000
Equity market	1.0%	1.4%	1.3%
Bond market	0.7%	1.5%	1.8%
Futures market	3.0%	1.6%	2.4%

On the OTC market, in December 2000 DM BZ S.A.'s market share was 6.9%.

In relation to its primary market activities, DM BZ S.A. conducted in 2000 the first public offering and public subscription of ZEW KOGENERACJA S.A., which in total amounted to PLN 383,931,833. This enabled DM BZ S.A. to be ranked seventh in the primary markets rankings prepared by the "Rzeczpospolita" daily. Dom Maklerski BZ S.A. also participated in offering syndicates.

As at the end of 2000, DM BZ S.A. serviced 92,244 investment accounts. Most of the accounts are maintained by retail clients.

The table below sets out the number of DM BZ S.A.'s accounts as at 31 December 1998, 1999 and 2000:

Table No. 24

Account Type	1998	1999	2000
Retail	72,451	83,942	92,020
Institutional	162	192	224
Total	72,613	84,134	92,244

In 2000, after the introduction of the WARSET trading system, DM BZ S.A. signed agreements pursuant to which it performs the function of market maker for six companies listed on the WSE. DM BZ S.A. also services 59 companies on the non-public market.

Permits and licenses granted by the Polish Securities and Exchange Commission

DM BZ S.A. conducts its activities pursuant to the following permits issued by the PSEC:

- Decision No. KPWiG-4021-13/99 dated August 9, 1999 granting permission for the conduct of brokerage activities;
- Decision No. KPWiG-4035-23/99 dated August 9, 1999 granting permission for the conduct of activities related to the servicing of mutual funds, investment funds, pension associations and pension funds;
- Decision No. KPWiG-4033-9/99 dated August 9, 1999 granting permission for the execution of actual and legal actions in connection with the acquisition or purchase by customers of securities not admitted to public trading and for the execution of other actions related to the trade in such securities.

Pursuant to Art. 9, section 4 of the Act of December 8, 2000, amending certain acts in connection with their harmonization with European Union law (Dz.U. 00.122.1315), the PSEC grants, upon request by a brokerage house, a permit for brokerage activity within the scope defined in Art. 30, sections 2,2c and 2b of the Act – Law on Public Trading in securities. A failure to file such a request within 12 months from the date of publishing this Act will result in the expiry of all previous permits. The permits described in the amended Act (Law on Public Trading in securities) differ from those granted to date in that the new type of permit covers the entire scope of brokerage activities, and it is no longer necessary to obtain permits for individual brokerage actions. To date, DM BZ S.A. has not applied for a new permit.

4. DOMESTIC AND FOREIGN MARKETS

4.1. BZ S.A.

BZ S.A. does not operate any foreign branches, own or lease real estate outside of Poland, employ any personnel outside of Poland, operate any foreign sales and service representative offices, submit tax returns to foreign tax authorities nor has it registered any trade names outside of Poland.

As at March 31, 2001, the Bank had 30 Nostro accounts in 18 banks and 5 Loro accounts for 5 banks.

The Bank conducts operations throughout Poland. With respect to personal and commercial and corporate banking, the Bank's operations are concentrated in the south-west of Poland, (i.e. in the regions of Wrocław, Opole, Katowice and Gorzów Wlkp.).

The table below presents BZ S.A.'s gross income on banking activities in particular provinces for each of the years ended December 31, 1998, 1999 and 2000.

Table No. 25 (PLN '000)

Province	1998		1999		2000	
	Amount	%	Amount	%	Amount	%
Dolnośląskie	936,436	66	803,867	62	1,168,473	72
Kujawsko-pomorskie	14,296	1	19,554	2	16,908	1
Łódzkie	2,744	0	4,535	0	6,428	0
Lubelskie	4,559	0	15,480	1	10,916	0
Lubuskie	53,603	4	46,756	4	54,606	3
Małopolskie	27,993	2	29,520	3	21,922	1
Mazowieckie	59,621	4	74,370	6	53,522	3
Opolskie	104,100	8	90,607	7	102,175	7
Podkarpackie	6,436	0	8,223	0	9,093	0
Podlaskie	16,425	1	27,907	2	17,408	1
Pomorskie	16,459	1	18,822	1	16,612	1
Śląskie	92,948	7	72,158	6	71,009	5
Świętokrzyskie	20,763	2	19,185	1	22,226	1
Warmińsko-mazurskie	8,443	0	13,120	1	16,981	1
Wielkopolskie	27,771	2	27,262	2	31,426	2
Zachodniopomorskie	25,653	2	27,818	2	32,608	2
Total	1,418,250	100	1,299,184	100	1,652,313	100

4.2. DOM MAKLERSKI BZ S.A.

DM BZ S.A. is a member of the WSE, operates in the OTC market and is a participant in the NDS. DM BZ S.A. does not carry out activities on foreign markets.

4.3. ZACHODNIE SYSTEMY TELEINFORMATYCZNE SP. Z O.O.

Approximately 98% of ZST's total revenues in 2000 related to services rendered by it to BZ S.A.

5. SEASONALITY

The products offered by the Bank and its financial results are not subject to significant seasonal influences.

6. INFORMATION ON INCOME OVER THE LAST THREE FINANCIAL YEARS

6.1. BANK ZACHODNI S.A.

The table below sets out BZ S.A.'s gross income on banking activities by type for each of the years ending 31 December 1998, 1999 and 2000.

Table No. 26 (PLN '000)

Activity Type	1998	1999	2000
	Income	Income	Income
Loans granted	996,702	855,495	987,173
Deposits placed	53,574	57,774	56,098
Other activities	367,974	385,915	609,042
Total	1,418,250	1,299,184	1,652,313

For the year ended December 31, 2000, income on the banking activities of BZ S.A. amounted to PLN 1,652,313,000 and increased in nominal terms by 27.2%, compared to 1999. Income on loans amounted to PLN 987,173,000, which accounted for 59.7% of the total income on banking activities. Income from deposits placed amounted to PLN 56,098,000 and accounted for 3.4% of the said income. The income from other banking activities amounted to PLN 609,042,000 in 2000 and accounted for 36.9% of the total income on banking activities.

For a further discussion on the financial performance of the Bank between 1998 to 2000, see Chapter VI.

6.2. DOM MAKLERSKI BZ S.A.

DM BZ S.A. operates through a network of Customer Service Points, located mainly in Lower Silesia, which area generates the majority of its income.

The table below sets out Dom Maklerski BZ S.A.'s gross income on brokerage activities, based on provinces for each of the years ended December 31, 1999 and 2000.

Table No. 27 (PLN '000)

Province	1999*	2000
	Income	Income
Kujawsko-pomorskie	12	33
Mazowieckie	46	117
Opolskie	149	493
Małopolskie	25	89
Świętokrzyskie	94	502
Dolnośląskie	3,443	13,051
Katowickie	146	566
Wielkopolskie	21	111
Lubuskie	88	404
Total	4,024	15,366

* 1999 gross income only reflect income from August 8, 1999, the date on which Dom Maklerski BZ S.A. commenced trading

6.3. ZACHODNIE SYSTEMY TELEINFORMATYCZNE SP. Z O.O.

The table below sets out the gross sales of ZST, based on areas of activity, for each of the last two years ended December 31, 2000.

Table No. 28 (PLN '000)

Activity	1999	2000
	Gross Sales	Gross Sales
IT networks servicing	1,149	1,695
Computer hardware servicing	1,181	1,971
Security systems servicing	906	1,855
Software servicing	39	63
Total	3,275	5,584

7. SOURCES OF DEBT FINANCE FOR THE BANK'S OPERATIONAL ACTIVITY

The table below sets out the sources of debt finance for the Bank's operational activity, as at the dates specified.

Table No. 29 (PLN '000)

	Dec. 31, 1998		Dec. 31, 1999		Dec. 31, 2000	
	Amount	%	Amount	%	Amount	%
Liabilities to financial institutions	457,818	6.9	405,243	6.0	553,701	7.0
- current	77,088	1.2	73,821	1.1	62,267	0.8
- long-term	380,730	5.7	331,422	4.9	491,434	6.2
Liabilities to customers and the public sector	6,185,413	93.0	6,331,639	94.0	7,218,899	91.7
- current	2,169,225	32.6	2,168,383	32.2	1,968,699	25.0
- long-term	4,016,188	60.4	4,163,256	61.8	5,250,200	66.7
Liabilities on issued securities	7,747	0.1	2,450	0.0	1,642	0.0
Liabilities on issued securities with a guaranteed repurchase	—	—	—	—	99,508	1.3
Total	6,650,978	100.0	6,739,332	100.0	7,873,750	100.0

The Bank's non-equity financing structure predominantly consists of liabilities to non-financial institutions and the public sectors, which amount to over 85% of its total liabilities. The liabilities towards the financial and non-financial sector as well as those to the public sector are mostly fixed-term liabilities. In the period 1998-2000 the Bank saw an increase in the nominal value of its total liabilities related to non-equity financing. The increase of PLN 88,354,000 in 1999 was followed by an even higher increase of PLN 1,134,418,000 in 2000.

8. DEPENDENCE OF BANK ZACHODNI S.A. ON CLIENTS

The sources of the Bank's income are diverse and no single client of the Bank generated more than 10% of the Bank's income in 2000. The largest interest income generated by a single client amounted to PLN 31.8 million in 2000, while the aggregate interest income of the Bank in the same period was PLN 934 million.

9. AGREEMENTS MATERIAL FOR THE BUSINESS OF BZ S.A.

9.1. AGREEMENTS CONCLUDED BETWEEN THE BANK'S SHAREHOLDERS

On June 24, 1999, the Minister of the State Treasury, acting for and on behalf of the State Treasury, and AIB EI entered into a sale agreement for the sale by the State Treasury of 80% of the registered ordinary shares (being 22,400,000) of BZ S.A. to AIB EI, for the agreed price of PLN 2,284,800,000. The transfer of ownership of the shares took place, when the necessary permits and regulatory consents were obtained, on September 16, 1999.

Pursuant to the provisions of the privatisation agreement, AIB EI agreed to increase the share capital of the Bank by an additional PLN 250,000,000, the majority of which is to be appropriated for the development of the Bank's IT system. AIB EI also agreed to take appropriate measures to warrant the initiation of other investments in the Bank. Additionally, AIB EI made a commitment that the Bank's registered office in Wrocław would be preserved, together with its identity, distinguishing trademark and its character as a full service bank. AIB EI also assumed a number of employment related commitments, including maintaining a minimum level of employment and the preservation of the current social benefits for an 18 month time period, the introduction of training and motivation programs for the Bank's employees and the participation of Polish citizens in the management of the Bank. AIB EI has satisfied all of these commitments.

The State Treasury has consented, by way of annexes to the privatisation agreement, to the Merger of BZ S.A. and WBK S.A. and to the change of the corporate name of BZ S.A.

9.2. PRELIMINARY MERGER AGREEMENT AND FINAL MERGER AGREEMENT

The terms and conditions of the Merger are regulated by the provisions of the Preliminary Merger Agreement and Final Merger Agreement. Pursuant to the Final Merger Agreement, the Merger shall be effected by the issue of new shares in BZ S.A. in accordance with the Share Exchange Ratio. Shareholders of WBK S.A. shall receive 1 new BZ S.A. share for every 1.72 WBK S.A. shares held by them. The Merger will be concluded only if all of the following conditions are fulfilled:

- A merger resolution of WBK S.A.'s extraordinary general shareholders meeting, substantially in the form of that adopted by the shareholders of BZ S.A., being adopted by three quarters of the voting rights of the shares held by those shareholders voting at the extraordinary general shareholders meeting of WBK S.A., held on December 20, 2000, in Poznań; (WBK S.A.'s extraordinary general shareholders meeting took place as scheduled, and the relevant resolution was passed).
- Merger resolution of BZ S.A.'s EGSM, substantially in the form of that adopted by WBK S.A., being adopted by three quarters of the voting rights of the shares held by those shareholders voting at the EGSM of BZ S.A., held on December 20, 2000 in Wrocław; (The EGSM took place as scheduled, and the relevant resolution was passed);
- WBK S.A. and BZ S.A. having obtained all the permits and approvals from relevant authorities required to effect the Merger (including necessary permits from the PSEC, the BSC and the MIAA);
- All of the remaining conditions set forth in the Merger Agreements having been fulfilled including the adoption of all resolutions by an Extraordinary General Shareholders Meeting and the registration of the G Series Shares by the Registry Court for BZ S.A.;
- The management boards of both WBK S.A. and BZ S.A. having submitted by December 31, 2001 the appropriate applications to their respective registry courts to register the Merger;
- The Merger having been duly registered with the applicable registry court;
- The applicable registry court having removed WBK S.A. from the commercial register; and
- Shares of BZ S.A. including the new shares issued to WBK S.A. shareholders having been recorded by the NDS on appropriate securities accounts.

The Merger shall become effective on the day on which the deletion of WBK S.A. from the commercial register is made.

WBK S.A. and BZ S.A. have each agreed to use their best efforts to meet the deadlines set out in the timetable attached to the Preliminary Merger Agreement. Both WBK S.A. and BZ S.A. have agreed among other things to:

- Promptly inform the management board of the other bank of any material adverse changes of the financial or legal conditions or events that may cause such a change;
- Promptly provide the other bank or its advisors with the relevant documents evidencing such change or circumstances; and
- Allow, on reasonable demand of the management board of the other bank, the other bank's advisors to perform, within reasonable scope, a due diligence analysis of the legal and financial conditions of the bank.

Each of WBK S.A. and BZ S.A. has agreed to maintain the confidentiality of all information received from the other bank in relation to the proposed Merger, except for the information which either the bank is obliged to disclose pursuant to the applicable provisions of law, and except for the disclosure thereof to the banks' advisors and to the investment banks, following the execution and submission to each bank of a statement containing a commitment undertaken by these entities and by persons acting on their behalf to keep all the information provided confidential; such information may also be disclosed to other persons, provided that the banks grant their consent, and these persons sign such confidentiality undertaking and submit it to each of the banks.

Each of WBK S.A. and BZ S.A. shall be responsible for their own expenses and fees charged by their respective professional advisors. In particular, each bank shall be individually responsible for all the:

- Fees payable to the investment bank which issued a fairness opinion to such bank; and
- Costs of preparing and auditing its financial statements.

In addition, BZ S.A. shall be responsible for the costs related to the preparation of the Prospectus.

In the Final Merger Agreement, WBK S.A. and BZ S.A. have agreed to act promptly and use their best efforts to obtain all permits and approvals from the state authorities and administrative bodies that may be necessary to complete the Merger. Both banks will have to file appropriate applications with the relevant state authorities, including PSEC, for the approvals and permits that may be necessary to give effect to the Merger. On November 22, 2000, each Bank submitted an application to the BSC requesting the consent of the BSC to the Merger.

The Merger cannot be completed until all the relevant permits and approvals have been obtained. Unless the relevant permits and approvals are obtained by December 31, 2001, then under the terms of the Final Merger Agreement and the Merger Resolutions, the Final Merger Agreement will expire. Consequently the Merger shall not become effective, despite the Merger Resolutions having been passed by the required majority of shareholders of WBK S.A. and BZ S.A.

Each bank may unilaterally terminate the Final Merger Agreement upon the occurrence of the following events, if such events are not remedied within 30 days:

- Any permit, approval or court decision necessary to execute the Merger has been conclusively refused;
- Either party has breached any of the material provisions of the Final Merger Agreement;
- Either party has failed to perform its material obligations to cooperate with the other party; or
- Either party has disclosed confidential information, legally protected information or a trade secret in breach of material terms and conditions of the Final Merger Agreement.

In order to terminate the Final Merger Agreement, a party must provide the other party with a notice setting forth the reason for the termination. The 30 day time-limit for termination of the agreement will commence on the day such notice is filed.

English translations of the Preliminary Merger Agreement and the Final Merger Agreement are available on request from BZ S.A.'s Head Office.

9.3. IT SERVICE AGREEMENT

An agreement of May 8, 2001, concluded between BZ S.A. and Talex S.A., a Polish company registered in Poznań, for a period of 3 years. The agreement sets out the provision by Talex S.A. of services for the development, installation and servicing of information and computer facilities for the Bank's headquarters and branch offices. The estimated value of the contract is PLN 55 million. The agreement is of direct relevance to the merger of BZ S.A. and WBK S.A. taking effect on 1 June 2001, and their preparations for the implementation of a centralised information and computer system for the branch offices of BZ WBK S.A. The switch from the current computer systems to the centralised system will enhance the efficiency of operations of the Bank's branches and the level of services provided to its customers.

10. INFORMATION ON CONSENTS AND PERMITS HELD BY THE BANK

10.1. PERMITS GRANTED BY THE BSC

The Bank has complied with all its obligations under the provisions of Art. 34.2 and Art. 22.3 of the Banking Law relating to changes in the composition of its Management Board and has obtained all necessary approvals concerning any changes with respect to the composition of the Management Board as well as changes in the Bank's Statutes.

On November 22, 2000, pursuant to Art. 124.3 of the Banking Law, an application was filed with BSC for its consent to the Merger. On December 13, 2000, pursuant to Art. 142.1 of the Banking Law, an application was filed for the examination of the filed application of November 22, 2000, and consideration was given to the condition resulting from Art. 142.4 of the Banking Law, (i.e. a loss on operating activities of the Bank in 2000). On March 7, 2001, BSC issued a decision granting its consent to the Merger (BSC Resolution No. 30/KNB/01). Pursuant to this resolution, the Merger should be effected by March 31, 2002. In addition, on March 26, 2001, BSC granted BZ S.A. consent to amend its Statutes. These amendments related to the provisions material to the Merger, i.e. the change in the Bank's name to "Bank Zachodni WBK Spółka Akcyjna" and the issue of the G Series Shares.

On April 16, 2001, the PSEC issued a decision (PSEC No. 4023-7/2001), granting BZ S.A. permission to purchase shares in Dom Maklerski WBK S.A. in such number as would result in it acquiring in excess of 50% of the votes at a General Shareholders Meeting of Dom Maklerski WBK S.A. These shares will be purchased as a result of the Merger.

On April 16, 2001, the PSEC issued a decision (PSEC No. 4023-7/2001), granting BZ S.A. permission to purchase shares in WBK AIB Asset Management S.A. in such number as would result in it acquiring in excess of 50% of the votes at a General Shareholders Meeting of WBK AIB Asset Management S.A. These shares will be purchased as a result of the Merger.

10.2. PERMITS GRANTED BY THE MIAA

The Bank, as a subsidiary of a foreign entity, is considered a foreign entity within the meaning of the Acquisition of Real Estate by Foreign Persons Act. As a result, the Bank is required to obtain the consent of the MIAA when acquiring interests in certain types of assets. The MIAA has issued the following decisions in favour of the Bank:

- Decisions concerning the purchase of real estate.
- Decisions concerning the purchase of a right of perpetual usufruct.
- Decisions concerning the purchase (acquisition) of shares in other companies being owners or perpetual usufructors of real estate.

The Bank also holds a concession dated December 22, 2000 from the MIAA for the provision of services of personal security and technical security.

On January 25, 2001, BZ S.A. filed an application with the MIAA to obtain consent to acquire WBK S.A.'s real estate. By the date of updating of the Prospectus, this consent was not granted.

10.3 PERMITS FROM THE PENSION FUND SUPERVISION AUTHORITY

On May 9, 2001 the Pension Fund Supervision Authority issued a decision (Decision No. DPC 368/01/RS) which allows BZ S.A. to purchase from WBK S.A. 1,370 shares constituting 10% of the total number of shares in Commercial Union Powszechnie Towarzystwo Emerytalne PBH CU WBK S.A. The acquisition will take place as a result of the Merger.

On May 11, 2001 the District Court in Poznań, XXI Business Division, recorded the merger in the National Court Register of the brokerage houses of WBK S.A. and BZ S.A. The merger of the brokerage houses of WBK S.A. and BZ S.A. was effected by way of a takeover of the entire property of the brokerage house of BZ S.A. by the brokerage house of WBK S.A.

At the same time, the share capital of the brokerage house of WBK S.A. was increased by PLN 22,680,500 by the issuance of 226,805 shares placed with the former shareholder of the brokerage house of BZ S.A., being Bank Zachodni S.A.

11. PATENTS, LICENCES AND TRADEMARKS HELD BY THE BANK

In the course of its business the Bank uses advanced technological and IT solutions, which require the Bank to obtain licenses for the use of IT systems and software. The software licenses, particularly those relating to the B1 Project (the development of a joint IT platform for BZ S.A. and WBK S.A.) are the most important licenses for the Bank's activity.

BZ S.A. holds one registered trademark and has applied for the registration of three other trademarks.

12. RESEARCH AND DEVELOPMENT WORK AND IMPLEMENTATION PROJECTS

Within the past five years the following projects were carried out by the Bank:

1996

- Implementation of the ZORBA 2000 system in all BZ S.A. outlets; total value of the expenditures incurred in connection with the project – PLN 14,538,000.
- Implementation of the Elixir system in 50 BZ S.A. outlets; the total value of the expenditure – PLN 564,400.
- Implementation of reporting systems complying with the NBP's requirements; the total value of the expenditure – PLN 224,800.
- Launching NetBank1, electronic banking system for the first corporate and commercial customers; the total value of expenditure – PLN 70,000.

1997

- Centralisation of the fixed asset records and amortisation settlements – implementation of the system; the total value of the expenditure – PLN 91,800.
- Implementation of an e-mail information safety system; the total value of the expenditure – PLN 108,500.
- Launching of an ATM Management Centre – purchase and implementation of a management system for cards transactions, computer hardware, ATMs and personalisation devices; the total value of the expenditure – PLN 14,462,600.
- Implementation of the Elixir system in the remaining outlets of BZ S.A.; the total value of the expenditure – PLN 196,700.
- Modernisation of NetBank system to NetBank2 (corporate banking) increasing the number of system users; the total value of expenditure – PLN 219,500.

1998

- Implementation of an electronic inter-branch settlement system ZORBA/SETTL; the total value of the expenditure – PLN 761,200.

1999

- Implementation of the Promak-Powiernik system used in the Trustee Services Office; the total value of the expenditure – PLN 674,750.
- Launching of the Bank's own Corporate WAN with a management system; the total value of the expenditure – PLN 4,314,700.
- Launching NetBank2, home banking version for small enterprises and retail customers; the total value of expenditure – PLN 150,000.

2000

- Implementation of a system used in Biuro Informacji Kredytowej (Credit Bureau); the value of the expenditure – PLN 835,500.
- Implementation of a system allowing for the granting of loans subsidised by ARiMR (the Agency of Restructuring and Modernisation of Agriculture); the value of the expenditure – PLN 1,017,500.
- Implementation of the ZORBA-AUTO system; the value of the expenditure – PLN 718,400.
- NetBank2 development. Further increase in number of outlets utilising these services; the total value of expenditure – PLN 1,017,500.
- Commencing the implementation of BZ24 electronic services package for retail customers and small enterprises; the total value of expenditure in 2000 – PLN 2,850,000.

13. INVESTMENT ACTIVITY OF BANK ZACHODNI S.A. FOR THE YEARS 1998-2000

13.1. INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS

The table below presents the Bank's investment in tangible and intangible assets for each of the years ended December 31, 1998, 1999 and 2000

Table No. 30 (PLN '000)

	1998	1999	2000
Capital expenditure for modernization and construction	56,726	40,071	68,232
Capital expenditure related to IT and telecommunication	18,823	23,973	19,371
Integrated banking system	–	–	17,965
ATMs	13,320	12,705	3,535
Other	–	–	2,962
Total	88,869	76,749	112,065

The investment activities in 1998 and 1999 were aimed at implementing the Bank's investment policy, with particular emphasis on expanding the branch and ATM networks and investments relating to the Bank's preparation for privatisation.

In 2000, capital expenditure was concentrated in four areas:

- (i) opening new outlets and the installation of ATMs in order to continue the expansion of the Bank's delivery channels;
- (ii) IT expenditure, in particular relating to the B1 project;
- (iii) the construction of a computer centre for the Bank's integrated banking computer system, and
- (iv) the modernisation of the Bank's branch buildings and other buildings.

Capital expenditures in 2000 amounted to PLN 112,065,000 an increase compared to 1999, reflecting increased expenditure relating to the construction of the computer centre and the integrated banking system.

The capital expenditures between 1998 and 2000 carried out by the Bank in relation to its delivery channels resulted in the Bank establishing 49 new outlets and the remodelling and modernisation of a large number of the Bank's outlets. In addition, 214 locations were prepared for ATM installation.

Investment activities with respect to IT included the implementation of the system of exchange of information on borrowers within the framework of the Loan Information Office, the implementation of a system which enables the extension of loans subsidised by the Agency of Restructuring and Modernisation of Agriculture, the implementation of the AUTO-Zorba system, the purchase of equipment for the ZORBA system, the purchase, installation and launch of ATMs, the implementation of the inter-branch settlement system and equipping of new buildings with IT equipment.

All the investments were financed with BZ S.A.'s own funds.

13.2. EQUITY INVESTMENTS

The tables below set out the equity investments made by the Bank during last three years.

Table No.31 (PLN '000)

Subsidiaries	1998	1999	2000	% share in	% share in
				shareholders' equity, as at February 7, 2000	voting rights at GSM, as at February 7, 2000
Gosp. Rolne Niepruszewo Sp. z o.o.	1,741	-	-	100	100
LEN S.A.	2,087	-	-	39.40	50.10
DM BZ S.A.	-	24,040	-	100	100
Zachodnie Systemy Teleinformatyczne Sp. z o.o.	-	499	-	100	100

Table No. 32 (PLN '000)

Companies with minority interest	1998	1999	2000
Total	3,184	3,993	11,035

Table No. 33 (PLN '000)

Others*	1998	1999	2000
Total	6,832	1,100	70,212

* The expenditure is related to the acquisition of three companies: BZ Finance & Leasing S.A. and FORUM – Zachodnie Towarzystwo Funduszy Inwestycyjnych S.A. and Huta Szkla Violetta S.A. By the date of the Prospectus, the Bank had sold all shares held in those entities

Aggregate equity investment expenditure incurred by the Bank between 1998 and 2000 was respectively: PLN 13,844,000 in 1998, PLN 29,632,000 in 1999 and PLN 81,247,000 in 2000.

During the last three years, equity investments of BZ S.A. were primarily financed with the Bank's own funds. However, part of the investments were financed with the funds obtained from the British Know How Fund in an amount of PLN 5,530,300.

14. BANKS AT WHICH BZ S.A.'S ACCOUNTS ARE HELD

Foreign Correspondent banks.

The table below sets out the Bank's foreign correspondent banks which are used for the purposes of foreign currency transactions, by both the Bank and the Bank's customers as at March 31, 2001.

Table No. 34

No.	Country	Currency of the account	Name of the correspondent bank
1.	Germany	EUR	Dresdner Bank AG, Frankfurt
2.	Germany	EUR	Deutsche Bank AG, Frankfurt
3.	Germany	EUR	DG-Deutsche Gennossenschaftsb Frankfurt
4.	Germany	EUR	Commerzbank AG, Frankfurt
5.	USA	USD	Citibank, New York
6.	USA	USD	Standard Chartered Bank, New York
7.	USA	USD	Bank America International, New York
8.	Sweden	SEK	Skandinaviska Enskilda Banken, Stockholm
9.	Belgium	EUR	Banque Bruxelles Lambert S.A., Brussels
10.	The Czech Republic	CZK	Komercki Bank A.S. Head Office Prague
11.	Switzerland	CHF	UBS AG, Zurich
12.	France	EUR	Banque Nationale de Paris S.A. (BNP PARIBAS S.A.), Paris
13.	Holland	EUR	ABN Amro Bank N.V., Amsterdam
14.	Denmark	DKK	Unibank, Copenhagen
15.	Canada	CAD	Canadian Imperial Bank of Commerce, Toronto
16.	Norway	NOK	Den Norske Bank, Oslo
17.	Italy	ITL	Banca Nazionale del Lavoro, Rome
18.	Spain	EUR	Banco Popular Espaniol, Madrid

The table below sets out the Bank's domestic correspondent banks.

Table No. 35

No.	Country	Currency of the account	Name of the correspondent bank
1.	Poland	PLN	Narodowy Bank Polski
2.	Poland	PLN	Societe Generale Warsaw Branch
3.	Poland	PLN	Bank Śląski S.A.
4.	Poland	PLN and other currencies	WBK S.A.

15. OTHER MATERIAL AGREEMENTS

15.1. LOAN AND CREDIT AGREEMENTS NOT RELATED TO THE BANK'S OPERATING ACTIVITY, CONCLUDED BY THE BANK AS THE LENDING PARTY

Credit agreement dated February 5, 1996 between the Bank and BGF – On the basis of a resolution of the BGF Management Board dated February 5, 1996, adopted in response to an application by the Bank, and in recognition of the plan not being objected to by the NBP, to use assistance funds, BGF provided the Bank with repayable financial assistance in the form of a credit of PLN 62,100,000 in order to ensure that the Bank's solvency would not be threatened in connection with the Bank acquiring Bank Rozwoju Rolnictwa "ROLBANK" S.A., in liquidation in Poznań. The credit could only be used to settle the debts of the organisational units of Bank Rozwoju Rolnictwa "ROLBANK" S.A. acquired by BZ S.A. and to increase the Bank's portfolio of securities issued by the State Treasury or NBP. The credit was granted for 10 years, from February 9, 1996 until 2006, with a grace period up until February 9, 2000. The credit is repayable in 13 instalments payable semi-annually.

15.2. CONTRACTUAL OBLIGATIONS UNDER DEBT SECURITIES

BZ S.A. has carried out one issue of debt securities, namely the issue of bank certificates of deposit. 100,000 certificates were issued and the aggregate amount of the issue was PLN 50,000,000. The issue price of each certificate was PLN 500 and the annual interest rate for the certificates is 7%. The certificates were issued on August 3, 1998, and will be redeemed on the third anniversary of their issue date. The interest

on the certificates of deposit is paid yearly in arrears and upon payment for a municipal flat using the depository certificates. BZ S.A. offers the certificates in both the primary and secondary markets.

15.3. CONTRACTUAL OBLIGATIONS UNDER FINANCIAL INSTRUMENTS

Apart from issuing debt securities, the Bank is also party to agreements related to debt securities and other financial instruments, where the Bank arranges the issue of debt securities by other entities.

The table below sets out the Bank's principal contractual obligations under financial instruments.

Table No. 36

No.	Type of agreement	Date of the agreement	Subject of the agreement	Value of the programme	Date of termination of the programme	Guarantee liability as at Dec 8, 2000 in PLN	Date of expiration of the guarantee
1.	Agreement for the provision of issuance services for an issue of commercial papers	Aug. 25, 2000	Issue management and intermediation in the sale of commercial paper	PLN 900,000	Aug. 27, 2001	-	-
2.	Agreement for the provision of issuance services for an issue of commercial papers	March 27, 2000	Issue management and intermediation in the sale of commercial papers	PLN 1,200,000	March 26, 2001	-	-
3.	Commitment to act as an agent for the sale of debt securities and to underwrite an issue	July 22, 1999	Intermediation in the sale of commercial papers and underwriting their issue	PLN 350,000,000	June 26, 2002	PLN 30,000,000	Jan. 2, 2001
4.	Agreement for the provision of services with regard to the issuance of municipal bonds for a bank consortium	Dec. 18, 1997	Managing and underwriting an issue of bonds	PLN 25,000,000	Dec. 31, 2002	-	Dec. 30, 1997
5.	Agreement for the provision of services with regard to the issuance of municipal bonds and underwriting their issue	Dec. 17, 1997	Managing and underwriting an issue	PLN 50,000,000	Aug. 3, 2001	-	Aug. 3, 2001
6.	Agreement for the preparation and the management of an issue of municipal Eurobonds for an international consortium	Oct. 7, 1998	Underwriting an issue of bonds	DEM 66,000,000 (PLN 144,144,000)	Nov. 24, 2007	-	Dec. 1998
7.	Agreement for the provision of services with regard to the issuance of municipal bonds and underwriting their issue	April 27, 2000	Managing and underwriting an issue of bonds	PLN 25,000,000	Dec. 9, 2002	PLN 14,083,329.50	Dec. 11, 2000
8.	Agreement for the provision of services with regard to the issuance of county (district) bonds and underwriting their issue	May 10, 2000	Managing and underwriting an issue	PLN 9,000,000	Dec. 15, 2010	PLN 6,300,000	Dec. 15, 2002
9.	Agreement for the provision of services with regard to the issuance of county (district) bonds and underwriting their issue	Aug. 25, 2000	Managing and underwriting an issue	PLN 10,000,000	Jan. 31, 2005	PLN 7,000,000	Jan. 31, 2002
10.	Bought-deal underwriting agreement	Aug. 16, 1999	Managing (together with the brokerage house as the partner in the consortium) the issue of management stock options giving the right to purchase the company's shares	PLN 1,470,000	Feb. 7, 2002	-	Dec. 22, 1999

15.4. GUARANTEES PROVIDED TO SUBSIDIARIES

The Bank has issued no guarantees for the benefit of its subsidiaries.

16. INFORMATION ON REAL PROPERTY OWNED BY BANK ZACHODNI S.A.

16.1. OWNERSHIP OR PERPETUAL USUFRUCT

BZ S.A. owns or holds under perpetual usufruct real estate recorded in 148 land and mortgage registers, of which 100 are used for the Bank's outlets and 48 are designated for other purposes (41 of which are intended for sale in 2001).

16.2. COOPERATIVE RIGHT TO A COMMERCIAL SPACE

The Bank has 12 commercial spaces under the cooperative right to commercial space. Nine of them are used as the Bank's outlets and three for other purposes (one of them is intended for sale in 2001).

16.3. RENTAL OR LEASE AGREEMENTS

The Bank utilises 240 real properties under rental or lease agreements, of which 133 are used as the Bank's outlets, and 107 are used for other purposes.

16.4. COLLATERALS

Real properties used by BZ S.A. are not encumbered with mortgages, some are encumbered with easements for the benefit of neighbouring real estate.

16.5. PROPERTIES WITH UNREGULATED LEGAL STATUS

The Bank has three real properties with an unclear or unregulated legal status. One of these properties is intended for sale and two of these properties are used as outlets of the Bank.

16.6. FURTHER DETAILS OF BANK'S PROPERTIES

Details of the Bank's properties required to be disclosed by the Prospectus Ordinance are contained in the Prospectus.

17. INFORMATION ON PROCEEDINGS PENDING

As at January 31, 2001, no bankruptcy or settlement proceedings are pending against the Bank, AIB EI (the sole shareholder holding at least 5% of the total number of shares and votes at a General Shareholders' Meeting), or any of the subsidiaries of the Bank. There is one liquidation proceeding pending concerning a subsidiary of the Bank, namely Gospodarstwo Rolne CISY Sp. z o.o., in connection with a resolution of the shareholders' meeting of this company concerning its liquidation.

17.1. PROCEEDINGS INITIATED BY THE BANK

As at January 31, 2001, the Bank is the plaintiff in 969 proceedings. The total value of the proceedings in which the Bank is acting as plaintiff is PLN 95,550,080.57.

The outcome of any individual proceeding shall not have a material impact on the Bank's activities since the value of any individual proceeding is not material in comparison to the value of the Bank's assets.

17.2. PROCEEDINGS IN WHICH THE BANK ACTS AS THE DEFENDANT

As at 31 January, 2001, the Bank appeared as the defendant in 43 civil law proceedings. 16 of the proceedings instigated against the Bank are proceedings concerning payment. 18 of them are proceedings for the establishment of rights and 9 of them are proceedings instigated by employees (7 of which are proceedings concerning re-employment, and 2 of which are proceedings concerning compensation). BZ S.A. is also party to 149 proceedings concerning the right to acquire shares free of charge. However neither the value of each individual claim nor the aggregate value of all claims will have a material impact on the Bank's activities. As at January 31, 2001, the total value of all claims filed against the Bank amounted to PLN 9,236,730.32.

17.3. PROCEEDINGS IN WHICH THE BANK'S SHAREHOLDER THAT IS NOT A NATURAL PERSON AND HOLDS AT LEAST 5% OF THE SHARES OR VOTES AT THE GENERAL SHAREHOLDERS MEETING OF THE ISSUER ACTS AS THE DEFENDANT

The proceedings in which AIB EI or AIB Group entities are a party will have no material impact on the Bank's activities.

18. PROCEEDINGS PENDING BEFORE THE STATE ADMINISTRATION AUTHORITIES

As at January 31, 2001, the Bank was a party to four administrative proceedings. The result of the proceedings will not have any material impact on the Bank's activities. However, the proceedings described below may have an impact on the successful completion of the Merger.

Proceedings concerning the issue of a permit for the purchase by BZ S.A. of real estate taken over from WBK S.A. The Bank is party to proceedings before the MIAA regarding the issue of a permit for the acquisition of real estate from WBK S.A., including the property of Gliwicki Bank Handlowy S.A. The proceedings relate to the Merger. The real estate which BZ S.A. is to acquire as a result of the Merger is held by WBK S.A. under ownership and perpetual usufruct titles.

19. SETTLEMENT AND INSOLVENCY PROCEEDINGS WITH THE BANK ACTING AS THE CREDITOR

As at February 28, 2001, the Bank was a creditor in 22 settlement proceedings with an aggregate value of PLN 22,237,994.44 and in 152 bankruptcy proceedings with an aggregate value of PLN 276,862,707.60.

20. ENFORCEMENT PROCEEDINGS WITH THE BANK ACTING AS THE CREDITOR

As at January 15, 2001, the Bank was a creditor in 4,320 enforcement proceedings with respect to the Bank's receivables with an aggregate value of PLN 2,846,928. The outcome of these proceedings will not have a material impact on the continual operations of the Bank.

21. ENFORCEMENT PROCEEDINGS WITH THE BANK ACTING AS THE DEBTOR

As at January 31, 2001, the Bank was not a debtor in any enforcement proceedings against the Bank.

22. BANK WRITS OF EXECUTION

As at February 28, 2001, the Bank has issued a total of 4,584 bank writs of execution for an aggregate amount of PLN 270,289,396.27. At the date of updating of this prospectus the Bank has encumbered the accounts and property of borrowers as collateral in an aggregate amount of PLN 12,005,812,451.23.

CHAPTER VI

FINANCIAL OVERVIEW AND STRATEGY OF THE ISSUER

This Information Memorandum and, in particular, this Chapter VI includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "is expected" or "anticipates" or similar expressions or comparable terminology or by discussions of loan loss provisions, strategies, plans or intention. Such forward-looking statements are based upon the current views and assumptions of the Bank about future events and are subject to risks, uncertainties and assumptions relating to, amongst other things, the Bank and industry trends and results. In light of these risks, uncertainties and assumptions, the forward-looking events may not occur.

1. ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT WITHIN BANK ZACHODNI S.A. AND ITS CAPITAL GROUP

The financial information presented below describes the use and application of financial resources and the source of funds. The information is based on the audited financial statements of BZ S.A. as at and for the years ended December 31, 1998, 1999 and 2000 and the audited consolidated financial statements for the capital group of BZ S.A. as at and for the year ended December 31, 2000.

1.1. ANALYSIS OF BALANCE SHEET

The table below sets out the asset value and structure of BZ S.A. as at December 31, 1998, 1999 and 2000 and of its capital group as at December 31, 2000

Table No. 38 (PLN '000)

	Value (PLN '000)				Structure			
	1998	1999	2000	2000 Capital Group	1998	1999	2000	2000 Capital Group
Cash	928,866	703,825	567,234	567,234	11.65%	8.82%	6.09%	6.1%
Accounts receivable from financial institutions	567,390	385,141	1,468,853	1,474,313	7.12%	4.82%	15.77%	15.85%
Accounts receivable from non-financial institutions and public sector	4,500,742	4,654,159	4,448,662	4,450,518	56.46%	58.3%	47.77%	47.84%
Accounts receivable from unconsolidated subsidiaries and affiliates	-	-	6,978	6,978	-	-	0.08%	0.08%
Accounts receivable from reverse repo transactions	-	-	98,779	98,779	-	-	1.06%	1.06%
Financial assets	1,517,077	1,760,659	2,070,552	2,049,051	19.03%	22.05%	22.24%	22.02%
Intangible fixed assets	70,155	47,115	26,974	27,672	0.88%	0.59%	0.29%	0.3%
Tangible fixed assets	347,664	375,741	433,065	436,436	4.36%	4.71%	4.65%	4.69%
Other assets	39,635	56,984	190,684	191,264	0.5%	0.71%	2.05%	2.06%
Total	7,971,529	7,983,624	9,311,781	9,302,245	100%	100%	100%	100%

Source: Financial statements of BZ S.A. and its capital group

Accounts receivable from non-financial institutions and the public sector, and investment in financial assets, comprise the largest proportion of the Bank's assets. The percentage share of accounts receivable from non-financial institutions and the public sector has decreased from 56% of total assets in 1998 to 48% in 2000, reflecting the refocusing of the loan book away from less profitable areas. The proportion of financial assets which are mostly invested in debt securities increased from 19.0% of total assets in 1998 to 22.2% in 2000. The significant proportion of total assets invested in financial assets reflects the investment of excess deposits over loans granted by the Bank.

The table below sets out the value and structure of equity and liabilities of BZ S.A. and its capital group as at 31 December, 1998, 1999 and 2000

Table No. 39 (PLN '000)

	Value (PLN '000)				Structure			
	1998	1999	2000	2000 Capital Group	1998	1999	2000	2000 Capital Group
					1998	1999	2000	2000 Capital Group
Liabilities to financial institutions	457,818	405,243	553,701	312,473	5.74%	5.08%	5.95%	3.36%
Liabilities to non-financial institutions and the public sector	6,185,413	6,331,639	7,217,913	7,435,757	77.59%	79.31%	77.51%	79.94%
Liabilities to unconsolidated subsidiaries and affiliates	-	-	986	986	-	-	0.01%	0.01%
Liabilities on securities repurchase transactions	-	-	99,508	99,508	-	-	1.07%	1.07%
Liabilities on securities	7,747	2,450	1,642	1,642	0.1%	0.03%	0.02%	0.02%
Share capital	280,000	294,706	329,510	329,510	3.51%	3.69%	3.54%	3.54%
Other capital and funds	388,737	539,566	707,933	707,987	4.88%	6.75%	7.6%	7.61%
Other equity and liabilities	625,269	406,849	490,568	499,520	7.85%	5.1%	5.27%	5.37%
Net profit (loss)	26,545	3,171	(89,980)	(85,138)	0.33%	0.04%	-0.97%	-0.92%
Total equity and liabilities	7,971,529	7,983,624	9,311,781	9,302,245	100%	100%	100%	100%

Source: Financial statements of BZ S.A. and its capital group

The above table highlights the source of funds of the Bank. Liabilities to (i.e. deposits from) non-financial institutions and the public sector constitute the main source of these funds. These liabilities, as a proportion of total liabilities, have remained for the period 1998 to 2000 consistent at approximately 77.6% and reflect the 16.7% growth resulting from the growth and robustness of the deposit base of the Bank. Shareholders' funds have increased over that period primarily due to the investment of PLN 350 million in equity capital by AIB EI since its acquisition of a majority stake in BZ S.A. in 1999. The loss in 2000 primarily reflects the increase in bad debt provisions following the quality assurance review of the Bank's loan book.

1.1.1. Income from activities in 1998, 1999 and 2000

The table below sets out the profit from banking activities of the Bank for each of the years ending December 31, 1998, 1999 and 2000 and for its capital group for the year ending December 31, 2000:

Table No. 40 (PLN '000)

	1998	1999	2000	2000 Capital Group	1998	1999	2000	2000 Capital Group
					1998	1999	2000	2000 Capital Group
					1998	1999	2000	2000 Capital Group
Net interest income	480,891	445,670	443,420	452,718	69.6%	71.1%	63.0%	62.4%
Net non-interest income	209,594	180,779	260,041	272,397	30.4%	28.9%	37.0%	37.6%
Profit from banking activities	690,485	626,449	703,461	725,115	-	-	-	-

Source: Financial statements of BZ S.A. and its capital group

Profit from banking activities has increased by 1.9% over the period from 1998 to 2000. This growth rate primarily reflects a reduction in the level of net interest income as the Bank refocuses its loan book. Although in general the proportion of net interest income to profit from banking activities has been increasing, this trend was reversed in 2000 due to higher than normal fee income from financial transactions and currency exchange.

The table below sets out the net interest income of the Bank for each of the years ending December 31, 1998, 1999 and 2000 and for its capital group for the year ending December 31, 2000.

Table No. 41 (PLN '000)

	1998	1999	2000	2000 Capital Group
Interest income	1,170,189	1,017,162	1,197,257	1,197,544
Interest expense	(689,298)	(571,492)	(753,837)	(744,826)
Net interest income	480,891	445,670	443,420	452,718

Source: Financial statements of BZ S.A. and its capital group

Interest income growth has remained relatively flat increasing by only 2.3% over the period 1998 to 2000 and reflects the relatively flat level of growth in loans to non-financial institutions and the public sector. However, the increase in interest expense by 9.4% from 1998 to 2000 is due to the increase in the level of deposits from non-financial institutions and public sector. The combination of these two factors has resulted in a reduction in net interest income of 7.8% from 1998 to 2000.

1.1.2. Non-interest income

The table below sets out the non-interest income of the Bank for each of the years ending December 31, 1998, 1999 and 2000 and for the capital group for the year ending December 31, 2000:

Table No. 42 (PLN '000)

	1998	1999	2000	2000 Capital Group
Income from commission fees and charges	152,838	158,265	159,271	174,250
Commission fee expense	(6,127)	(7,654)	(14,363)	(17,248)
Income on shares, interests, other securities and proprietary rights	355	677	1,232	1,232
Result from financial transactions	26,457	722	64,981	65,243
Result from currency exchange	36,071	28,769	48,920	48,920
Total non-interest income	209,594	180,779	260,041	272,397

Source: Financial statements of BZ S.A. and its capital group

Income from commission fees and charges constituted the main category of non-interest income over the last three years. This income arises from account maintenance fees, investment services, card operations and other miscellaneous activities. BZ S.A. was able to capitalise on providing foreign currency risk management services to corporates resulting in the level of income from financial transactions and currency exchange increasing significantly in 2000 and this contributed to the increase in total non-interest income in 2000.

1.1.3. Operating expenses

The table below sets out the operating expenses of the Bank for the years ending December 31, 1998, 1999 and 2000 and for its capital group for the year ending December 31, 2000:

Table No. 43 (PLN '000)

	Value (PLN '000)				Structure			
	1998	1999	2000	2000	1998	1999	2000	2000
				Capital Group				Capital Group
Salaries	136,882	190,981	215,755	221,141	45.75%	54.82%	49.69%	49.75%
Employee benefits	67,659	38,713	41,162	41,537	22.62%	11.12%	9.48%	9.35%
Tangible costs	19,356	22,874	28,571	29,227	6.46%	6.57%	6.58%	6.58%
Taxes and charges	4,602	4,386	6,959	6,997	1.55%	1.26%	1.60%	1.56%
Banking Guarantee Fund contributions and membership fees	8,564	7,268	19,357	19,357	2.86%	2.07%	4.46%	4.36%
Other	62,205	84,152	122,407	126,206	20.76%	24.16%	28.19%	28.40%
Total operating expenses	299,268	348,374	434,211	444,465	100%	100%	100%	100%

Source: Financial statements of BZ S.A. and its capital group

Total costs have increased by 45.1% over the period 1998 to 2000 driven by increases in employee salaries and benefits and other expenses.

Salaries and employee benefits represent the single highest cost categories for the Bank and comprised 59% of operating costs in 2000 reducing from 68% in 1998. However the level of salaries and employee benefits has increased by 25.6% from 1998 to 2000 reflecting increases in remuneration levels.

“Other” expenses consist of professional advisory fees, computer and licensing fees, marketing, rent and maintenance, and intangible assets. Increases in this category in 1999 and 2000 are attributable to an increase in advisory fees and marketing connected to the Merger, as well as rent and maintenance related to the expansion of the BZ S.A. branch network.

The significant increase in the Bank Guarantee Fund contributions in 2000 was caused mainly by higher payments due to the bankruptcy of Bank Staropolski S.A.

1.2. RATIO ANALYSIS

The table below sets out certain financial ratios of the Bank as at and for the years ended December 31, 1998, 1999 and 2000 and of the capital group as at and for the year ended December 31, 2000:

Table No. 44

Item	1998	1999	2000	2000 Capital Group
Profitability				
Total return on average assets (ROA) (%)	0.37%	0.04%	(1.04%)	(0.99%)
Total return on average equity (ROE) (%)	4.25%	0.42%	(9.61%)	(9.10%)
Net interest margin (%)	8.35%	6.35%	5.64%	5.76%
Non-interest income/Total income (%)	16.34%	13.93%	16.47%	16.99%
Operating expense/Total income (%)	24.51%	29.07%	31.11%	31.65%
Operating expense/Average total assets (%)	5.51%	5.44%	7.06%	7.24%
Asset quality				
Retail loans/Total loans (%)	11.25%	13.48%	16.97%	16.98%
Corporate loans and loans to the public sector/Total loans (%)	88.75%	86.52%	83.03%	83.02%
Non-performing loans (PLNm)	799	1,387	1,547	1,547
Loan-loss provisions (PLNm)*	429	569	758	758
Loan-loss provisions/Non-performing loans (%)	53.64%	41.06%	49.03%	49.03%
Total non-performing loans/Total loans (%)	17.07%	27.28%	30.58%	30.54%
Total non-performing loans/Equity (%)	119.47%	166.19%	149.10%	149.10%
Capital adequacy				
Average equity/Average total assets (%)	8.78%	9.42%	10.82%	10.83%
Retail deposits/Total customer deposits (%)	64.79%	67.86%	69.77%	72.98%
Corporate deposits and deposits from the public sector/Total customer deposits (%)	35.21%	32.14%	30.23%	27.02%

* Including the reserve for general risk with the exclusion of banks.

Although the value of interest-bearing assets constantly increases, income generated on these assets has been growing at a slower pace in recent years. The increase in interest rates, caused interest costs to grow faster than interest income. This caused a reduction in the difference between interest earned on loans and interest paid on deposits which reduced the average interest margin.

The decrease in ROE is a result of low net income generated in 1999 and a net loss generated in 2000. Both are to be attributed to the restructuring of the loan portfolio as a result of which high costs associated with creating additional loan loss reserves have been occurred. The share of non-performing loans within the structure of total loans, as well as their increase during the last two years, is largely a result of the Bank's conservative approach to the reclassification of delinquent loans in accordance with its strict policy of limiting credit risk and verifying the quality of its loan portfolio on an ongoing basis.

1.3. RISK MANAGEMENT

1.3.1. General

The Bank has an Asset and Liability Management Committee (the "ALCO") which advises the Management Board on risk management strategy and procedures, monitors and recommends appropriate actions and is responsible for managing the account, quantitatively and qualitatively, for assets and liabilities of the Bank and co-ordinates the management of the Bank's various risk exposures, including credit risk and market risk.

The ALCO, which meets monthly, is comprised of representatives from five divisions of the Bank: Local Branches Banking Division, Finance Division, Treasury Division, Loan Division, Sales and Marketing Division.

1.3.2. Credit risk management

Historically, the Bank's branches had primary responsibility for granting credits in accordance with detailed guidelines and procedures determined by the Bank's Head Office. Credit exposures above a certain limit had to be approved by Head Office, by either a credit officer in the Credit Division, the head of Credit Division, the credit committee of the Bank or, finally, the Management Board, depending on, primarily, the size of the relevant credit exposure, the borrower's financial standing and its economic sector.

The Bank has introduced a number of measures with a view to ensuring that uniform standards in respect of lending policies are applied across its branch network, and that a more centralised approach is followed regarding credit approvals. In addition, the Bank is in the process of introducing credit policies and procedures which follow closely the general credit policies and procedures within the AIB Group.

As a result, the branch managers' discretion limits and the limits which apply to branch lending have been reduced. The credit discretion limit which applies to each branch is based on a quality assurance review of the particular branch which was carried out by the Bank during 2000 and which will continue on an ongoing basis. The Bank introduced a Business Lending Handbook, which established the general loan policies and procedures of the Bank in relation to business lending. In relation to personal lending, the Bank is in the process of introducing an automated credit scoring system for personal loan products and standardising its loan documentation. This system will ensure a more uniform and centralised approach to the granting of personal loans, while also enabling the Bank to manage its credit exposure to personal customers in a much more streamlined and effective manner.

The monitoring of loans and other exposures of the Bank has traditionally been carried out by the branches. Head Office assumed responsibility for non-performing loans in excess of a certain amount or which related to particular economic sectors. As a result of changes introduced during 2000, the Separated Loan Department of the Bank, located at Head Office, is now fully responsible for all loan or credit exposures in excess of PLN 1.0 million which are non-performing. Its responsibilities include on-going monitoring, development of work-out strategies, enforcement of collateral and determining the appropriate level of provisioning against such loans. In addition, the Separated Loan Department is also responsible for classifying and creating provisions against all non-performing credits against which a loan loss provision in excess of PLN 100,000 has been established. In addition, the Bank expects to establish a number of regional credit risk teams which will be responsible for managing all non-performing business loans under PLN 1.0 million and all personal loans over PLN 10,000. These regional teams will report directly to Head Office.

As a part of its Credit Risk Management Division, the Bank established a Loan Quality Control Department, which is responsible for appraising the actual quality of the loan portfolio, identifying and eliminating any discrepancies in credit granting procedures, and monitoring the level of provisioning for non-performing loans. The Loan Quality Control Department is authorised to alter the classification of loans and the level of provisioning.

1.3.3. Loan classification policies and loan loss provisions

The Bank is in compliance with applicable NBP loan classification regulations, and its provisioning in this regard exceeds NBP requirements.

The Bank is required by the NBP to establish provisions against loans to customers and financial institutions, guarantees provided on behalf of customers and off-balance sheet liabilities.

The Bank's loan loss provision as at December 31, 2000 was PLN 758 million, a 33.2% increase compared to December 31, 1999. This increase followed the review of the loan portfolio by the Bank to determine the required level of additional loan loss provisions.

1.3.4. Liquidity risk management

In liquidity risk management, the Bank seeks to ensure that, even under adverse conditions, it has access to the funds necessary to cover customers' needs, maturing liabilities and capital requirements. The ALCO is responsible for establishing policies and guidelines for liquidity risk management and the Treasury Division is responsible for the operational aspects of liquidity risk management.

For liquidity purposes, the Bank maintains:

- the mandatory reserve requirements of the NBP,
- funds in NOSTRO accounts determined as necessary for non-cash settlements,
- optimal (within the limits set) Polish zloty and foreign currency funds in cashiers' desks and NBP NOSTRO current account, and
- a liquidity reserve consisting of liquid financial instruments, which if the need arises, can be sold quickly within loss limitations acceptable to the Bank.

The Bank's investments, both in Polish zloty and foreign currency, are made in accordance with requirements set forth in the Banking Law and in compliance with NBP recommendations. As a result, the Bank mainly invests in liquid investment grade financial instruments of the Polish State Treasury, as well as of banks and financial institutions. As they can be sold quickly, such financial instruments constitute the Bank's liquidity reserve, the level of which is prescribed by the ALCO in light of current circumstances and are re-assessed on an on-going basis.

1.3.5. Market risk management

The Bank, as a result of its banking activities, is exposed to various market risks including interest rate, foreign exchange and counterparty risks. The ALCO is responsible for establishing policies, procedures and limits with respect to market risks, including guidelines in respect of interest rate gap positions and limits on open foreign currency positions. The Treasury Division is responsible for the implementation of these policies, procedures and limits.

1.3.6. Operational risk management

The Bank maintains a system of controls which is designed to ensure that it operates in accordance with corporate policies established by management and with a view to reducing the Bank's exposure to operational risks such as fraud, errors by employees, system failures and inadequate documentation of transactions. The Bank's Internal Audit Department monitors compliance with these rules.

2. PLANNED CAPITAL INVESTMENTS

The table below highlights the principal planned capital investments of the Bank in 2001 which are related to the implementation of a modern integrated IT system and to the development of the branch network:

Table No. 45 (PLN million)

	2001
Capital expenditure	
BI Program	111.5
Other IT investments	127.8
Investments in real property and other tangible assets	100.3
Total	339.6

The Bank estimates that the total cost of investments to be incurred in 2001 is approximately PLN 339.6 million. The capital expenditure program will be financed from the Bank's own funds. However, the Bank does not exclude the possibility of using other external sources of financing if the financial analysis indicates that alternative financing sources would be more effective than the use of the Bank's own funds.

3. SIGNIFICANT EVENTS THAT HAVE IMPACTED BANK ZACHODNI S.A.

3.1. ACQUISITION BY AIB EI OF A MAJORITY STAKE IN BZ S.A.

AIB EI, a wholly-owned subsidiary of AIB, acquired 80% of BZ S.A. in 1999. Following equity capital injections, totalling PLN 350 million up to December, 31 2000, arising from AIB Group's commitments given as part of the sale agreement, AIB EI now owns approximately 83% of the issued share capital of BZ S.A. AIB EI is committed to the continued future development of BZ S.A., and in addition to providing additional capital has also provided significant management and operational support to BZ S.A. and its management team.

3.2. BANK STAROPOLSKI S.A.'S BANKRUPTCY

In 2000 the Bank made additional contributions to the Bank Guarantee Fund of PLN 12.9 million due to the bankruptcy of Bank Staropolski S.A. and these contributions were included in its operating expenses for 2000.

3.3. UTILISATION OF AN INVESTMENT TAX ALLOWANCE

Over the years 1997 to 2000, BZ S.A. decreased its taxable income by investment outlays and investment premiums. The deductible amount amounted to:

- PLN 72.6m. due to investment outlays
- PLN 28.4m. due to investment premiums

Total PLN 101.0m

BZ S.A. utilizing an investment tax allowance paid lower taxes in consecutive years. Tax savings amounted to:

- PLN 7.9m. in 1997
- PLN 16.4m in 1998
- PLN 11.5m in 1999
- PLN 0.3m in 2000

Total PLN 36.1m

The Bank deducted from its taxable income expenses incurred in relation to the building and expansion of banking facilities and the purchase of IT equipment. During the financial year 2000 investment tax allowance deductions were made in respect of investments in banking premises.

3.4. QUALITY ASSURANCE REVIEW AND LOAN LOSS PROVISIONS

Following the acquisition of a majority stake in BZ S.A. by AIB EI, the Bank introduced an assurance review of its loan portfolio to assess its quality and the level of provisioning required. As part of this process, during 1999 additional loan loss provisions were created (a PLN 140 million increase compared to 1998). This process continued in 2000 and loan loss provisions increased by a further PLN 189 million during 2000. These loan loss provisions have been fully provided for in the profit and loss account of BZ S.A. The establishment of additional provisions adversely affected the Bank's profits.

3.5. REPLACEMENT OF THE LIABILITIES OF LOCAL GOVERNMENTS WITH TREASURY BONDS

According to Agreements concluded on March 31, 2000 and September 29, 2000, the State Treasury, in order to satisfy its liabilities in respect of certain non-performing public sector entities' debts, undertook to convert these liabilities into treasury securities. As a result of executing such agreements, receivables were converted, of an aggregate nominal value of PLN 324,095,327.39. The conversion did not affect the Bank's profits.

4. MATERIAL CHANGES TO BUSINESS ACTIVITY

In the opinion of the Issuer, from the date of the most recent financial statements to the date of the Prospectus there have been no material changes in its operations, except that on February 1, 2001 an agreement for the final sale of shares in Forum – Zachodnie Towarzystwo Funduszy Inwestycyjnych S.A., a subsidiary of BZ S.A., was concluded between BZ S.A. and Commercial Union Polska – Towarzystwo Ubezpieczeń na Życie S.A.

5. FACTORS THAT MAY IMPACT THE FUTURE PERFORMANCE OF THE BANK AND ITS CAPITAL GROUP

5.1. EXTERNAL FACTORS

Presented below are, in the opinion of the Management Board of BZ S.A., the most important external factors influencing BZ S.A.'s operations and future results.

5.1.1. GDP growth

GDP growth is a key factor influencing the growth of the Bank as it influences the level of demand for banking products and services. GDP growth is impacted by the general economic condition of the country which in turn is influenced by the interest rate policy, inflation rate, growth in exports, domestic demand and government budget policy and unemployment rate. According to figures compiled by the Polish Central Statistics Office, GDP growth in 2000 was 4.1%.

5.1.2. Interest rates

Interest rate changes also affect the level of interest provided on deposits and charged on loans and consequently may impact the level of interest margin which in turn may affect the Bank's profitability.

5.1.3. Consolidation in the Polish banking sector

The Polish banking sector is experiencing increasing consolidation driven primarily by the consolidation of the banking sector outside of Poland, the influence of foreign shareholders and the drive for greater efficiency and scale. Examples include the merger of Bank Handlowy w Warszawie S.A. and Citibank (Poland) S.A. It is expected that this consolidation trend will contribute to increased competition in the market.

5.1.4. Increased investment and improving efficiency

Most banks in Poland are in various stages of substantially upgrading their main IT systems. Combined with this investment in IT, banks are also investing to develop new banking products and to streamline existing banking products, processes and operations. These IT investments coupled with improved operating systems are expected to significantly enhance the level of efficiency and the profitability of the sector and provide improved scope for banks to compete more effectively.

5.1.5. Increased competition in the Polish banking sector

Increased consolidation, the strategy of competitors to create a pan-Polish banking operation and increase their customer base, and continued investment in, and improvements to, IT and banking processes and operations, are all expected to contribute to an increase in the level of competition in the Polish banking sector. In addition, increased investment by foreign banks in the expanding Polish banking market and the privatization of Powszechna Kasa Oszczędności Bank Polski and Bank Gospodarki Żywnościowej S.A. is also expected to further increase the level of competition in the sector.

5.1.6. Financial trends

5.1.6.1. Operating costs

Operating costs for the sector in general are expected to continue to increase ahead of inflation as banks further expand their networks, increase their marketing and develop their product range. In addition, the increase in operating costs may arise from increased IT systems development and the increase in employee costs.

5.1.6.2. Asset quality and provisioning

Although it is difficult to assess the quality of the loan portfolio for the Polish banking sector, it is expected that the continued growth of the economy and the employment of more prudent credit assessment procedures, should help to ensure that the ratio of non-performing loans to performing loans improves.

5.1.7. Customer trends

A notable feature of the Polish banking market is the recent growth in usage of credit cards and other electronic based services. This movement towards technology based services is expected to continue with the development of distribution channels such as phone banking and PC/internet banking, as the anticipated number of fixed phone lines and computers being used by Polish households increases. These electronic forms of distribution are believed to be more efficient and cost effective compared to the physical branch network. However considerable further development of this distribution medium is required and, given the current low level of usage of fixed phone lines and computers by Polish customers, it is expected that the physical branch network will remain the most important delivery channel for the next number of years.

In addition, customers are becoming more sophisticated and demand a higher quality of service. It is expected that differentiation based on quality of service will become a key competitive factor in the market.

5.2. INTERNAL FACTORS

5.2.1. Merger with WBK S.A.

The Management Board of the Bank believes that the Merger should provide the following benefits:

5.2.1.1. Opportunities to reduce costs and obtain other financial and operational benefits by integrating the businesses of both banks

It is expected that the Merger will produce savings which will be greater than those savings which could be achieved by each bank operating independently. These benefits should come from enhanced savings from the new technology platform being introduced, which should provide a uniform system to better support the business in all branches, as well as from streamlining existing work practices and Head Office functions.

5.2.1.2. Opportunity for BZ WBK S.A. to build critical mass to better compete in the face of recent in-market consolidation

Following the Merger it is expected that BZ WBK S.A. will:

- be the largest bank in the Wielkopolska and Lower Silesia regions
- be one of the largest banks in Poland in terms of total assets
- have the third largest ATM network in Poland
- be the third largest bank in Poland in terms of the number of bank cards issued.

5.2.1.3. Improved range of product and customer services

It is expected that the Merger will provide to current and future customers a broader and more uniform range of products with better service at more competitive prices.

5.2.1.4. Strengthened position in new markets

It is expected that the strength of BZ WBK S.A. after the Merger following the increased investment resulting from pooling of resources and releasing additional resources should result in an accelerated rollout of new branches to strengthen its presence in existing areas and extend its reach to new areas. BZ WBK S.A.'s e-banking capabilities are also expected to be enhanced.

5.2.1.5. Strengthened management team

It is expected that the Merger will create a strong and experienced management team. The combination of management resources is expected to encourage best practice to be adopted across the whole organisation resulting in a more efficient single management team.

5.2.1.6. Greater staff development opportunities

The staff are a key resource of both BZ S.A. and WBK S.A. and the Merger is expected to provide the staff with greater opportunities for both training and self-advancement.

5.2.2. Introduction of common branch banking system

The Bank is introducing a new IT system and common branch banking system, known as the B1 Project, which is expected to streamline its operations and improve the Bank's competitive position. This investment, which is anticipated to cost US\$100 million, is being implemented jointly with WBK S.A.

5.2.3. Introduction of BZ S.A.'s shares into public trading and listing on the Warsaw Stock Exchange

The introduction of BZ S.A.'s shares into public trading and listing on the Primary Market of the WSE should result in shareholders having the ability to trade their shares in BZ S.A. However, as a result of the listing, BZ S.A. will have to comply with the procedures and requirements laid down by Polish law for public companies, which may result in higher compliance costs going forward.

5.2.4. Role of AIB EI as the dominant entity

AIB has a stated strategy to commit to invest and expand its presence in Poland in order to become one of the top tier banks in Poland. As part of this strategy, AIB EI will continue to provide experienced skilled personnel to facilitate the development of the Bank and help identify development opportunities in Poland. AIB EI will continue to support the Bank's strategy for the development of its core businesses and to provide to the Bank products, technology and know-how through a combination of transfers of intellectual property, consultancy, and training. AIB EI, as the dominant entity, has the ability to directly influence the future strategy of the Bank. However, given the long term commitment of the AIB Group to the Polish banking market, it is expected that this influence and experience should assist BZ S.A.

5.2.5. Restructuring of loans, provisions for loans

The operating and financial performance of the Bank is influenced by the level and quality of the loan portfolio. Following the acquisition by AIB EI of a majority stake in BZ S.A. a quality assurance system and procedures were implemented consistent with AIB Group standards. It is expected that these new standards

and procedures for assessing the quality of loan applications should help to improve the quality and profitability of the loan portfolio in the future.

5.3. THE STRATEGIC DEVELOPMENT OF THE BANK AND ITS CAPITAL GROUP

Following the acquisition by AIB EI of a majority shareholding in BZ S.A., it has been the objective of AIB EI and the Bank to undertake a significant restructuring of the Bank's operations to help the Bank achieve its strategic mission. The AIB Group is fully committed to the long-term growth of the Bank and the delivery of shareholder value for the benefit of all shareholders. This strategic commitment is demonstrated through the injection of capital into the Bank by AIB EI along with its support for the Merger and the implementation of the US\$100 million joint investment with WBK S.A. to develop a new IT system and common branch banking system.

As part of this process, BZ S.A. has developed a set of strategic goals. These goals are also consistent with the proposed strategic mission of BZ WBK S.A. This mission is to promote growth in shareholder value though the Bank's primary goal is to become one of the "top tier" Polish banks emerging from the current privatisation/consolidation phase by developing a dominant personal, corporate and commercial banking franchise in Western and South Western Poland, with a strong presence in the greater Warsaw area and in other main urban centres. In addition, the Bank will strive to develop a leading e-banking position throughout Poland, through organic channel development and joint ventures. The Bank will also aim to develop a strong Polish management team to realise its business objectives.

The Bank has developed a number of strategic objectives to help it achieve its strategic mission for the period 2001 to 2003 which are set out below:

- Objective 1:** • complete the merger and WSE listing of BZ S.A. by the end of 2001 and the full merger of operations by the end of 2003
- Objective 2:** • commence the initial rollout of the B1 Project – centralised branch banking system with complete implementation by end of 2002
- Objective 3:** • develop and expand the branch network
- Objective 4:** • develop the Bank's electronic platforms and distribution channels in order to offer customers a wider choice of service packages
- Objective 5:** • further develop and strengthen the Bank's position in the personal, corporate and commercial banking sectors
- Objective 6:** • further develop and enhance management and employee skills
- Objective 7:** • develop and implement integrated risk management policies and procedures in line with those of the AIB Group.

CHAPTER VII

INFORMATION ON THE ORGANISATION OF THE ISSUER, MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS AND THE MAJOR SHAREHOLDERS

1. GENERAL MANAGEMENT PRINCIPLES OF BZ S.A.

1.1. OVERVIEW OF THE MANAGEMENT STRUCTURES OF BZ S.A.

1.1.1. Rules for the creation of an internal organisational structure of the Bank

The basis for the organisation of the Bank, the framework for its organisational structures and the underlying concept of the management system are provided for in the Organisational Regulations of BZ S.A., adopted by virtue of Resolution No. 3 of the Supervisory Board on June 12, 2000 (the “Organisational Regulations”). The Organisational Regulations provide for four organisational units of the Bank: the Head Office; regional offices; outlets; and special units. The organisational structures of these units are developed depending on the nature of the tasks performed. The structures are provided for in specific organisational regulations.

The general principles for the creation of internal structures are set by the Management Board on recommendations from the Management Team. The procedures for the creation of organisational regulations for the Head Office and for the framework of organisational regulations for outlets are the same. Organisational regulations for outlets are created by a branch director on the basis of a binding model, and are confirmed by the director of the regional office for that particular outlet. The organisational regulations of a regional office, are prepared by the director of the office, and are approved by the Bank director responsible for branch banking. Organisational regulations for special units are established by the Management Team, on recommendations from the unit manager.

1.1.2. Organisational structure between organisational units

The Head Office of BZ S.A. establishes the basis for the achievement of strategic and operational goals set by the Bank’s governing bodies. It supervises the other organisational units and provides assistance to them, and performs the tasks directly assigned to it. The Head Office comprises of divisions which report to bank directors. The divisions are comprised of departments and offices, which are further divided into sections, teams and employee positions. Apart from such organisational structures, the following may also be established: independent employee positions; task forces; and committees.

The main divisions located at Head Office are:

Local Branches Banking Division comprising of:

- Chief Treasurer Office
- Department of Branch Network Development
- Branch Management Department
- Work Management Department

Sales and Marketing Division comprising of:

- Research and Products Department
- Sales and Promotion Support Department

Loan Division comprising of:

- Loan Projects Department
- Commercial Loans Department
- Corporate Customers Department

Credit Risk Management Division comprising of:

- Credit Risk Management Department
- Separated Loan Department
- Capital Investment Department
- Loan Quality Control Department

Information and Logistics Division comprising of:

- IT and Telecommunications Department
- Administration Department
- Bank Security Office

Treasury Division comprising of:

- Treasury Department
- International Department
- Trust Services Office
- Assets and Liabilities Management Department
- Financial Markets Services Section
- Operating Risk Department

Finance Division comprising of:

- Accounting Department
- Budget and Controlling Department
- Interbank Settlement Department

Strategic Human Resources Management Division comprising of:

- Personnel Department
- Training and Development Department

Electronic Banking Division comprising of:

- Electronic Banking Department
- Banking Cards Centre
- Self-service Equipment Network Department

Apart from the above divisions, the First Vice-President's Office, units reporting directly to the President of the Management Board, the Internal Auditing Department and Legal Department are also located at Head Office.

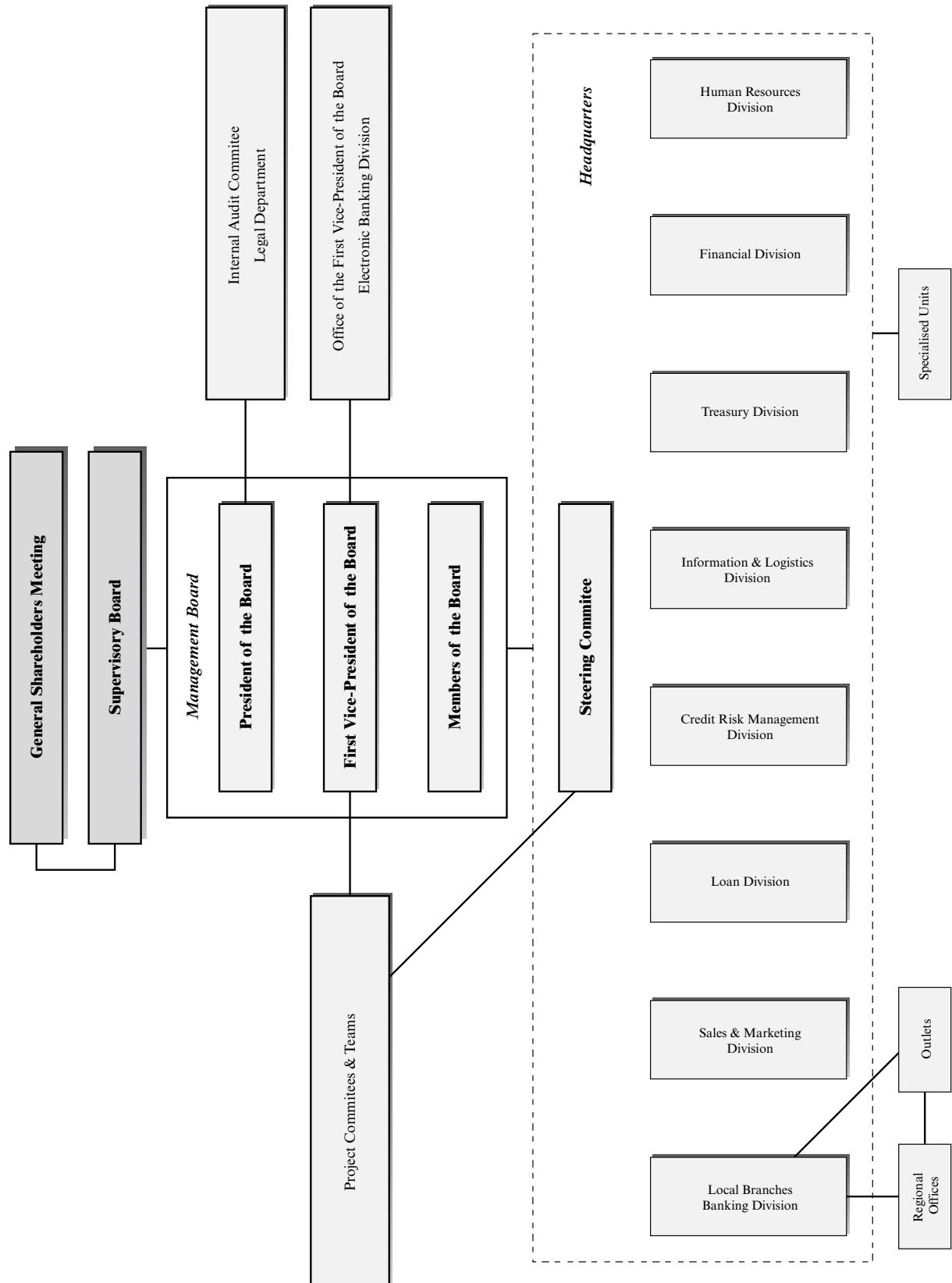
Regional offices are supervised by the Local Branches Banking Division, which provides on-going, professional assistance on the part of the Head Office. The regional offices implement and co-ordinate initiatives ensuring the implementation of business and financial plans in outlets, as well as better quality customer service.

Outlets are the Bank's fundamental organisational units, dealing with the sale of the Bank's products and services. Depending on the type of tasks, the organisational units within the outlets are established as sections, teams, groups, and employee positions. The internal branch regulations provide for their organisational structure. The organisational structure of the branch network is determined and monitored on an on-going basis by the person managing the Local Branches Banking Division at Head Office.

1.2. ORGANISATIONAL CHART OF THE BANK

General Organisational Chart of the Bank (as set out as an attachment to the Organisational Regulations)

Table No. 75



1.3. ORGANISATIONAL AND MANAGEMENT STRUCTURE

See Section 1.1 above for a description of the Bank's organisational structure. Additional information is set out in Sections 1.3.1 to 1.3.4 below.

1.3.1. General Shareholders Meeting

The General Shareholders Meeting is the Bank's primary resolution-making body. The powers and organisation of the General Shareholders Meeting, and the principles governing the adoption of resolutions by the General Shareholders Meeting, are regulated by the Commercial Companies Code, the Bank's Statutes, and the General Shareholders Meeting Rules.

Under Art. 393 of the Commercial Companies Code, the powers of the General Shareholders Meeting include, *inter alia*, the power to adopt resolutions regarding: (i) the examination and approval of the Management Board's report on the Bank's operations and the financial statements for the previous accounting year and granting a discharge to the members of the Bank's governing bodies in respect of the management functions performed by them in the relevant period; (ii) decisions regarding claims for redress of damage caused during the Bank's incorporation or during the performance of management or supervision functions; (iii) the disposal of, or lease of, the Bank's business or part of its business, as well as the granting of certain limited rights over real estate assets; (iv) the acquisition and disposal of real estate, unless the Bank's Statutes states otherwise; (v) the issue of convertible bonds or preference bonds; and (vi) the acquisition of the Bank's own shares in the cases specified in the relevant provisions of the law.

In addition, according to the Bank's Statutes, the General Shareholders Meeting has the power to adopt resolutions with regard to the appointment and removal of members of the Supervisory Board, modifications of the Bank's Statutes, share issues, mergers, the dissolution of the Bank and the choice of liquidators, fixing the remuneration for the members of the Supervisory Board and setting up and releasing special funds.

1.3.2. Supervisory Board

The powers and rules of procedure of the Supervisory Board are regulated by the Commercial Companies Code, the Banking Law, the Bank's Statutes and the Supervisory Board's regulations.

Pursuant to the provisions of Art. 22 of the Banking Law, the Bank is under an obligation to inform the BSC of the composition of the Supervisory Board. Members of the Supervisory Board are appointed for terms of three years.

The Supervisory Board acts in accordance with the rules and regulations adopted by the General Shareholders Meeting.

Under Art. 382 of the Commercial Companies Code, the Supervisory Board is required to permanently supervise the Bank's activities with regard to all divisions of the Bank's enterprise. In particular, its obligations include reviewing the balance sheet and the profit/loss account, both in terms of their compliance with the books and records of the Bank and the actual content. The Supervisory Board's responsibilities also include the review of the Management Board's reports, and of the Management Board's proposals regarding the distribution of profits and the covering of losses, and the submission of written annual reports to the General Shareholders Meeting concerning the results of such reviews.

In addition, under § 33 of the Bank's Statutes, the Supervisory Board:

- approves the annual and long-term Bank development plans prepared by the Management Board as well as the financial plans regarding the Bank's activities;
- approves the Management Board's proposals with regard to the establishment and liquidation of the Bank's outlets in Poland and any of the Bank's units abroad;
- consents to the making of capital investments by the Bank, if the value of such a capital investment exceeds the PLN equivalent of EUR 4,000,000, or, if following such investment, the Bank's interest in another entity would reach or exceed the level of 10% of votes at the general shareholders meeting of such entity. Excluded from the definition of "capital investment" for this purpose are agreements for

guaranteeing issues of securities, if the Bank's total commitment on account of such agreements does not exceed one tenth of the total of the Bank's equity;

- consents to the purchase of, disposal of or the encumbering of certain fixed assets (within the meaning of the Accounting Act), particularly relating to real property, if the value of the fixed asset exceeds the PLN equivalent of EUR 4,000,000;
- examines the reports of the Management Board and the Management Board's proposals regarding the distribution of profits and the covering of losses, and fixes the remuneration for the President and the members of the Management Board;
- concludes, on behalf of the Bank, certain contracts with the members of the Management Board, including employment contracts and management contracts;
- adopts the Bank's Management Board Rules of Procedure and other rules prescribed by the Bank's Statutes;
- chooses the auditor to carry out the audit of the Bank's financial statements;
- applies to the BSC for its consent to the appointment of two members of the Bank's Management Board, including the President;
- informs the BSC of the appointment of other members of the Bank's Management Board and of each change in the composition of the Management Board; and
- appoints and may remove the President of the Management Board and the remaining members of the Management Board, suspends the members of the Management Board from the performance of their duties for important reasons, as well as appoints the members of the Supervisory Board to temporarily perform the duties of the members of the Management Board who are unable to carry out such duties.

Under § 24 of the Bank's Statutes, the Supervisory Board may comprise of at least five members who are appointed and dismissed by the General Shareholders Meeting.

1.3.3. Management Board

Pursuant to Art. 22 of the Banking Law, the Bank's Management Board must be comprised of at least three members. The appointment of two of the members of the Bank's Management Board, including the President, requires the approval of the BSC. Under § 35 of the Bank's Statutes, the Management Board may consist of at least three members appointed by the Supervisory Board, which also appoints and may dismiss the President of the Management Board as well as member of the Management Board. The Management Board manages and represents the Bank. The Management Board deals with all the matters which do not fall within the powers of the governing bodies of other banks by virtue of the law or the Bank's Statutes. The persons entitled to act on behalf of the Bank are: the President of the Management Board acting individually; two members of the Management Board acting jointly; or a member of the Management Board acting jointly with a proxy; or two proxies acting jointly. Attorneys-in-fact may also be appointed to act on behalf of the Bank either individually or jointly with a member of the Management Board, a proxy or another attorney-in-fact.

1.3.4. Management Team

The Management Team is an organisational group comprised of all the members of the Management Board and other top managers of the Bank.

The Management Team is responsible for the preparation of the Bank's yearly strategic plans and performance of the Bank's ongoing operations. Each issue which is not reserved for other governing bodies of the Bank under external or internal law or regulations is within the Management Team's scope of activity. The Management Team is a collective body incorporating the Bank's directors, including directors who are also Management Board members.

The Management Team operates pursuant to the Management Board Rules adopted by way of resolution of BZ S.A.'s Management Board of August 2, 2000.

1.4. DESCRIPTION OF THE BANK'S MANAGEMENT INFORMATION SYSTEMS

Over 100 various computer systems have been implemented in BZ S.A. Those systems cover the whole of the Bank's core activity. The systems perform the basic task of providing support for the organisational units of the Bank which service the customers.

The main IT system in BZ S.A., which is used to manage the general ledger and the banking products, is the ZORBA 2000 transaction system. This system is installed in all outlets as well as in the special units of the Bank's Head Office. The ZORBA system has non-centralised architecture. This means that each outlet independently processes its own data on customers, accounts and the general ledger. The ZORBA 2000 functionality covers the front-office and the back-office operations.

The Bank's reporting system is based on three programs: RABA, BAKIS and DIS, and has a two-tier structure (RABA, BAKIS) which encompass both the Head Office level and the outlet level, and a one-tier structure in the Head Office (DIS). The Bank's reporting with regard to loans, the functioning of the Treasury Department and other banking products is supported by the Bank's in-house software.

In April 2000, the Bank, in conjunction with the AIB Group, embarked on a program encompassing the biggest changes to its computer systems since the AIB Group's inception; the B1 Program. With a budget of USD 100,000,000, the B1 Program is one of the biggest IT projects in the history of Polish banking, illustrating the importance of WBK S.A. and BZ S.A. to the AIB Group.

The aim of the B1 Program is to create a system of branch banking of the highest standard, oriented to the client, which will ensure that both banks will have a shared range of products and uniform operating processes. This objective is to be achieved through a Fiserv centralised banking system, and their model of retail banking, such as FastBank. Fiserv and FastBank are the names of the companies which created these computer systems.

The software which is being developed includes the International Comprehensive Banking System ("ICBS"), an application for customer servicing – Customer Relationship Servicing ("CRS"), and an application supporting branch level operations ("Branch Teller").

ICBS is a comprehensive system for retail banking. Its main tasks are automation of product design, processing of financial and non-financial transactions on the clients and Bank's accounts. The strategy for the multi-channel delivery and service system is based on the ICBS system. ICBS offers a central database with information on the relations with customers which facilitates the provision of high quality services through all delivery channels, a flexible module for designing products which allows quick and simple development of products and financial services, offering at the same time customised products for a specific customer and, a module for processing customer account transactions which grows in line with the needs of the Bank.

CRS is a graphic programme equipped with user-friendly functionality to service customers, applications, and accounts. It is fully integrated with ICBS, offers solutions integrating the work flow, and performs transactions using computerised telephone systems.

Branch Teller is a system solution for branches, which offers all functions and creates an environment for full processing of all transactions. The system is built around a user-friendly graphic user interface. The solution is fully integrated with ICBS and supports various multi-currency transactions. Branch Teller enables tellers to support loan transactions, deposits, withdrawals, currency exchange and records in the general ledger accounts in real time.

Branch Teller and CRS have been developed based upon the same client-oriented model that had been used for the creation of ICBS. They allow for process limitation and simplification due to the total integration of the customer service processes and front-end activities with the internal back-end module.

2. EMPLOYMENT STRUCTURE OVER THE PAST THREE YEARS

2.1. NUMBER OF PERSONS EMPLOYED

The table below presents the number of persons employed by the Bank as at the dates specified below.

Table No. 46

	As at December 31,		As at January 31,	
	1998	1999	2000	2001
Total	6,981	6,894	6,652	6,620

2.2. EMPLOYMENT STRUCTURE BASED ON LEVEL OF EDUCATION

The table below presents the structure of employment by the highest level of education achieved as at the dates specified below.

Table No. 47

	As at December 31,		As at January 31,	
	1998	1999	2000	2001
Academic	2,458	2,532	2,605	2,606
High school	4,072	3,972	3,708	3,683
Vocational	306	282	256	263
Primary	145	108	83	68
Total	6,981	6,894	6,652	6,620

2.3. EMPLOYMENT STRUCTURE BASED ON TYPES OF EMPLOYMENT CONTRACTS

The table below presents the employment structure, based on types of employment contracts, as at the dates specified below.

Table No. 48

	As at December 31,		As at January 31,	
	1998	1999	2000	2001
Contracts for an unspecified period	6,553	6,545	6,375	6,396
Contracts for a specified period	323	310	255	201
Contracts for a probationary period	105	39	22	23
Total	6,981	6,894	6,652	6,620

2.4. PERSONNEL TRAINING PROGRAMS

The Bank has taken steps aimed at providing its employees with opportunities to take part in various training courses which help them both to develop and master their professional qualifications. These training courses are fully financed by the Bank or the Bank contributes towards the cost of such courses.

The Bank's training policy is based on an analysis of training needs, which is determined at the beginning of each year by the Bank's management and employees. The scope of the training sessions offered to employees reflects the needs of the employees, strategic objectives and development needs of the Bank taking into account the changing conditions in the Bank's environment and its internal structure. The Training

and Development Department examines the effectiveness of the training on an on-going basis using questionnaires completed by the training participants.

Besides the statutory training courses, between 1998 and 2001, the Bank organised training programmes supporting the implementation of projects prepared by the Bank's departments, including training devoted to the subjects of the *Model Branch* and *Sales Project*.

The Training and Development Department also organises recurring, comprehensive training programs for different employee groups. These programs include *Junior Credit Officers*, *Professional Customer Service*, and *Managerial Training*.

2.5. PRELIMINARY ASSUMPTIONS ON HUMAN RESOURCES POLICY AND CHANGES IN THE LEVEL OF EMPLOYMENT

The Bank's human resources policies are designed to provide a comprehensive employment offering from recruitment through to retirement. Currently, the Bank is evaluating all of its policies and where appropriate enhancing current practice to bring the Bank in line with AIB Group standards. The Bank's current policies ensure that the Bank is fully compliant with Polish employment regulations. The Bank's revised policies will remain compliant, however, it is the Bank's intention to invest heavily in developing policies and practices which would also place the Bank at the leading edge of employment practice in Poland. The Bank is investing, particularly, in management development, as well as redesigning its salary and career structure. The Bank is beginning to bring about a closer link between individual contribution and reward and it is opening up career opportunities to all of its staff at every level. It is the Bank's objective to become an employer of choice so that it can attract and retain the most appropriate skills for its current and developing business.

The table below shows changes in employment levels at the Bank as at the dates specified:

Table No. 49

Average employment level in the years			As at December 31,		As at January 31,	
			1998	1999	2000	2001
Number	Employees	a	6,981*	6,894	6,652	6,620
	Recruitment	b	979	730	308	30
	Termination	c	961	898	550	62
	of employment					
Staff Turnover	Recruitment	d=b/a x 100%	14.02%	10.59%	4.63%	0.45%
	Termination	e=c/a x 100%	13.77%	13.03%	8.27%	0.94%
	of employment					
Changes in employment level			(b+c)/a x 100%	27.79%	23.61%	12.90%
						1.39%

* The numbers do not include employees whose employment has been suspended.

2.6. REMUNERATION SYSTEM

2.6.1. Basic remuneration

Employee remuneration regulations (the "Remuneration Regulations") specify the rules for BZ S.A.'s employee remuneration as well as the rules for granting other work-related benefits paid from the payroll fund. Under the Remuneration Regulations, an employee of the Bank is entitled to the basic remuneration for work as determined by the employee's actual payroll group, a supplementary remuneration (for overtime work, night work, and work in particularly strenuous and adverse conditions), a jubilee award, a pension and a sickness pension severance pay. There are also other forms of remuneration resulting from employment (entitlement to a uniform and a reward for fraud detection), bonuses and other remuneration benefits if they are obligatory or justified by the Bank's needs.

Changes in the individual rates of basic remuneration are carried out in the form of promotion (to a higher position) or reclassification (an employee retains the position and is granted a higher basic remuneration). Hourly rates are modified with statutory supplements resulting from the provisions of the Labour Code, including supplements for overtime work, work during holiday or non-business days, night work and work in particularly strenuous and adverse conditions.

2.6.2. Supplementary benefits

2.6.2.1. One-off benefits

Included in this type of benefit are pension and sick pension severance pay.

A pension or sick pension severance pay is granted in the case of employment termination where the employee is entitled to a pension or sick pension. The pension amount depends on the employee's total years of service (both in banking and with other employers), and its calculation basis is the employee's monthly basic remuneration on the date of employment termination.

2.6.2.2. Jubilee award

The amount of this award depends on an employee's length of service with the Bank and other employers, and its calculation basis is the monthly basic remuneration. Employees are entitled to receive the jubilee award after five years of service for the Bank.

2.6.3. Rules for granting bonuses to BZ S.A.'s employees

The Rules for Granting Bonuses are scheduled to the Remuneration Regulations. The Bank's Management Board determines the amount of the bonus fund depending on BZ S.A.'s financial position. The Management Board separates a portion of the bonus fund and places it at the President of the Management Board's disposal. This portion is earmarked for individual bonuses connected with special accomplishments.

The bonus fund is made available on a quarterly basis. However, the Management Board may resolve to provide advance bonuses within periods shorter than one quarter.

The President of the Management Board also grants bonus funds to individual organisational units of BZ S.A. The basis of payments out of the bonus fund for an individual organisational unit is its business performance. The President of the Management Board determines the rules for such an assessment. The manager of a given organisational unit determines the amounts of the individual bonuses.

The currently applicable regulations do not provide for the payment of dividends (bonuses from profits) to employees. Dividends have not been paid to employees since 1998.

2.6.4. Average monthly basic remuneration by payroll groups

The table below presents the cost of remuneration and other benefits to employees incurred by the Bank during the period specified.

Table No. 50

	For the year ended December 31,		
	1998	1999*	2000
Basic remuneration	109,995	153,288	164,826
Bonuses	20,039	16,098	1,583
Awards, fringe benefits	—	—	8,003
Annual bonus	—	—	9,168
Pension and sick pension	741	1,229	1,357
Jubilee award	3,614	4,874	4,661
Reserves for jubilee awards and fringe benefits	(490)	9,119	13,145
Other remuneration	2,983	6,373	13,012
Total	136,882	190,981	215,755

* The data for 1999 includes the costs of remuneration of employees of DM BZ S.A. which was spun-off from the Bank in August 1999.

2.7. SOCIAL BENEFITS SYSTEM

The Bank's social benefits system was established in 1994 on the basis of the Act on the Enterprise Social Benefits Fund of March 4, 1994 (Dz.U. No. 43 pos. 163, as amended). The system also operates pursuant to the Rules of Procedure for BZ S.A.'s Social Benefits Fund introduced by virtue of Directive No. C/10/III/94 of the President of BZ S.A. dated September 13, 1994.

2.8. GROUP AND INDIVIDUAL INSURANCE SYSTEM

No pension, group insurance, or health insurance system is in use in BZ S.A. in relation to its employees.

2.9. TRADE UNIONS

The following trade unions represent employees of BZ S.A.:

Komisja Zakładowa NSZZ "Solidarność" przy BZ S.A. Wrocław (The Enterprise Committee of the "SOLIDARITY" Trade Union at BZ S.A. in Wrocław) (296 members),

Komisja Zakładowa NSZZ "OCHRONA" przy BZ S.A. Dzierżoniów (The Enterprise Committee of the "OCHRONA" Trade Union at BZ S.A. in Dzierżoniów) (283 members),

Związek Zawodowy Pracowników BZ S.A. Bydgoszcz (The Trade Union of Employees of BZ S.A. in Bydgoszcz) (25 members),

Związek Zawodowy Pracowników BZ S.A. Wrocław (The Trade Union of Employees of BZ S.A. in Wrocław) (269 members).

2.10. LABOUR ACTIONS AND STRIKES

During the last three years, no strikes have taken place at BZ S.A.

The Management Board endeavours to maintain effective and regular communication with both the trade unions' authorities and the employees. The Management Board has not been informed by the trade unions of any intended strikes or collective labour disputes. Although, the Management Board believes that there are sufficient grounds to believe that there will be no strikes or collective labour disputes in the near future, the possibility of such actions cannot be entirely excluded.

2.11. GENERAL INFORMATION ON THE EMPLOYMENT STRUCTURE IN BZ S.A.'S CAPITAL GROUP

The table below presents information on employee numbers in BZ S.A.'s capital group as at the dates specified below.

Table No. 51

	As at December 31,			As at January 31,
	1998	1999	2000	2001
BZ S.A.	6,981	6,894	6,652	6,620
DM BZ S.A.	0	207	191	191

3. MANAGEMENT AND SUPERVISORS

3.1. SUPERVISORY BOARD

The members of the Supervisory Board are appointed by the General Shareholders Meeting. The Supervisory Board is composed of:

1. Gary Kennedy	– Chairman of the Supervisory Board
2. David McCrossan	– Vice-Chairman of the Supervisory Board
3. Gerry Byrne	– Member of the Supervisory Board
4. Robert Wrzesiński	– Member of the Supervisory Board
5. Marek Grzegorzewicz	– Member of the Supervisory Board
6. Józef Frąckowiak	– Member of the Supervisory Board

Gary Kennedy is 42 years old; he holds the position of Supervisory Board Chairman. He is a native of County of Armagh, Ireland. Gary Kennedy holds a BA with Honours in Accounting and Financial Control from the University of Lancaster, UK. He is also a Fellow of the Institute of Chartered Accountants in Ireland and the Institute of Bankers. He commenced his professional career with Deloitte and Touche in 1978 as the Audit Manager. He subsequently worked for Northern Telecom (Ireland) Ltd. as Financial Manager. Subsequent roles saw him move to Northern Telecom Canada, where he held a number of senior positions. In 1988 he was appointed to Northern Telecom Europe as Regional Controller for Europe South and in 1991 he returned to Ireland as Financial Director of Northern Telecom (Ireland) Ltd. In 1992 he became Vice President of Northern Telecom and Managing Director of European Enterprise Networks. He joined the AIB Group in 1997 as Group Financial Director assuming responsibility for the following areas: finance, taxation, strategic planning, mergers and acquisitions, strategic information, as well as information technology, compliance and investor relations. He is a member of the Management Board of AIB and is also a Board Member of Allfirst in the US, a subsidiary of AIB. He represents AIB on the Supervisory Board of WBK S.A. and is the Chairman of the Supervisory Board of BZ S.A. Externally, he is a board member of the Industrial Development Agency of Ireland and a director of the Development Board at the National University of Ireland, Galway.

David McCrossan is 59 years old; he holds the position of Supervisory Board Member. He is a Fellow of the Institute of Chartered Accountants in Ireland. His professional career began with Industrial Credit Company Limited and he then worked as a Finance Specialist in KPMG. Since October 1973, he has been with the AIB Group, where he was appointed head of the Corporate Finance Department in 1987. Since 1994, he has been the Managing Director of AIB EI, a subsidiary of AIB. AIB EI is responsible for seeking strategic opportunities for the AIB Group in Central Europe. He is Vice-Chairman of the Supervisory Board of both BZ S.A. and WBK S.A. Throughout his career with AIB, he has focused on corporate finance, where he gained extensive experience of mergers and acquisitions and company flotations.

Gerry Byrne is 44 years old; he holds the position of Supervisory Board Member. He is a graduate of the Harvard Business School, a member of the Irish Management Institute and a member of the Irish Institute of Bankers. Gerry Byrne joined AIB in 1973 and commenced his career in a branch of the Bank at the

Dublin Financial Centre. In 1982 he was appointed Vice-Director for Development, responsible for northern and eastern territories of the Republic of Ireland. In 1986 he was promoted to Manager of the Commercial Loans Department, and continued to work for that department as its director in the years 1987 to 1992. From 1992 to 1995 Gerry Byrne acted as a manager of the AIB Bank Dublin Branch. In 1995 he was appointed as a head of the department responsible for the Westlink regional area of Dublin. In 1997 he was appointed Managing Director of Ark Life – an insurance branch of AIB, a key player in the life and pension insurance market in Ireland. In January 2001 he was promoted to Director of AIB Poland, and joined the Management Board of the AIB Group responsible for the group's corporate strategy and for supervising its management.

Robert Wrzesiński is 35 years old; he holds the position of Supervisory Board Member. He was born on December 18, 1965 in Oborniki Śląskie. He is a graduate of the Lublin Catholic University, Canon Law and Legal Science Department. From 1997, he has been a barrister with "Sitna-Walidura-Wrzesiński-Byra Kancelaria Prawna s.c." law office and since 1991 has operated a book-keeping service in Biuro Rachunkowe ALFs.c. He also works as a tax advisor.

Marek Grzegorzewicz is 40 years old; he holds the position of Supervisory Board Member. He is a graduate of the Warsaw Polytechnical Institute and the Henley Management College MBA and a participant in, among others, the Institute of Directors London 100: Value Based Management. During the years 1993 and 1994 he was the General Director at the Ministry of Industry and Trade. Since 1994 he has worked for Cadbury Poland, where he currently holds the post of General Director for the Central European Region. Marek Grzegorzewicz was the co-organiser and chair of the British-Polish Chamber of Commerce in Lower Silesia and the Chair of the Foundation for the Development of International Education in Wrocław. Currently, he serves as the Honorary British Consul in Wrocław.

Józef Frąckowiak is 53 years old, he holds the position of Supervisory Board Member. He graduated in law from the Law and Administration faculty of Wrocław University in 1969. He continued to pursue an academic career and obtained a doctorate in civil law in 1975, the title of *doctor habilitatus* in 1985 and the title of professor in 1997. Currently he is employed by Wrocław University as professor/head of the Faculty of Economic and Business Law in the Civil Law Institute. Between 1986 and 1989 he was the deputy dean of the Law and Administration Faculty and between 1990 and 1993 the vice chancellor of Wrocław University. He carried out internships and additional studies at the University in Paris (Paris II), Bochum (Germany), Leiden (the Netherlands), Leuven (Belgium), Nancy (France). The author of more than 80 works, including Partnership and Corporations, Poland, in the International Encyclopaedia of Law, Kluwer 1996, commentary to the Commercial Code. Between 1995 and 1998, he was a member of the Legislative Council at the President of the Council of Ministers. Currently he is a member of Wrocław University Senate and chair of its Finance committee. He acts as a legal advisor. His main area of interest is commercial law, in particular, issues involving entrepreneurs including, in particular, companies.

3.2. MANAGERS

3.2.1. Management Board

The Bank's Management Board is comprised of the President, First Vice-President, and the Bank's Directors.

The members of the Management Board are appointed by the Supervisory Board. The appointment of the President and one other member of the Management Board is subject to the consent of the BSC. The following are members of the Management Board:

Aleksander Kompf	– President of the Management Board
Richard William Horgan	– First Vice-President of the Management Board
Janusz Krawczyk	– Member of the Management Board
Jacek Sieniawski	– Member of the Management Board
Mateusz Morawiecki	– Member of the Management Board

Aleksander Kompf is 48 years old. Since August 2000 he has been President of the Management Board of BZ S.A. He is a graduate from the Law and Administration Department of Adam Mickiewicz University in Poznań. He also completed courses in bank management, modernisation and automation at the Northwestern University in Chicago. In 1986, he was appointed Deputy Director of the first NBP branch in Poz-

nań, where he was in charge, along with other responsibilities, of the Credit, Operations and Accounting Departments. Because of his experience he was asked to work on the team establishing the new WBK S.A. From the inception of this Bank, he was a member of its management, overseeing organisational and administrative matters. He was also responsible for the development and modernisation of the Bank's IT strategy. He was head of the following departments, among others: Financial Accounting, IT, Capital, Risk Management, as well as of the IT Service Center and Central Brokerage Office. He is the Deputy President of the Management Board of Gliwicki Bank. Handlowy S.A.

Richard William Horgan is 51 years old. First Vice-President of BZ S.A. since October 1999. He was Regional Director responsible for AIB's retail operations in South East Ireland from 1992. Prior to that he was Director of Corporate Banking Dublin and also Vice President of AIB Chicago. He holds a degree in finance services from University College Dublin, a Diploma in Company Finance and is a member of the Institute of Bankers.

Janusz Krawczyk is 47 years old. Since June 2000, he has been a Bank Director in BZ S.A.'s headquarters in Wrocław. He heads the Strategic Human Resources Management Division. On September 27, 2000 he was appointed a member of the Management Board. He graduated from the Mechanical Department of the Kraków Polytechnic (1978). He worked as an instructor in the Kraków Polytechnic University. For 3 years (1984-86), he worked abroad under a contract in Iraq; he was Assistant Manager for Ongoing Operations in the Al Kaim Chemical Works. During 1990 to 1994, he served as an elected council man in the city administration of Kraków, responsible for utilities. During 1990 to 1992, he was the Chairman of the Supervisory Board of the MPK (Kraków municipal transit authority.) He began his managerial career in international corporate human resources management in 1992 at Coca-Cola Poland. He continued with Pepsi Co. in Poland, and then in the European Headquarters in Vienna, as Regional Director. Recently, he has been the Human Resources Director of AHOLD Polska. He has participated in many training and specialised internships in human resources and teamwork organisation in Poland and abroad (including the United Kingdom, Japan, France, Sweden, Austria and Belgium).

Jacek Sieniawski is 41 years old. He has been a Management Board member since September 2000. Earlier, from 1992 to 1999, he also served as a Management Board member. He graduated from the Management and Information Technology Department of the Academy of Economics in Wrocław. He completed a banking management program at the Kellogg Graduate School of Management, Northwestern University in Chicago. He has 13 years of banking experience. From 1982, he was employed in the Wrocław branch of the NBP and then, from 1985, he worked as the Chief Accountant of the Wrocławianka Food Industry Cooperative and in the Pollena Household Chemicals Factory Wrocław. Since 1990, he has been employed in BZ S.A.'s headquarters, initially as the Vice President for Operations and Accounting, later as Managing Director of the Accounting Organisation Department, Chief Accountant of BZ S.A., and finally, from 1995, he was a Director of BZ S.A. From 1995 until 1998, he was a member of the Supervisory Board of the National Clearing House S.A.; and from 1996 until 2000, he was Chairman of the Supervisory Board of Zachodni Leasing S.A.; and since April 2000, he has been Chairman of the Supervisory Board of ZST.

Mateusz Morawiecki is 33 years old. He has been a Management Board Member of BZ S.A. since September 2000. He graduated from the History Department of Wrocław University (B.A.), and obtained additional degrees from the Academy of Economics in Wrocław (Economics MBA), the Basel University in Switzerland (law) and post-graduate finance and management schools (Hamburg University, Wrocław Polytechnic and Central Connecticut University, USA). In 1995, he held an internship in Deutsche Bundesbank; and during 1996 and 1997, he worked at Frankfurt University in Germany. In 1998, he was Assistant Director of the Admittance Negotiations Department of the European Integration Committee, and he was a member of the group negotiating Poland's accession to the European Union (Banking and Finances). He is the author of over a dozen articles on banking and macroeconomic subjects and co-author of the book *European Law*.

3.2.2. Management Team

The Management Team is composed of the following persons:

Aleksander Kompf	– President of the Management Board
Richard William Horgan	– First Vice-President of the Management Board of BZ S.A.
Andrzej Charendarz	– Director of BZ S.A.
Mervyn Darling	– Director of BZ S.A.
Tadeusz Figiel	– Director of BZ S.A.
Przemysław Woźny	– Director of BZ S.A. at the Credit Risk Management Division
Janusz Krawczyk	– Member of the Management Board of BZ S.A., Director of BZ S.A.
Jędrzej Marciniaik	– Director of Electronic Banking Division of AIB Poland
Mateusz Morawiecki	– Member of the Management Board of BZ S.A., Director of BZ S.A.
Dariusz Kuś	– Division of Treasury
Andrzej Burliga	– Division of Treasury
Jacek Sieniawski	– Member of the Management Board of BZ S.A., Director of BZ S.A.
Łukasz Drożdż	– Director of BZ S.A.

3.2.3. Proposed composition of the Management Board of BZ WBK S.A.

Pursuant to the resolutions of the management boards of BZ S.A. and WBK S.A. dated October 9, 2000, the proposed management board of BZ WBK S.A. will be composed of the following:

Jacek Kseń	– President of the Management Board
Richard William Horgan	– First Vice-President of the Management Board
Aleksander Kompf	– Vice-President of the Management Board
Austin Hogan	– Member of the Management Board
Tadeusz Figiel	– Member of the Management Board
Michael Keegan	– Member of the Management Board
Declan Flynn	– Member of the Management Board
Justyn Konieczny	– Member of the Management Board
Janusz M. Krawczyk	– Member of the Management Board
Jędrzej Marciniaik	– Member of the Management Board
Mateusz Morawiecki	– Member of the Management Board
John Moyney	– Member of the Management Board
Dorota Poniatowska-Mańczak	– Member of the Management Board
Jacek Sieniawski	– Member of the Management Board
Romuald Szeliga	– Member of the Management Board

4. INFORMATION ON MAJOR SHAREHOLDERS OF BZ S.A.

BZ S.A. is a member of the AIB Group. BZ S.A. is directly controlled by AIB EI. AIB EI acts as an investment vehicle for the AIB Group. Further information on AIB EI and the AIB Group is included in Chapter IX.

5. SYSTEM OF REMUNERATION FOR BOARD MEMBERS

Remuneration of the members of the Supervisory Board is set out in Resolution No. 4 adopted by the Extraordinary General Shareholders Meeting of BZ S.A. on December 15, 1999. The remuneration is paid monthly in PLN, and represents equivalents of EUR amounts provided for in such Resolution.

The remuneration of the Management Board's members is stated in their management contracts, which are individually negotiated.

Supervisory Board and Management Board members do not receive non-cash remuneration.

6. AMOUNT OF REMUNERATION AND AWARDS IN THE LAST FINANCIAL YEAR FOR BOARD MEMBERS

The aggregate amount of the remuneration before tax paid to the members of the Supervisory Board in 2000 was PLN 188,682.10.

The aggregate amount of the remuneration and awards before tax paid out to the members of the Management Board in 2000 was PLN 1,647,596.

7. SHAREHOLDINGS IN BZ S.A. AND WBK S.A.

Members of the Supervisory Board and Management Board hold in aggregate 5,345 shares in WBK S.A., each with a nominal value of PLN 1.25; and 3,160 shares in BZ S.A. each with a nominal value of PLN 10.

8. MAJOR SHAREHOLDINGS

AIB EI holds approximately 83% of the total number of shares and votes in BZ S.A. Following the Merger, it is expected that AIB EI will hold 70.5% of the total number of shares and votes in BZ S.A. The Polish Treasury holds approximately 4.3% of the total number of shares and votes in BZ S.A. Following the Merger, it is expected that the Polish Treasury will hold approximately 4.7% of the total number of shares and votes in BZ WBK S.A.

CHAPTER VIII

FINANCIAL STATEMENTS

In addition to the financial statements of BZ S.A. as at and for the years ended December 31, 1998, 1999 and 2000 and of its capital group as at and for the year ended December 31, 2000, which are included in this Chapter of the Information Memorandum, the Prospectus also included balance sheets, profit and loss accounts and cash flow statements as at and for the year ended December 31, 2000 in respect of the following subsidiary or affiliate companies of BZ S.A.

1. Zachodnie Systemy Teleinformatyczne Sp. z o.o.;
2. Forum ZTFI S.A.;
3. LEN S.A.;
4. G.R. Niepruszewo Sp. z o.o.;
5. Sudety Crystal Works Sp. z o.o./* and
6. Westfund Holding Limited.*

** No cash flow statements were included in the Prospectus for these companies.*

CHAPTER VIII – PART I

1. ENTITY FINANCIAL STATEMENTS OF BANK ZACHODNI S.A. IN WROCŁAW

1.1. OPINION ON THE PRESENTATION OF THE FINANCIAL STATEMENTS

The preparation of this opinion is related to the introduction to public trading of the following securities of Bank Zachodni S.A. (hereinafter referred to as the Bank):

- 5,120,000 series A shares with a par value of PLN 10 each,
- 724,073 series B shares with a par value of PLN 10 each,
- 22,155,927 series C shares with a par value of PLN 10 each,
- 1,470,589 series D shares with a par value of PLN 10 each,
- 980,393 series E shares with a par value of PLN 10 each,
- 2,500,000 series F shares with a par value of PLN 10 each,
- 40,009,302 series G shares with a par value of PLN 10 each,

and the public offering of series G shares, issued in relation with the merger of the Bank with WBK S.A., which will be assigned and allocated to the shareholders of WBK S.A.

To the Shareholders of Bank Zachodni S.A.

Dear Sirs,

In accordance with the requirements specified in the Decree of the Council of Ministers of 22 December 1998 on the detailed conditions which must be fulfilled by share issue prospectuses, abbreviated share issue prospectuses, information memoranda and abbreviated information memoranda (hereinafter referred to as the Decree), Bank Zachodni S.A. has presented the following financial statements for the financial periods specified below, which, in the opinion of registered auditors, were audited in compliance with the provisions of the Accounting Act and auditing standards:

- for the 12 months from 1 January 1998 to 31 December 1998;
- for the 12 months from 1 January 1999 to 31 December 1999;
- for the 12 months from 1 January 2000 to 31 December 2000.

The responsibility for the restatement of the financial statements for the years 1999 and 1998 to ensure their comparability with the financial statements for 2000 lies with the Bank's Management Board.

The form of presentation of the financial statements and of the comparative financial data included in this Prospectus as well as the scope of data which are disclosed herein are compliant with the requirements of the Decree. The disclosed data have been prepared in a way that ensures their comparability through the application of uniform accounting policies in all the periods presented. These accounting policies are in accordance with those used by the Bank in the preparation of the financial statements for the last period.

The financial statements for the period from 1 January 2000 to 31 December 2000, and the comparative financial data included in this Prospectus, were prepared in accordance with the provisions of the Accounting Act and Resolution No. 1/98 of the Banking Supervision Commission concerning detailed accounting rules for banks and specific requirements regarding the preparation of notes to the financial statements of banks.

We conducted the audit of the financial statements of Bank Zachodni S.A. with its head office in Wrocław, prepared for the period from 1 January 2000 to 31 December 2000, in compliance with:

- chapter 7 of the Accounting Act (Dz.U. No. 121 item 591, as amended);
- auditing standards issued by the National Board of Registered Auditors.

In our opinion the financial statements of Bank Zachodni S.A. for the period from 1 January 2000 to 31 December 2000 have been prepared, in all material respects, on the basis of properly maintained accounting records and in accordance with consistently applied rules defined in the Polish Accounting Act

and the disclosure requirements included in the Decree of the Council of Ministers of 22 December 1998 on the detailed conditions which must be fulfilled by share issue prospectuses, abbreviated share issue prospectuses, information memoranda and abbreviated information memoranda. The financial statements are consistent with respect to their form and content with the provisions of law which are binding on the Bank and with the Bank's Articles of Association.

The financial statements present, in all material respects, in a fair and clear manner, the Bank's financial position as at 31 December 2000 and the results of its operations for the period from 1 January 2000 to 31 December 2000.

The financial statements for the periods from 1 January 1998 to 31 December 1998 and from 1 January 1999 to 31 December 1999, which are the basis for the preparation of the comparative financial data, were not the subject of our audit and therefore we do not express an opinion thereon. These statements were audited by other registered auditors. The registered auditors issued unqualified opinions on the financial statements for the financial years ended on 31 December 1998 and 31 December 1999.

The opinions of other registered auditors on the truth and fairness of these financial statements are presented in Chapter 8 Part I Section 1.2.2 and 1.2.3.

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

Adam Celiński
Registered Auditor
No. C-33/7039

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

Registered Audit Company
No. 144

Warsaw, February 28, 2001

1.2. SOURCES OF INFORMATION WHICH PROVIDE THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND COMPARATIVE FINANCIAL DATA INCLUDED IN THE PROSPECTUS AND THE OPINION OF THE REGISTERED AUDITOR

The financial statements and comparative financial data including the notes to the financial statements contained in Chapter VIII, were prepared on the basis of the audited financial statements of Bank Zachodni S.A. in Wrocław for the years 1998, 1999 and 2000 prepared and submitted by the Management Board of the Bank pursuant to the relevant legislation referred to in the opinions of the registered auditors included in Section 1.2.1 of Chapter VIII, the reports and opinions of registered auditors concerning the relevant financial years and additional data prepared by the Management Board on the basis of previously audited accounting records.

The responsibility for the financial statements and their restatement to ensure comparability lies with the Management Board of the Bank.

1.2.1. Opinions of Registered Auditors on the truth and fairness of the financial statements

REGISTERED AUDITOR'S OPINION

To the Shareholders of Bank Zachodni S.A.

We have audited the financial statements of Bank Zachodni S.A., Rynek 9/11, Wrocław, which are attached to this opinion and comprise:

- (a) the introduction;
- (b) the balance sheet as at 31 December 2000, showing total assets and total liabilities and equity of PLN 9,311,781 thousand;
- (c) the profit and loss account for the financial year from 1 January 2000 to 31 December 2000, showing a net loss of PLN 89,980 thousand;
- (d) the cash flow statement for the financial year from 1 January 2000 to 31 December 2000, showing a net decrease in cash and cash equivalents of PLN 140,414 thousand;
- (e) the schedule of changes in equity;
- (f) the schedule of off-balance sheet items totalling PLN 4,490,018 thousand;
- (g) the notes to the financial statements.

The preparation of the financial statements and the Directors' Report is the responsibility of the Management Board of the Bank. Our responsibility was to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the following regulations and standards binding in Poland:

- (a) the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (Dz.U. No. 121/591 as amended);
- (b) auditing standards issued by the National Board of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the 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 financial statements. The audit also included an assessment of the accounting principles employed by the Bank and consideration of significant estimates made during the preparation of the financial statements. Our audit also included a review of the overall presentation of the financial statements. We believe that our audit provided a reasonable basis for our audit opinion.

The financial information included in the Directors' Report for the financial year from 1 January 2000 to 31 December 2000 is consistent with the information included in the audited financial statements.

The financial statements for the previous financial year, presented in the financial statements for the financial year ended on 31 December 2000 for comparative purposes, were audited by a different registered auditor who on February 11, 2000 issued an unqualified opinion on these statements. During our audit of the

financial statements of the Bank for the current financial year, we reviewed the opening balances only to the extent necessary to express an opinion on the financial statements for the financial year ended 31 December 2000.

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

- (a) were prepared on the basis of properly maintained accounting records and in accordance with the consistently applied provisions of the Polish Accounting Act, Resolution No. 1/98 of the Banking Supervision Commission concerning specific accounting policies for banks and the preparation of notes to financial statements, as well as of the Decree of the Council of Ministers, dated 22 December 1998, on the type, form and scope and frequency of publication of current and periodical information by issuers of securities admitted to public trading (Dz.U. of 30 December 1998) and the interpretations of the said Decree issued by the Polish Securities and Exchange Commission,
- (b) are consistent with respect to their form and content with the applicable legislation and the Bank's Articles of Association,
- (c) present in a fair and clear manner the Bank's financial position as at 31 December 2000 and the results of its operations for the financial year from 1 January 2000 to 31 December 2000.

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

Adam Celiński
Registered Auditor
No. C-33/7039

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

Registered Audit Company
No. 144

Warsaw, February 19, 2001

1.2.2. Registered auditor's opinion

To the Annual General Meeting of Bank Zachodni S.A.

We have audited the financial statements of the joint-stock company, Bank Zachodni S.A. (hereinafter referred to as "the Bank"), Rynek 9/11, Wrocław, which comprised:

- the balance sheet prepared as at 31 December 1999, showing total assets and total liabilities and equity of PLN 7,983,644,376.60,
- the schedule of off-balance-sheet liabilities totalling PLN 790,214,367.07 as at 31 December 1999,
- the profit and loss account for the period from 1 January 1999 to 31 December 1999 showing a net profit of PLN 3,170,903.81,
- the notes to the financial statements,
- the cash flow statement showing a net decrease in cash and cash equivalents in the period from 1 January 1999 to 31 December 1999 of PLN 223,931,472.71.

The preparation of the financial statements is the responsibility of the Management Board of the Bank. Our responsibility was to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the following regulations binding in Poland:

- a. the provisions of Chapter 7 of the Accounting Act of 29 September 1994;
- b. auditing standards issued by the National Board of Registered Auditors;

to obtain reasonable assurance that the financial statements are free of material misstatements. The audit included, in particular, examining, on a test basis, accounting documents and entries supporting amounts and disclosures in the financial statements, as well as an assessment of the adequacy of accounting policies used and material estimates made by the Bank, as well as the overall presentation of the financial statements.

We have audited the financial statements for the previous financial year, which are presented for comparative purposes and we issued an unqualified opinion thereon.

In our opinion, the attached financial statements were prepared, in all material respects, in accordance with the accounting policies specified in the aforementioned Accounting Act, the provisions of Resolution No. 13/98 of the Banking Supervision Commission of 22 December 1998 concerning rules for creating provisions for risks associated with banking operations and Resolution No. 1/98 of the Banking Supervision Commission of 3 June 1998 concerning specific accounting policies for banks and the preparation of notes to the financial statements, which were applied consistently on the basis of properly maintained accounting books.

The financial statements are consistent with respect to their form and content with the provisions of law applicable in Poland and the Bank's Articles of Association and present in a fair and clear manner all the information relevant for the evaluation of the Bank's profitability and the results of its operations for the period from 1 January 1999 to 31 December 1999, as well as of the Bank's financial position as at 31 December 1999.

We did not receive a Directors' Report and it was not subject to our review.

Duleep Aluwhare
No. C-15/215

Arthur Andersen Sp. z o.o.
Warszawa, ul. Emilii Plater 53
No. 66

Warsaw, 11 February 2000

Duleep Aluwhare

1.2.3. Registered auditor's opinion

To the General Shareholders Meeting of Bank Zachodni S.A.

1. We conducted the audit of the financial statements of Bank Zachodni S.A. (hereinafter referred to as "the Bank"), Rynek 9/11, Wrocław, which comprised:
 - the balance sheet prepared as at 31 December 1998, showing total assets and total liabilities and equity of PLN 8,056,469,920.94,
 - the schedule of off-balance-sheet liabilities totalling PLN 832,454,693.38 as at 31 December 1998,
 - the profit and loss account for the period from 1 January 1998 to 31 December 1998 showing a net profit of PLN 26,544,531.33,
 - the cash flow statement for the period from 1 January to 31 December 1998, showing a net increase in cash and cash equivalents of PLN 272,770,426.47,
 - the notes to the financial statements.
2. The preparation of the financial statements is the responsibility of the Management Board of the Bank. Our responsibility was to express an opinion on these financial statements based on our audit.
3. We also conducted the audit of the financial statements for the previous financial year ended on 31 December 1997 and on 3 April 1998 we issued an unqualified opinion thereon.
4. We conducted our audit of the financial statements in accordance with the following regulations:
 - a. the provisions of Chapter 7 of the Accounting Act of 29 September 1994;
 - b. auditing standards issued by the National Board of Registered Auditors,

to obtain reasonable assurance that the financial statements are free of material misstatements. The audit included, in particular, examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the financial statements, and an assessment of the adequacy of accounting policies used and material estimates made by the Bank, as well as the overall presentation of the financial statements.

5. In our opinion, the attached financial statements were prepared, in all material respects, in accordance with accounting policies specified in the aforementioned Accounting Act, the provisions of the Decree No. 13/94 of the President of the National Bank of Poland (NBP) of 10 December 1994 concerning rules for the creation of provisions for risk associated with banking operations and Resolution No. 1/98 of the Banking Supervision Commission of 3 June 1998 concerning the specific accounting policies for banks and the preparation of notes to the financial statements (until 30 June 1998 – according to Decree No. 1/95 of 16 February 1995 of the President of the NBP on specific accounting policies for banks and the preparation of notes to the financial statements), which were applied consistently on the basis of properly maintained accounting records.

The financial statements are consistent with respect to their form and content with the provisions of law binding in Poland and the Bank's Articles of Association, and presents in a fair and clear manner all the information relevant for the evaluation of the Bank's profitability and the results of its operation for the period from 1 January 1998 to 31 December 1998, as well as the Bank's financial position as at 31 December 1998.

6. We have reviewed with the Directors' Report and we concluded that the information included therein is consistent with the information included in the financial statements.

Duleep Aluwihare
No. C-15/215

Arthur Andersen Sp. z o.o.
Warszawa, ul. Emilii Plater 53
No. 66

Warsaw, 31 March 1999

Duleep Aluwihare

1.3. AVERAGE PLN/EUR EXCHANGE RATES

Year	Average exchange rate in the year	Minimum exchange rate in the year	Maximum exchange rate in the year	Exchange rate as at the last day of the year
2000	4.0046	3.8544	4.2075	3.8544
1999	4.2373	4.0593	4.4140	4.1689
1998	3.9296	3.7161	4.2027	4.0925

Pursuant to Art. 30 of the Foreign Currency Act of 18 December 1998 as of 1 January 1999 in all applicable legislation the word "ECU" shall be replaced with the word "EURO". Therefore the relevant ECU exchange rates were applied for 1998.

1.4. THE MAIN ITEMS OF THE BALANCE SHEET, PROFIT AND LOSS ACCOUNT AND CASH FLOW STATEMENT FROM THE FINANCIAL STATEMENTS FOR THE YEARS 1998, 1999 AND 2000 TOGETHER WITH AMOUNTS TRANSLATED INTO EUR

SELECTED FINANCIAL DATA	31.12. 2000 (in PLN '000)	31.12. 1999 (in PLN '000)	31.12. 1998 (in PLN '000)	31.12. 2000 (in EUR '000)	31.12. 1999 (in EUR '000)	31.12. 1998 (in EUR '000)
Interest income	1,197,257	1,017,162	1,170,189	298,970	240,050	297,788
Commission income	159,271	158,265	152,838	39,772	37,350	38,894
Profit on banking activities	703,461	626,449	690,485	175,663	147,842	175,714
Profit on operations	(80,902)	42,074	118,781	(20,202)	9,929	30,227
(Loss)/profit on operating activities	(81,113)	41,741	118,831	(20,255)	9,851	30,240
Net (loss)/profit	(89,980)	3,171	26,545	(22,469)	748	6,755
Total assets	9,311,781	7,983,624	7,971,529	2,415,884	1,915,043	1,947,838
Amounts due from the financial sector	1,468,853	385,141	567,390	381,085	92,384	138,641
Amounts due from non-financial and public sectors	4,455,640	4,654,159	4,500,742	1,155,988	1,116,399	1,099,754
Amounts due to the financial sector	553,701	405,243	457,818	143,654	97,206	111,868
Amounts due to non-financial and public sectors	7,218,899	6,331,639	6,185,413	1,872,898	1,518,779	1,511,402
Equity	947,463	837,443	695,282	245,813	200,879	169,892
Number of shares (in thousands)*	32,951	29,471	28,000	32,951	29,471	28,000
Book value per share in PLN/EUR as at 31 December 2000	28.75	28.42	24.83	7.46	6.82	6.07
Capital adequacy ratio	17.05	16.63	11.61	17.05	16.63	11.61
Earnings (loss) per ordinary share (in PLN/EUR)**	(2.96)	0.11	0.95	(0.74)	0.03	0.24
Net change in cash and cash equivalents	(140,414)	(223,931)	272,770	(36,430)	(53,715)	66,651
Net cash flow from operating activities	93,988	75,270	207,698	24,385	18,055	50,751
Net cash flow from investing activities	(411,006)	(445,453)	91,745	(106,633)	(106,851)	22,418
Net cash flow from financing activities	176,604	146,252	(26,673)	45,819	35,081	(6,518)

* Number of shares as at the end of each accounting period.

** These figures were calculated on the basis of the weighted average number of shares in a given accounting period.

The following rules were applied in the calculation of the selected financial data:

For profit and loss account items for the years 1998-2000, the average EUR exchange rate was applied, calculated as the arithmetic mean of the EUR mid exchange rates announced by the President of the NBP at the end of each month of the relevant financial year.

For balance sheet and cash flow statement items for the years ended 1998-2000, the mid EUR exchange rates announced by the NBP at the last day of the relevant financial years were applied.

1.5. COMPARABLE FINANCIAL STATEMENTS FOR THE YEARS 1998-2000

1.5.1. Introduction to the financial statements and comparative financial data

1.5.1.1. Name, head office and scope of business activities of Bank Zachodni S.A.

Bank Zachodni S.A. (Bank Zachodni S.A.) is a joint-stock company, with its head office at Rynek 9/11, Wrocław, classified in division 6512 of the European Classification of Activities. The Bank was established on the basis of a Notarial deed, signed on 8 October 1991, transforming a state-owned bank into a joint-stock company, and was registered in the Commercial Register of the District Court in Wrocław Fabryczna, VI Commercial Department, Division B, reference No. RHB 2655 on 8 November 1991. The Bank performs foreign currency transactions pursuant to permit No. 18/91 issued by the President of the NBP on 13 May 1991.

Bank Zachodni S.A. is a bank offering a wide range of banking services nationally as well as internationally both for legal entities and private individuals.

The main areas of activity of Bank Zachodni S.A. comprise:

1. receiving cash deposits repayable on demand or at maturity, maintaining accounts for such deposits, and receiving and making deposits in domestic and foreign banks;
2. maintaining other bank accounts;
3. granting loans;
4. granting bank guarantees;
5. issue of bank securities;
6. performance of financial settlements;
7. granting cash loans;
8. cheque and bill of exchange operations;
9. issue of payment cards and processing of related transactions;
10. future and forward financial transactions;
11. trading in receivables;
12. custody of securities and other valuable items, and provision of safe deposit boxes;
13. trading in foreign currencies;
14. granting sureties;
15. carrying out activities related to the issue of securities;
16. acting as a representative of bondholders.

Other activities consisting of:

1. acquiring shares and other interests in other legal entities as well as units in trust funds, in accordance with the Banking Law;
2. taking on commitments related to the issue of securities;
3. proprietary trading in securities or on behalf of third parties;
4. exchange of debts for other assets held by debtors;
5. purchasing and selling real estate and receivables secured on real estate;
6. consulting and advisory services with respect to financial issues;
7. other financial services consisting of:
 - a. maintenance of securities accounts,
 - b. agency and intermediary services with respect to the granting of loans and credits,
 - c. debt collection based on supporting documents,

- d. contracting and performance of agreements with both domestic and foreign enterprises, concerning payments on bank accounts,
- e. financial and operational participation in international projects and ventures,
- f. custodial services,
- g. leasing, factoring, forfaiting, franchising and underwriting services,
- h. proprietary trading in derivatives and on behalf of third parties,
- i. performance of activities, on behalf of the Minister of the State Treasury, resulting from the provisions of the Act of August 30, 1996 on the commercialisation and privatisation of state-owned enterprises,
- j. managing shares held by the State Treasury;
- 8. sale of pension policies on behalf of open pension funds;
- 9. acting as a depositary within the meaning of the Act on the Organisation and Functioning of Pension Funds;
- 10. acting as a depositary within the meaning of the Act on Investment Funds;
- 11. agency services with respect to the sale of insurance, leasing and pension products as well as units and deposit certificates of investment funds.

The Bank may also perform the above mentioned activities at the request of other banks providing that they fall within the scope of activity of those banks.

The scope of the Bank's activities also includes dealing with domestic, foreign and international banks and financial institutions in the course of its operations.

The Bank may establish or join clearing houses (established in the form of incorporated companies) in order to process payment instructions and to determine mutual liabilities arising from such transactions.

The financial statements were prepared for the period from 1 January 2000 to 31 December 2000 and the comparative financial data relates to the years 1998 and 1999.

1.5.1.2. Restatement of previous financial statements to ensure comparability

The Bank's financial statements for 1998-2000, presented in the Prospectus have been restated to ensure their comparability. A list of differences together with explanations are included in the notes to the financial statements.

1.5.1.3. Accounting principles and methods applied

Legal basis

The following regulations form the basis for the preparation of the financial statements:

- The Banking Law of 29 August 1997 (Dz.U. of 1997 No. 140, item 939);
- The Accounting Act of 29 September 1994 as amended (Dz.U. of 1994 No. 121, item 591);
- Resolution No. 1/98 of the Banking Supervision Commission of 3 June 1998 concerning specific accounting policies for banks and the preparation of notes to the financial statements (Dz.Urz. NBP of 1998 No. 14, item 27);
- Resolution No. 13/98 of the Banking Supervision Commission of 22 December 1998 concerning rules for creating provisions for risk associated with banking operations (Dz.Urz. NBP of 1998 No. 29 item 65);
- Resolution No. 8/99 of the Banking Supervision Commission of 22 December 1999 concerning rules for creating provisions for risk associated with banking operations (Dz.Urz. NBP of 1999 No. 26 pos. 43);
- Decree of the Minister of Finance of January 17, 1997 on the depreciation and amortisation of tangible and intangible fixed assets (Dz.U. of 1997 No. 6, pos. 35).

Principles governing the valuation of assets and liabilities and the determination of the financial result applied by Bank Zachodni S.A. in 2000

The financial statements were prepared on the basis of the historic cost convention, in accordance with the applicable accounting policies and the following principles: completeness, application of the accruals basis, matching of income and costs and consistency in the classification of transactions.

The historic cost convention was modified in the case of the revaluation of tangible fixed assets, balances denominated in foreign currencies and valuation of securities.

Amounts due from other financial institutions

Amounts due from other financial institutions are disclosed in the balance sheet at the amount due decreased by specific provisions.

Amounts due from customers and the public sector and specific provisions created

Amounts due from customers and the public sector are disclosed at the amount due decreased by specific provisions created in relation to receivables classified as non-performing. Loans granted from specific earmarked external funds are netted off with the relevant financing obtained.

Specific provisions set up for non-performing loans are determined on the basis of an assessment of the quality of the loan portfolio. Provisions were created pursuant to Resolutions No. 13/98 of the Banking Supervision Commission of 22 December 1998 and No. 8/99 of 22 December 1999. The loans are classified into five categories: normal, watch, substandard, doubtful and lost. Provisions are calculated taking into account collateral as permitted by the above Resolutions.

The Bank creates a general banking risk provision to cover the risk associated with banking operations. The provision is created on the basis of a current evaluation of the credit risk resulting from the type of business activity conducted by the Bank's borrowers and of the economic situation of countries where the Bank has a credit exposure.

Other receivables and liabilities

Balances representing the participation of other banks in syndicated loans are not shown in the balance sheet.

Suspended interest

Capitalised interest together with interest accrued or due but not received on loans classified as non-performing is shown in the balance sheet as suspended interest within deferred income.

Restructuring bonds

Restructuring bonds are shown at their nominal value increased by capitalised and accrued interest less any payments received from the State.

Pursuant to Decree No. 67 of the Ministry of Finance of 26 August 1993 concerning the issue of restructuring bonds, interest on these bonds is calculated using the rediscount rate established by the NBP, and the value of principal is increased by the amount of unpaid interest.

Investment and trading securities

Securities are classified as held for trading or as investment depending on the purpose for which they have been purchased. Securities purchased for investment purposes are classified as held in the investment portfolio, whereas securities purchased with a view to resale are classified as held in the trading portfolio.

The investment portfolio comprises debt securities purchased in order to be kept until their maturity date, and other securities which the Bank intends to keep for a period of at least six months after purchase.

The trading portfolio comprises debt securities purchased in order to be resold before their maturity date and other securities which are intended to be disposed of within six months of their purchase.

Investment debt securities are shown at cost plus accrued interest, discount or premium, and net of provisions for permanent diminution in value.

Debt securities held for trading are shown at the lower of cost (plus accrued interest discount or premium) and net realisable value. The realisable value is determined on the basis of available market information. If the net realisable value is lower than cost, the difference is charged to costs of financial operations.

Equity securities held for trading are disclosed at the lower of cost and net realisable value.

Equity securities held for investment are shown at cost less any provisions for permanent diminution in value.

During 2000, in accordance with the Decree of the Minister of Finance of 8 September 1999 concerning the issue of Treasury bills in connection with the conversion of State Treasury liabilities (Dz.U. No. 74 item 834) the Bank conducted a conversion of a part of its receivables from the State Treasury into Treasury bills by way of a novation as defined in Art. 506 of the Polish Civil Code. As a result of this transaction, the liabilities of the State Treasury were converted into Treasury bills. The nominal value of these Treasury bills is equal to the principal value of the State Treasury receivables plus interest accrued to the date of the conversion.

Intangible assets

Intangible assets are disclosed at cost net of accumulated amortisation. Goodwill on acquisition represents the difference between the acquisition price of an enterprise or organised business segment and the market value of the net assets acquired.

Intangible assets are amortised using the straight line method over the following periods:

• software and copyrights	3 years
• cooperative right to premises	40 years
• other intangible assets	5 years

Tangible fixed assets

Tangible fixed assets are disclosed at purchase price or manufacturing cost net of accumulated depreciation and taking into account any revaluations.

Tangible fixed assets are depreciated using the straight line method and the following annual depreciation rates:

– buildings/excluding residential buildings	2.5%
– residential buildings	1.5%
– other structures	4.0-4.5%
– boilers and power generating equipment	6.0%
– machinery and equipment	12.5%
– computer equipment	17.0-30.0%
– specialist machinery and equipment	12.5%
– technical devices and vehicles	20.0%
– tools, devices, movable property and fittings	14.0-20.0%
– leasehold improvements	2.5-50.0%

Tangible fixed assets with a purchase price lower than PLN 3,500 are written-off immediately to depreciation costs at the moment they are commissioned for use.

The minimum limit for the recognition of a tangible fixed asset is PLN 700 except for: works of art, other fixed assets such as safes, TV sets, metal cabinets, perforators, refrigerators, vacuum cleaners and shredders to which the limit does not apply.

Tangible fixed assets are shown at historic cost adjusted for revaluation, and net of accumulated depreciation. Land, works of art and assets under construction are not depreciated. Tangible fixed assets are revalued in accordance with regulations issued by the Minister of Finance. The last revaluation of tangible fixed assets was performed on 1 January 1995.

Depreciation rates specified in the Decree of the Minister of Finance of 17 January 1997 on the depreciation and amortisation of tangible and intangible fixed assets, hereinafter referred to as the “Decree”, are adopted for tax purposes. The Decree specifies the tax-deductible limits for depreciation and amortisation charges as defined in the Corporate Income Tax Act of 15 February 1992.

Investment allowance and investment premium

In the years 1997-2000 Bank Zachodni S.A. utilised investment allowances pursuant to the Corporate Income Tax Act.

In 1998-2000 the Bank also utilised investment premiums amounting to 50% of investment allowances utilised in previous years.

The depreciation of tangible fixed assets for which investment allowances have been claimed is calculated in accordance with the same rules as those applied for other fixed assets and is not tax-deductible. Investment allowances utilised less disallowed depreciation charges to date are recognised as deferred tax liabilities. Investment premiums are recognised as deferred tax assets.

Assets taken over for sale

Assets taken over for sale are disclosed at the amount of the debt in relation to which they have been taken over, less provisions for the difference between the amount of the debt and the net realisable value of the assets taken over.

Equity

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

Share capital

Is carried at its nominal value in accordance with the articles of association of the Bank and its entry in the commercial register.

Supplementary capital

Is principally created from appropriations of profit and shares premiums arising on the issue of shares. In accordance with the Polish Commercial Code, at least 8% of net profit must be transferred to supplementary capital each year until supplementary capital reaches the level of 1/3 of share capital.

Reserve capital

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

General risk reserve

Is created from appropriations of profit to cover unidentified banking risks.

Revaluation reserve

Represents the accumulated net surplus on revaluation of fixed assets in prior years. Revaluation reserve realised on disposal of the related fixed assets is transferred to supplementary capital. Unrealised revaluation reserve is not distributable.

Recognition of income and costs

All material items of income and costs are recognised on an accruals basis.

Accrued interest and interest due but not received from normal loans within 30 days of its due date is recognised in income.

Commissions

Commissions are recognised as income or cost when they are received or paid, except for commissions received for the granting of loans, guarantees and letter of credit facilities which are recognised on a straight line basis over the period of the relevant agreements.

Foreign currencies

Transactions in foreign currencies are shown in PLN at the exchange rate applicable on the date of the transaction. Assets, liabilities as well as off-balance sheet items denominated in foreign currencies are translated into PLN at the mid NBP exchange rate applicable at the end of the reporting period.

Realised and unrealised foreign exchange gains and (losses) are included in the profit and loss account.

Off-balance sheet liabilities and provisions created in relation to guarantees

A specific provision is created for non performing risk-bearing off-balance sheet liabilities granted in accordance with the criteria specified in relation to “Amounts due from customers and the public sector, and specific provisions created”.

Provisions for off-balance sheet liabilities are shown in the balance sheet under “Other provisions”.

Corporate income tax and deferred tax provision

Corporate income tax is calculated according to the Polish tax regulations on the basis of the gross accounting profit adjusted for tax exempt income and non-deductible costs. In addition in accordance with Polish tax regulations, the gross accounting profit is adjusted for tax-exempt income from donations and investment allowances and investment premiums utilised.

From 1 January 1995, a provision for deferred corporate income tax has been created. Provisions for deferred corporate income tax are recognised in relation to timing differences in the recognition of income and costs in accordance with accounting and tax regulations. Deferred tax assets are only recognised when it is certain that they will be realised in the following financial years. Deferred tax assets or liabilities are calculated taking into account the relevant balances on the last day of the financial year. Movements in the deferred tax provision are shown within the taxation charge for a given period.

One-off retirement payments and long service awards

Bank Zachodni S.A. has performed an actuarial calculation of the accrued liability resulting from one-off retirement payments and long-service awards as at 31 December 1999. According to this calculation, the liability resulting from one-off retirement payments and long – service awards amounted to PLN 44,999 thousand. The Bank intends to increase the provision created for the liability relating to one-off retirement payments and long-services awards every year, until the full value resulting from the actuarial calculation is provided for.

In the financial statements, the provision for long-service awards and one-off retirement payments is presented within accruals.

Holiday pay accrual

Since 1999, holiday pay accruals have not been created. According to the provisions of the Polish Labour Code employees are obliged to use their holiday entitlement by the end of March of the following year.

Net profit/(loss)

The net profit/(loss) is determined taking into account the prudence principle, the accruals basis and the matching principle. The net profit/(loss) includes all income generated and costs incurred in a given reporting period, regardless of the date of their payment.

1.5.1.4. Adjustment of the previous financial statements or comparative financial data resulting from qualifications in registered auditor's opinions

In 1998-2000 the registered auditors who audited the Bank's financial statements did not qualify their audit opinions as to the truth and fairness of the audited financial statements and therefore no relevant adjustments were made to the financial statements.

1.5.1.5. Indication whether the financial statements and comparable financial data contain aggregate data

The financial statements of Bank Zachodni S.A. contain the financial data of the Bank. The Bank does not have any internal reporting units that prepare their own financial statements.

1.5.1.6. Differences between financial statements prepared according to PAS and IAS

The Bank prepares financial statements in compliance with Polish Accounting Standards (PAS) and International Accounting Standards (IAS).

The main differences between PAS and the IAS relate to the following items:

Tangible fixed assets

Tangible fixed assets in financial statements prepared according to IAS are increased by the value of land held in perpetual usufruct (long term leasehold). In the financial statements prepared according to PAS these amounts are disclosed off-balance sheet.

Amounts due from customers, accruals and deferred income

Suspended income, general banking risk provisions and discount on purchased debt, are disclosed as separate liabilities in financial statements prepared according to PAS. They decrease the relevant amounts due from customers in financial statements prepared according to IAS.

Employee benefits

In the financial statements prepared according to PAS, the costs of one-off retirement payments and long-service awards are accrued during the period of employment of employees who will be entitled to receive the benefits in future. The Bank is gradually increasing the amount of the provision created in order to eventually match the value determined by actuarial calculations. The full amount of the provision determined by actuarial calculations has been recognised in the IAS financial statements.

Deferred tax provision

The calculation of deferred tax would take into account the adjustments described above, resulting in a change in the deferred tax provision.

Presentation of items in the financial statements

In the financial statements prepared according to IAS particular items of the financial statements are disclosed differently.

BALANCE SHEET

As at	Note	31.12.2000	31.12.1999	31.12.1998
Assets				
I. Cash and balances with the Central Bank	1	567,234	703,825	928,866
II. Debt securities eligible for rediscounting at the Central Bank		—	—	—
III. Amounts due from the financial sector	2	1,468,853	385,141	567,390
1. Current		23,386	19,571	19,871
2. Term		1,445,467	365,570	547,519
IV. Amounts due from non-financial and public sectors	3	4,455,640	4,654,159	4,500,742
1. Current		764,194	541,496	483,414
2. Term		3,691,446	4,112,663	4,017,328
V. Amounts receivable from reverse repo transactions	4	98,779	—	—
VI. Debt securities	5,11	1,911,564	1,697,111	1,470,798
VII. Shares in subsidiary companies	6, 8, 11	33,587	40,030	17,577
VIII. Shares in associated companies	7, 8, 11	1,535	2,658	2,737
IX. Shares in other entities	9, 11	23,866	15,060	20,854
X. Other securities	10, 11	100,000	5,800	5,110
XI. Intangible assets	12	26,974	47,115	70,155
XII. Tangible fixed assets	14	433,065	375,741	347,664
XIII. Own shares for sale	15	—	—	—
XIV. Other assets	16	146,071	49,819	37,098
1. Assets taken over – for sale		816	4,535	3,797
2. Other		145,255	45,284	33,301
XV. Prepayments	17	44,613	7,165	2,538
1. Deferred taxation		—	—	—
2. Other prepayments		44,613	7,165	2,538
Total assets		9,311,781	7,983,624	7,971,529

As at	Note	31.12.2000	31.12.1999	31.12.1998
Liabilities				
I. Amounts due to the Central Bank		—	—	—
II. Amounts due to the financial sector	18	553,701	405,243	457,818
1. Current		62,267	73,821	77,088
2. Term		491,434	331,422	380,730
III. Amounts due to non-financial and public sectors	19	7,218,899	6,331,639	6,185,413
1. Savings deposits, of which:		2	2	2
a) current		—	—	—
b) term		2	2	2
2. Other, of which:		7,218,897	6,331,637	6,185,411
a) current		1,968,699	2,168,383	2,169,225
b) term		5,250,198	4,163,254	4,016,186
IV. Amounts payable under repo transactions	20	99,508	—	—
V. Other borrowed funds	21	1,642	2,450	7,747
VI. Special funds and other liabilities	22	106,363	25,982	249,187
VII. Accruals, deferred and suspended income	23	300,645	286,614	307,584
VIII. Provisions	24	83,560	94,253	68,498
1. Deferred tax provision		28,120	20,588	23,573
2. Other provisions		55,440	73,665	44,925
IX. Subordinated liabilities	25	—	—	—
X. Share capital	28	329,510	294,706	280,000
XI. Unpaid share capital (negative value)		—	—	—
XII. Supplementary capital	29	412,004	246,724	95,401
XIII. Revaluation reserve		20,688	20,772	21,266
XIV. Other reserve capital	30	275,241	272,070	272,070
XV. Foreign exchange gains and (losses) on translation of foreign branches		—	—	—
XVI. Retained profit or uncovered (loss) from previous year	31	—	—	—
XVII. Net (loss)/profit		(89,980)	3,171	26,545
Total liabilities and equity		9,311,781	7,983,624	7,971,529
Capital adequacy ratio	32	17.05	16.63	11.61
Net book value		947,463	837,443	695,282
Number of shares (in thousands)		32,950,982	29,470,589	28,000,000
Net book value per share (in PLN)	32	28.75	28.42	24.83
Predicted number of shares		72,960,284	29,470,589	28,000,000
Diluted book value per share (in PLN)		12.99	28.42	24.83

OFF-BALANCE-SHEET ITEMS

		31.12.2000	31.12.1999	31.12.1998
I. Off balance-sheet contingent liabilities		969,423	980,096	915,952
1. Committed:		859,089	790,214	832,455
a) in relation to financing		681,846	598,046	634,002
b) guarantees	33	177,243	192,168	198,453
2. Received:		110,334	189,882	83,497
a) in relation to financing		224	4,135	–
b) guarantees		110,110	185,747	83,497
II. Liabilities arising out of sale/purchase transactions		2,443,871	394,942	270,265
III. Other contingent liabilities, of which:		1,076,724	1,480,268	2,088,353
- assets taken over		441,153	645,829	1,691,924
- liabilities received		625,268	829,562	392,086
- liabilities relating to assets received		10,303	4,877	4,343
Total off-balance-shee items		4,490,018	2,855,306	3,274,570

PROFIT AND LOSS ACCOUNT

For period	Note	31.12.2000	31.12.1999	31.12.1998
I. Interest income	34	1,197,257	1,017,162	1,170,189
II. Interest expense	35	753,837	571,492	689,298
III. Net interest income (I-II)		443,420	445,670	480,891
IV. Commission income	36	159,271	158,265	152,838
V. Commission expense		14,363	7,654	6,127
VI. Net commission income (IV-V)		144,908	150,611	146,711
VII. Income on shares and other securities	37	1,232	677	355
VIII. Profit on financial operations	38	64,981	722	26,457
IX. Foreign exchange profit		48,920	28,769	36,071
X. Profit on banking operations		703,461	626,449	690,485
XI. Other operating income	39	48,902	20,037	45,612
XII. Other operating expenses	40	96,318	13,716	29,653
XIII. Overhead costs of the Bank	41	434,211	348,374	299,268
XIV. Depreciation and amortisation		65,875	63,826	56,952
XV. Provisions	42	679,805	446,176	398,643
XVI. Release of provisions	43	442,944	267,680	167,200
XVII. Net provisions (XV- XVI)		236,861	178,496	231,443
XVIII. (Loss)/profit on operating activities		(80,902)	42,074	118,781
XIX. Net extraordinary gains and (losses)		(211)	(333)	50
1. Extraordinary gains	44	36	118	385
2. Extraordinary losses	45	247	451	335
XX. Gross (loss)/profit		(81,113)	41,741	118,831
XXI. Corporate income tax	46	8,867	38,570	92,286
XXII. Other charges against profit	47	—	—	—
XXIII. Net (loss)/profit		(89,980)	3,171	26,545
Net (loss)		(89,980)	3,171	26,545
Weighted average number of ordinary shares (in thousands)		30,418,972	28,310,234	28,000,000
Net (loss)/profit per ordinary share (in PLN)	48	(2.96)	0.11	0.95
Predicted weighted average number of ordinary shares (in thousands)		70,428,274	28,310,234	28,000,000
Diluted book value per ordinary share (in PLN)		(1.28)	0.11	0.95

MOVEMENTS IN SHAREHOLDERS' FUNDS

For period	31.12.2000	31.12.1999	31.12.1998
I. Shareholders' funds at the beginning of the period	837,443	695,282	721,894
a) changes in adopted accounting policies	—	—	—
b) correction of fundamental errors	—	—	—
I.a Adjusted shareholders' funds at the beginning of the period	837,443	695,282	721,894
1. Share capital at the beginning of the period	294,706	280,000	280,000
1.1 Movements in share capital	34,804	14,706	—
a) increase due to	34,804	14,706	—
- issue of shares	34,804	14,706	—
b) decrease due to	—	—	—
- redemption	—	—	—
1.2. Share capital at the end of the period	329,510	294,706	280,000
2. Unpaid share capital at the beginning of the period	—	—	—
2.1. Movements in unpaid share capital	—	—	—
a) increase	—	—	—
b) decrease	—	—	—
2.2. Unpaid share capital at the end of the period	—	—	—
3. Supplementary capital at the beginning of the period	246,724	95,401	94,626
3.1. Movements in supplementary capital	165,280	151,323	775
a) increase due to	165,280	151,323	775
- share premium	165,196	135,294	—
- profit allocation (as required by law)	—	15,535	—
- profit allocation (in an amount higher than required by law)	—	—	—
- transfer from revaluation reserve	84	494	775
b) decrease due to	—	—	—
- covering of losses	—	—	—
3.2. Supplementary capital at the end of the period	412,004	246,724	95,401
4. Revaluation reserve at the beginning of the period	20,772	21,266	22,041
4.1. Movements in revaluation reserve	(84)	(494)	(775)
a) increase due to	—	—	—
b) decrease due to	(84)	(494)	(775)
- disposal and liquidation of fixed assets	(84)	(494)	(775)
4.2. Revaluation reserve at the end of the period	20,688	20,772	21,266
5. General banking risk fund at the beginning of the period	59,810	59,810	92,938
5.1. Movements in the general banking risk fund	—	—	(33,128)
a) increase due to	—	—	59,810
- profit allocation	—	—	59,810
b) decrease due to	—	—	(92,938)
- transfer to reserve capital	—	—	(83,663)
- transfer to corporate income tax liability	—	—	(9,275)
5.2. General banking risk fund at the beginning of the period	59,810	59,810	59,810
6. Brokerage activity fund at the beginning of the period	17,000	17,000	17,000
6.1. Movements in brokerage activity fund	(17,000)	—	—
a) increase due to	—	—	—
b) decrease due to	(17,000)	—	—
- re-classification to other reserve capital	(17,000)	—	—
6.2. Brokerage activity fund at the end of the period	—	17,000	17,000
7. Other components of reserve capital at the beginning of the period	195,260	195,260	74,481
7.1. Movements in other components of reserve capital	20,171	—	120,779
a) increase due to	20,171	—	120,779
- profit allocation	3,171	—	37,116
- re-classification from the General Banking Risk Fund	—	—	83,663
- re-classification from the Brokerage House Fund	17,000	—	—
b) decrease due to	—	—	—

For period	31.12.2000	31.12.1999	31.12.1998
7.2. Other components of reserve capital at the end of the period	215,431	195,260	195,260
8. Retained profit brought forward at the beginning of the period	—	—	—
8.1. Retained profit from previous years	3,171	26,545	140,808
a) changes in accounting policies	—	—	—
b) correction of fundamental errors	—	—	—
8.2. Adjusted retained profit at the beginning of the period	3,171	26,545	140,808
a) increase due to	—	—	—
- profit allocation	—	—	—
b) decrease due to	(3,171)	(26,545)	(140,808)
- allocation to Employee Social Fund	—	(11,010)	(22,761)
- allocation to dividend	—	—	(21,121)
- allocation to other reserve capital	(3,171)	—	(37,116)
- allocation to supplementary capital	—	(15,535)	—
- transfer to general banking risk fund	—	—	(59,810)
8.3. Retained profit at the end of the period	—	—	—
8.4. Retained (loss) brought forward at the beginning of the period	—	—	—
a) changes in the accounting policies	—	—	—
b) correction of fundamental errors	—	—	—
8.5. Adjusted (loss) brought forward at the beginning of the period	—	—	—
a) increase due to	—	—	—
- transfer to loss brought forward	—	—	—
b) decrease	—	—	—
8.6. (Loss) brought forward at the end of the period	—	—	—
8.7. Retained profit or (loss) brought forward at the end of the period	—	—	—
9. Net (loss)/profit	(89,980)	3,171	26,545
a) net profit	—	3 171	26 545
b) net (loss)	(89,980)	—	—
II. Shareholders' funds at the end of the period	947,463	837,443	695,282

CASH FLOW STATEMENT

For period	31.12.2000	31.12.1999	31.12.1998
A. NET CASH FLOWS FROM OPERATING ACTIVITIES (I-II) – indirect method*	93,988	75,270	207,698
I. Net profit/(loss)	(89,980)	3,171	26,544
II. Adjusted for:	183,968	72,099	181,154
1. Depreciation and amortization	65,875	63,826	56,952
2. Foreign exchange gains and (losses)	–	–	–
3. Interest and dividends	(204,440)	(193,089)	(277,750)
4. (Profit)/loss on investing activities	55,831	399	(24,325)
5. Changes in the balance of other provisions	196,120	171,235	213,430
6. Corporate income tax charge	8,867	38,569	92,286
7. Corporate income tax paid	(19,969)	(83,367)	(115,206)
8. Change in debt securities	528,284	318,691	(507,477)
9. Change in amounts due from the financial sector	(1,143,953)	158,360	(122,042)
10. Change in amounts due from non-financial and public sectors	(283,503)	(271,403)	(985,711)
11. Change in amounts receivable from reverse repo transactions	(98,779)	–	–
12. Change in shares and other variable income securities	(6,702)	1,523	363
13. Change in amounts due to the financial sector	167,890	(52,563)	188,725
14. Change in amounts due to the non-financial and public sectors	887,260	146,226	1,493,157
15. Change in amounts payable on repo transactions	99,508	–	–
16. Change in other borrowed funds	(808)	(5,298)	7,748
17. Change in other liabilities	74,687	(191,175)	15,476
18. Change in prepayments and accruals	(5,244)	5,040	(6,589)
19. Change in deferred income	(18,173)	(30,159)	42,175
20. Other items	(118,783)	(4,716)	109,942
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	(411,006)	(445,453)	91,745
I. Inflows from investing activities	15,881,957	43,973,035	24,273,447
1. Sale of intangible assets	180	43	452
2. Sale of tangible fixed assets	20,171	2,122	3,431
3. Sale of shares in subsidiary companies	4,961	–	618
4. Sale of shares in associated companies	2,310	–	12,428
5. Sale of shares in parent company	–	–	–
6. Sale of shares in other entities (also those held for trading) and other securities	15,639,197	43,773,914	23,972,831
7. Other inflows	215,138	196,956	283,687
II. Outflows related to investing activities	(16,292,963)	(44,418,488)	(24,181,702)
1. Purchase of intangible assets	(8,678)	(7,704)	(4,588)
2. Purchase of tangible fixed assets	(97,981)	(72,130)	(84,745)
3. Purchase of shares in subsidiary companies	(70,209)	(6,214)	(8,573)
4. Purchase of shares in associated companies	–	–	(150)
5. Purchase of shares in parent company	–	–	–
6. Purchase of shares in other entities (also those held for trading) and other securities	(16,115,794)	(44,331,960)	(24,083,396)
7. Purchase of own shares for sale	–	–	–
8. Other	(301)	(480)	(250)
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	176,604	146,252	(26,673)
I. Inflows from financing activities	200,000	150,000	–
1. Raising long-term loans with banks	–	–	–
2. Raising long-term loans with other financial institutions	–	–	–
3. Issue of bonds or other debt securities to other financial institutions	–	–	–
4. Increase in subordinated liabilities	–	–	–
5. Proceeds from share issues	200,000	150,000	–
6. Contributions to capital	–	–	–
7. Other	–	–	–
II. Outflows related to financing activities	(23,396)	(3,748)	(26,673)
1. Repayment of long-term loans from banks	(10,000)	–	–
2. Repayment of long-term loans from other financial institutions	–	–	–

For period	31.12.2000	31.12.1999	31.12.1998
3. Redemption of bonds and other securities issued to other financial institutions	—	—	—
4. Decrease in subordinated liabilities	—	—	—
5. Share issue costs	—	—	—
6. Redemption of own shares	—	—	—
7. Dividends and other payments to shareholders	—	—	(21,121)
8. Payments from profit to members of management and supervisory boards	—	—	—
9. Donations made	—	—	—
10. Payments under finance lease agreements	—	—	—
11. Other	(13,396)	(3,748)	(5,552)
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	(140,414)	(223,931)	272,770
E. Change in CASH AND CASH EQUIVALENTS	(140,414)	(223,931)	272,770
- including foreign exchange differences	—	—	—
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	716,038	939,969	667,199
G. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F+/-D)	575,624	716,038	939,969

The Cash Flow Statement was prepared with the use of the indirect method.

NOTES TO THE BALANCE SHEET

Note 1

1.1

CASH AND BALANCES WITH THE CENTRAL BANK	31.12.2000	31.12.1999	31.12.1998
1. Cash in hand and on current account	566,273	703,097	928,068
2. Amounts related to Bank Guarantee Fund	—	—	—
3. Other	961	728	798
Total cash and balances with the Central Bank	567,234	703,825	928,866

1.2

CASH AND BALANCES WITH THE CENTRAL BANK (BY CURRENCY)	31.12.2000	31.12.1999	31.12.1998
a) in PLN	498,551	619,627	870,587
b) in foreign currencies (by currency and PLN equivalent)	68,683	84,198	58,279
b1. in thousand /USD	4,360	8,842	4,149
in thousand PLN	18,063	36,696	14,539
b2. in thousand/DEM	15,991	13,849	15,960
in thousand PLN	31,513	29,499	33,380
b3. Other currencies (in PLN thousand)	19,107	18,003	10,360
Total cash and balances with the Central Bank	567,234	703,825	928,866

Note 2

2.1

AMOUNTS DUE FROM THE FINANCIAL SECTOR (BY CATEGORY)	31.12.2000	31.12.1999	31.12.1998
1. Current accounts	16,752	15,965	11,367
2. Loans and placements	1,517,214	387,817	551,890
3. Purchased debts	4,212	6,538	3,578
4. Realized guarantees	—	—	—
5. Other amounts due	6,655	3,613	8,510
6. Interest:	16,202	6,972	2,821
a) accrued	4,960	3,590	1,845
b) due, not received	11,242	3,382	976
Total amounts due from the financial sector (gross)	1,561,035	420,905	578,166
7. Provisions raised for non performing loans/receivables from the financial sector (negative value)	92,182	35,764	10,776
Total amounts due from the financial sector (net)	1,468,853	385,141	567,390

2.2

AMOUNTS DUE FROM THE FINANCIAL SECTOR (by maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	23,407	19,578	19,877
2. Term, with remaining maturity:	1,521,426	394,355	555,468
a) up to 1 month	1,323,826	59,550	414,867
b) from 1 month to 3 months	817	2,873	60
c) over 3 months to 1 year	4,931	8,658	343
d) over 1 year to 5 years	161,033	304,525	129,340
e) over 5 years	11,168	1,054	—
f) overdue	19,651	17,695	10,858
3. Interest	16,202	6,972	2,821
- accrued	4,960	3,590	1,845
- due, not received	11,242	3,382	976
Total amounts due from the financial sector (gross)	1,561,035	420,905	578,166

2.3

AMOUNTS DUE FROM THE FINANCIAL SECTOR (BY ORIGINAL MATURITY)	31.12.2000	31.12.1999	31.12.1998
1. Current	23,407	19,578	19,877
2. Term, with maturity of:	1,521,426	394,355	555,468
a) up to 1 month	873,658	35,194	276,572
b) from 1 month to 3 months	453,842	131,443	245,835
c) over 3 months to 1 year	810	5,849	368
d) over 1 year to 5 years	154,060	212,982	32,693
e) over 5 years	39,056	8,887	—
3. Interest	16,202	6,972	2,821
- accrued	4,960	3,590	1,845
- due, not received	11,242	3,382	976
Total amounts due from the financial sector (gross)	1,561,035	420,905	578,166

2.4

AMOUNTS DUE FROM THE FINANCIAL SECTOR (by currency)	31.12.2000	31.12.1999	31.12.1998
a) in PLN (PLN)	167,318	266,190	491,902
b) in foreign currency (by currency and PLN equivalent)	1,301,535	118,951	75,488
b1. in thousand /USD	282,244	2,739	2,893
PLN thousand	1,168,490	11,365	10,126
b2. in thousand/DEM	9,236	24,342	10,015
PLN thousand	18,196	51,848	20,932
b3. Other currencies (in PLN thousand)	114,849	55,738	44,430
Total amounts due from the financial sector	1,468,853	385,141	567,390

2.5

AMOUNTS DUE FROM THE FINANCIAL SECTOR (gross)	31.12.2000	31.12.1999	31.12.1998
1. Normal	1,343,982	191,125	564,481
2. Watch category loans/receivables	70,146	94,978	—
3. Non-performing, of which:	130,705	127,830	10,864
- sub-standard	34,197	69,353	—
- doubtful	5,602	14,507	—
- lost	90,906	43,970	10,864
4. Interest	16,202	6,972	2,821
a) accrued	4,960	3,590	1,845
b) due, not received	11,242	3,382	976
- normal and watch category	59	39	82
- non-performing loans	11,183	3,343	894
Total amounts due from the financial sector (gross)	1,561,035	420,905	578,166

2.6

VALUE OF COLLATERAL RECOGNISED WHEN CREATING SPECIFIC PROVISIONS FOR AMOUNTS DUE FROM THE FINANCIAL SECTOR, CLASSIFIED AS:	31.12.2000	31.12.1999	31.12.1998
a) watch category	13,766	41,383	—
b) non-performing	26,998	48,685	88
- sub-standard	15,500	19,647	—
- doubtful	5,241	7,535	—
- lost	6,257	21,503	88
Total value of collateral recognised	40,764	90,068	88

2.7

PROVISIONS FOR AMOUNTS DUE FROM THE FINANCIAL SECTOR	31.12.2000	31.12.1999	31.12.1998
a) watch category	564	268	—
b) non-performing	91,618	35,496	10,776
- sub-standard	6,691	9,941	—
- doubtful	181	3,175	—
- lost	84,746	22,380	10,776
Total provisions for amounts due from the financial sector	92,182	35,764	10,776

2.8

MOVEMENTS IN PROVISIONS FOR NON PERFORMING AMOUNTS DUE FROM THE FINANCIAL SECTOR	31.12.2000	31.12.1999	31.12.1998
Provisions for non performing amounts due from the financial sector at the beginning of the period	35,764	10,776	7,615
a) increases due to	111,205	29,901	3,509
- charged to costs	111,205	28,686	3,483
- foreign exchange differences	—	1,215	21
- transfer	—	—	5
b) utilization	(6)	—	—
c) releases due to	(54,781)	(4,913)	(348)
- repayment of loans/receivables	(53,806)	(4,338)	(348)
- foreign exchange differences	(975)	(575)	—
Provisions for non performing amounts due from the financial sector at the end of the period	92,182	35,764	10,776

2.9

AMOUNTS DUE FROM FINANCIAL SECTOR	31.12.2000	31.12.1999	31.12.1998
a) from companies consolidated by the equity method	—	—	—
b) from other entities	1,468,853	385,141	567,390
Total amounts due from financial sector	1,468,853	385,141	567,390

The non performing loans/receivables of the Bank do not exceed 10% of total assets.

Note 3

3.1

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by category)	31.12.2000	31.12.1999	31.12.1998
1. Loans and advances	4,607,737	4,120,853	3,952,613
2. Purchased debts	266,944	746,313	702,135
3. Realized guarantees	918	54	80
4. Other amounts due (of which)	32,482	35,592	5,644
- deferred payment terms	—	—	—
- other	32,482	35,592	5,644
5. Interest	180,015	246,977	203,878
- accrued	44,202	135,205	95,056
- due, not received	135,813	111,772	108,822
6. Amounts receivable from the State relating to preferential loans	11,307	9,648	23,705
Amounts due from non-financial and public sectors (gross)	5,099,403	5,159,437	4,888,055
7. Provisions (negative value)	643,763	505,278	387,313
Amounts due from non-financial and public sectors (net)	4,455,640	4,654,159	4,500,742
Including amounts receivable under finance leases	—	—	349

3.2

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	771,153	542,641	484,119
2. Term, with remaining maturity:	4,148,235	4,369,819	4,200,058
a) up to 1 month	388,264	324,987	399,149
b) from 1 month to 3 months	204,159	323,326	319,261
c) over 3 months to 1 year	687,909	870,944	958,675
d) over 1 year to 5 years	1,253,248	1,459,846	1,553,811
e) over 5 years	1,083,555	1,097,233	683,949
f) overdue	531,100	293,483	285,213
3. Interest	180,015	246,977	203,878
- accrued	44,202	135,205	95,056
- due, not received	135,813	111,772	108,822
Total amounts due from non-financial and public sectors	5,099,403	5,159,437	4,888,055

3.3

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by original maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	771,153	542,641	484,119
2. Term, with original maturity:	4,148,235	4,369,819	4,200,058
a) up to 1 month	51,088	55,178	65,593
b) from 1 month to 3 months	106,587	234,085	336,904
c) over 3 months to 1 year	1,094,428	1,196,106	1,176,674
d) over 1 year to 5 years	1,249,271	1,471,432	1,549,331
e) over 5 years	1,646,861	1,413,018	1,071,556
3. Interest	180,015	246,977	203,878
- accrued	44,202	135,205	95,056
- due, not received	135,813	111,772	108,822
Amounts due from non-financial and public sectors	5,099,403	5,159,437	4,888,055

3.4

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by currency)	31.12.2000	31.12.1999	31.12.1998
a) in Polish currency	3,543,138	3,669,278	3,661,950
b) in foreign currencies (by currency and PLN equivalent)	912,502	984,881	838,792
b1. in thousand /USD	124,782	156,306	119,172
PLN thousand	516,597	648,668	417,101
b2. in thousand/DEM	121,904	144,499	200,073
PLN thousand	240,151	307,783	418,152
b3. Other currencies (in thousand PLN)	155,754	28,430	3,539
Total amounts due from non-financial and public sectors	4,455,640	4,654,159	4,500,742

3.5

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (gross)	31.12.2000	31.12.1999	31.12.1998
1. Normal	1,945,043	2,716,255	3,881,349
2. Watch category	1,539,499	920,979	—
3. Non-performing, of which:			
- substandard	418,522	475,226	271,603
- doubtful	398,739	225,063	154,590
- lost	617,585	574,937	376,635
4. Interest on non-performing amounts due from non-financial and public sectors	180,015	246,977	203,878
a) accrued	44,202	135,205	95,056
b) due, not received	135,813	111,772	108,822
- on normal and watch category amounts	3,843	2,080	4,751
- non-performing loans	131,970	109,692	104,071
Total amounts due from non-financial and public sectors (gross)	5,099,403	5,159,437	4,888,055

3.6

VALUE OF COLLATERAL RECOGNISED WHEN CREATING SPECIFIC PROVISIONS

FOR AMOUNTS DUE FROM THE NON-FINANCIAL AND PUBLIC SECTORS, CLASSIFIED AS:	31.12.2000	31.12.1999	31.12.1998
1. Normal	—	70,048	—
2. Watch category	531,804	617,130	—
3. Non-performing	439,125	573,809	244,266
- sub-standard	110,083	258,929	121,375
- doubtful	187,134	123,767	49,578
- lost	141,908	191,113	73,313
Total value of collateral recognised	970,929	1,260,987	244,266

3.7

PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS	31.12.2000	31.12.1999	31.12.1998
1. Normal	804	2,623	—
2. Watch category	3,049	9,048	—
3. Non-performing	639,910	493,607	387,313
- sub-standard	61,027	43,750	29,473
- doubtful	124,562	82,355	52,596
- lost	454,321	367,502	305,244
Total provisions for amounts due from non-financial and public sectors	643,763	505,278	387,313

3.8

MOVEMENTS IN PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	505,278	387,313	219,961
a) Increase due to	538,095	376,063	322,756
- charged to costs	537,112	371,475	322,592
- foreign exchange differences	983	4,588	142
- transfers	—	—	22
b) Utilization due to	(48,125)	(5,866)	(5,031)
- write off and time expiry of amounts receivable	(48,125)	(5,866)	(5,031)
c) Releases due to	(351,485)	(252,232)	(150,373)
- repayment of debts	(342,238)	(251,950)	(150,238)
- foreign exchange differences	(9,247)	(281)	(135)
- other connected with the separation of the Brokerage House	—	(1)	—
Balance of provisions for amounts due from non-financial and public sectors at the end of the period	643,763	505,278	387,313

3.9

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS	31.12.2000	31.12.1999	31.12.1998
a) from entities consolidated by the equity method	—	—	—
b) from other entities	4,455,640	4,654,159	4,500,742
Total amounts due from non-financial and public sector	4,455,640	4,654,159	4,500,742

Pursuant to the Decree of the Minister of Finance dated September 8, 1999 concerning the terms and conditions of issue of bonds designated for the conversion of State Treasury liabilities (Dz.U. No. 74, pos. 834), during 2000 the Bank converted part of its receivables from the State Treasury into Treasury bonds, by way of a novation in the meaning of Art. 506 of the Polish Civil Code. As a result of this transaction, receivables from the State Treasury (both principal and interest amounts) were converted into Treasury bonds.

Note 4

AMOUNTS RECEIVABLE ON REVERSE REPO TRANSACTIONS	31.12.2000	31.12.1999	31.12.1998
a) from the financial sector	98,779	—	—
b) from non-financial and public sectors	—	—	—
c) interest	—	—	—
Total amounts receivable on reverse repo transactions	98,779	—	—

Note 5

5.1

DEBT SECURITIES	31.12.2000	31.12.1999	31.12.1998
1. Issued by central banks, of which:	832,591	577,283	906,397
- foreign currency bonds	—	—	—
2. Issued by other banks, of which:	7,917	8,541	8,277
- in foreign currency	7,917	8,541	8,277
3. Issued by other financial entities, of which:	—	—	—
- in foreign currency	—	—	—
4. Issued by non-financial entities, of which:	29,578	53,777	64,860
- in foreign currency	—	—	—
5. Issued by the State Treasury, of which:	1,016,748	1,034,025	458,481
- in foreign currency	—	—	—
6. Issued by local authorities, of which:	24,730	23,485	32,783
- in foreign currency	—	—	—
7. Own debt securities repurchased	—	—	—
Total debt securities	1,911,564	1,697,111	1,470,798

5.2

DEBT SECURITIES (BY TYPE)	31.12.2000	31.12.1999	31.12.1998
1. Issued by the State Treasury, of which:	1,016,748	1,034,025	458,481
a) bonds	778,341	353,013	174,957
b) Treasury bills	129,212	575,722	135,871
c) other (by type)	109,195	105,290	147,653
- restructuring bonds	109,195	105,290	147,653
2. Issued by the parent company, of which:	—	—	—
a) bonds	—	—	—
b) other (by type)	—	—	—
3. Issued by subsidiary companies, of which:	—	—	—
a) bonds	—	—	—
b) other (by type)	—	—	—
4. Issued by associated companies, of which:	—	—	—
a) bonds	—	—	—
b) other (by type)	—	—	—
5. Issued by other entities, of which:	894,816	663,086	1,012,317
a) bonds	507,762	526,220	61,335
b) other (by type)	387,054	136,866	950,982
- NBP bills	357,476	99,886	906,397
- other discounted securities	29,578	36,980	44,585
Total debt securities	1,911,564	1,697,111	1,470,798

5.3

DEBT SECURITIES	31.12.2000	31.12.1999	31.12.1998
a) operating securities of brokerage house	—	—	—
b) held for trading	185,292	411,822	735,626
c) held for investment	1,726,272	1,285,289	735,172
Total debt securities	1,911,564	1,697,111	1,470,798

5.4

MOVEMENTS IN DEBT SECURITIES	31.12.2000	31.12.1999	31.12.1998
a) balance at the beginning of period	1,697,111	1,470,798	971,873
b) increase in:			
- purchase	214,666	229,461	499,023
- release of provisions	214,666	229,363	499,023
c) decrease due to	(213)	(3,148)	(98)
- creation of provisions	(213)	(2,072)	(98)
- other	—	(1,076)	—
d) Balance at the end of the period	1,911,564	1,697,111	1,470,798

Note 6

6.1

SHARES IN SUBSIDIARY COMPANIES	31.12.2000	31.12.1999	31.12.1998
a) in banks	—	—	—
b) in other financial entities	26,840	26,580	4,627
c) in non-financial entities	6,747	13,450	12,950
Total shares in subsidiary companies	33,587	40,030	17,577

6.3

MOVEMENTS IN SHARES IN SUBSIDIARY COMPANIES	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	40,030	17,577	9,998
a) increase due to			
- purchase (gross price)	72,114	25,639	16,689
- other, e.g. change in value of exchange rates and transfers	70,211	25,559	10,660
- release of provisions	—	80	—
b) decrease due to	(78,557)	(3,186)	(9,110)
- sale of shares	(70,595)	—	(3,325)
- other, e.g. change in value of exchange rates and transfers	(6,702)	—	—
- creation of provisions	(1,260)	(3,186)	(5,785)
Total shares in subsidiary companies at the end of the period	33,587	40,030	17,577

6.4

SHARES IN SUBSIDIARY COMPANIES	31.12.2000	31.12.1999	31.12.1998
a) operating securities of brokerage house	—	—	—
b) held for trading	—	—	—
c) held for investment	33,587	40,030	17,577
Total shares in subsidiary companies	33,587	40,030	17,577

Note 7

7.1

SHARES IN ASSOCIATED COMPANIES	31.12.2000	31.12.1999	31.12.1998
a) in banks	—	—	—
b) in other financial entities	—	—	—
c) in non-financial entities	1,535	2,658	2,737
Total shares in associated companies	1,535	2,658	2,737

7.3

MOVEMENTS IN SHARES IN ASSOCIATED UNDERTAKINGS	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	2,658	2,737	6,482
a) increase due to			
- acquisition of shares	1,170	3	2,487
- other, e.g. change in value of exchange rates and transfers	120	3	1,122
- release of provisions	1,050	—	1,215
b) decrease due to			
- disposal of shares	(2,293)	(82)	(6,232)
- other, e.g. change in value of exchange rates and transfers	(2,100)	—	(4,220)
- creation of provisions	(193)	—	—
Total shares in associated companies at the end of the period	1,535	2,658	2,737

7.4

SHARES IN ASSOCIATED COMPANIES	31.12.2000	31.12.1999	31.12.1998
a) operating securities of brokerage house	—	—	—
b) held for trading	—	—	—
c) held for investment	1,535	2,658	2,737
Total shares in associated companies	1,535	2,658	2,737

Note 8

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES (HELD FOR INVESTMENT) 2000

PLN '000

No. a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t		
Name of entity (and its legal status)	Registered office	Business activity	Shareholding	Conso- lidation method of control/ applied date from which substantial influence is exercised	Date of acquisition shares	Purchase cost of shares	Provisions for value shares of shares	Book value	Share- holding at AGM classification	Percen- tage of votes present at AGM classifi- cation	Other share- holders' equity	Share capital	Unpaid share capital	Supple- mentary capital	Other	Other share- holders'	including:	Liabilities	Receivables		
																including:	including:	Total	Income		
																Long- term amounts	assets on sales of shares received not paid or due/ share by the issuer in profit	assets on sales of shares received not paid or due/ share by the issuer in profit	Value	Dividends	
Subsidiaries																					
1. FORUM ZTFI S.A.	Wroclaw	Fund management	direct	—	July 96	6,200	3,400	51,0	51,0	None	12,000	—	—	(6,123)	(3,977)	(2,146)	119	—	17		
2. G.R. Nieprzeszwo Sp.z o.o.	Nieprzeszwo	Agricultural production	direct	—	May 96	6,248	—	6,248	100,0	100,0	None	6,249	—	—	477	—	54	3,822	2,325	468	
3. G.R. Cisy Sp. z o.o. in liquidation	Cisy	Agricultural production	direct	—	May 96	700	700	—	100,0	100,0	None	700	—	—	N/a	N/a	N/a	N/a	N/a	N/a	
4. Len S.A.	Kamienna Góra	Manufacturing	direct	—	December 98	6,508	6,508	—	39,4	50,1	None	9,722	—	131	(18,284)	(20,412)	(2,074)	26,186	5,346	1,540	
5. Zachodnie Systemy Teleinf. Sp. z o.o.	Wroclaw	IT Services	direct	—	February 99	499	—	499	100,0	100,0	None	499	—	344	648	—	648	268	—	323	—
6. Dom Maklerski BZ S.A.	Wroclaw	Brokerage House	direct	acquisition method	July 99	24,040	—	24,040	100,0	100,0	None	22,000	—	2,094	4,683	—	4,683	224,975	—	7,450	—
Associated companies																					
7. SUDETY C.W. Sp. z o.o.	Szczytna Śl. Ireland	Manufacturing Management services	direct	—	February 94	3,970	2,600	1,370	48,5	48,5	None	8,192	—	55	(4,855)	25	(4,880)	7,592	2,237	1,624	
8. WESTFUND Ltd.			direct	—	July 95	165	—	165	33,7	33,7	None	634	—	—	9,853	—	—	1,019	—	3,656	—
9. Kaniwig-Trading Żurawica Sp. z o.o. in liquidation	Żurawica	Bonded warehouse	direct	—	May 96	670	670	—	77,0	45,6	None	870	—	N/a	N/a	N/a	N/a	N/a	N/a	N/a	
10. Kaniwig-Agencja Celna Sp. z o.o. in liquidation	Żurawica	Customs agency	direct	—	May 96	5	5	—	49,0	49,0	None	10	—	N/a	N/a	N/a	N/a	N/a	N/a	N/a	

Note 8 cont.

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES (HELD FOR INVESTMENT) 1999 PLN '000

No. a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	Shareholders' equity, including:			Liabilities			Receivables			Total			Income			Value		
																				Other share- holders' equity	Other share- holders' equity	Long- term amount	Long- term amount	Long- term amount	Assets on sales not paid by share the issuer in profit	Assets on sales not paid by share the issuer in profit	Total assets	Income on sales not paid by share the issuer in profit	Value on sales not paid by share the issuer in profit	Dividends							
Subsidiaries																																					
1. Zachodni Leasing S.A.	Warsaw	Leasing, finance	direct	—	September 96	1,403	1,403	—	70.0	70.0	None	2,000	—	123	-50,273	-11,701	-38,872	87,435	38,764	3,987	—	58,637	26,278	—	—	—	—	—									
2. FORUM ZTFI S.A.	Wroclaw	Fund management	direct	—	July 96	5,180	2,140	3,040	51.0	51.0	None	12,000	-2,000	—	-3,977	-1,730	-2,246	22	—	6	—	6,105	996	—	—	—	—	—									
3. G.R. Nieprzeszwo Sp. z o.o.	Nieprzeszwo	Agricultural production	direct	—	May 96	6,249	—	6,249	100.0	100.0	None	6,248	—	—	424	—	67	5,130	2,859	599	—	12,082	9,470	—	—	—	—	—									
4. G.R. City Sp. z o.o. in liquidation	Cisy	Agricultural production	direct	—	May 96	700	700	—	100.0	100.0	None	None	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a									
5. HSK VIOLETTA S.A.	Stronie Śl.	Manufacturing	direct	—	July 95	6,702	—	6,702	75.6	75.6	None	8,857	—	8,034	6,094	—	2,034	13,449	—	7,448	—	37,876	66,459	—	—	—	—	—									
6. Len S.A.	Kamienna G.	Manufacturing	direct	—	December 98	6,508	6,508	—	39.4	50.1	None	9,722	—	115	(16,194)	(13,000)	(7,412)	26,868	5,029	1,392	—	20,808	28,966	—	—	—	—	—									
7. Zachodnie Systemy Teleinf. Sp. z o.o.	Wroclaw	IT Services	direct	—	February 99	499	—	499	100.0	100.0	None	499	—	—	344	—	344	137	—	95	—	1,000	3,292	—	—	—	—	—									
8. Dom Maklerski S.A.	Wroclaw	Brokerage House	direct	—	July 99	24,040	500	23,540	100.0	100.0	None	22,000	—	2,040	54	—	54	43,989	—	1,537	—	69,318	4,023	—	—	—	—	—									
Associated companies																																					
9. GRANITEK Sp. z o.o.	Strzelin	Manufacturing	direct	—	April 92	2,100	1,050	1,050	37.2	37.2	None	5,650	—	95	(1,025)	(2,183)	587	2,757	26	1,249	604	7,514	9,740	—	—	—	—	—									
10. SUDETY C.W. Sp. z o.o.	Szczytna Śl.	Manufacturing	direct	—	February 94	3,970	2,600	1,370	48.5	48.5	None	8,192	—	55	(4,380)	(5,286)	406	8,341	—	1,100	—	12,253	30,309	—	—	—	—	—									
11. WESTFUND Ltd.	Ireland	Management services	direct	—	July 95	178	—	178	33.7	33.7	None	687	—	—	9,488	N/a	N/a	N/a	N/a	N/a	247	—	20	—	10,912	14,687	—	696	—	—							
12. PROTHANS Sp. z o.o. in bankruptcy	Landzjoe	Agricultural production	direct	—	May 96	30	30	—	27.8	27.8	None	None	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a									
13. Kawag-Tading Żurawica	Żurawica	Bonded warehouse	direct	—	May 96	670	670	—	77.0	45.6	None	None	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a									
14. Kawag Agenzia Celna	Żurawica	Customs agency	direct	—	May 96	5	5	—	49.0	49.0	None	None	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a									
15. Wroclawski Park Technologiczny S.A.	Wroclaw	Industrial development agency	direct	—	10.7.1998 ¹⁶	150	90	60	51.5	40.7	None	707	153	—	(269)	(14)	(255)	1	—	30	—	286	13	—	—	—	—	—									

In May 2000 the BZ S.A. shareholding in Wroclawski Park Technologiczny decreased.

Note 8 cont.

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES (HELD FOR INVESTMENT) 1998 PLN '000

No. a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t			
Name of entity (and its legal status)	Registered office	Business activity	Shareholding	Conso- lidation method of control/ applied date from which substantial influence is exercised	Date of acquisition of shares	Purchase cost of shares	Provisions for value shares of shares	Book value	Share- holding at AGM classification	Percen- tage of votes present at AGM classification	Other share- holders' equity	Share capital	Unpaid share capital	Supple- mentary capital	Other share capital	Other share- holders'	Long- term amounts	Liabilities including: Shareholders' equity, including: Share capital classifi- cation (if not on basis of j or k)	Receivables including: Long- term amounts	Total assets on sales not paid by the issuer in profit	Income on sales of shares received or due/ share carried forward	Value Dividends
Subsidiaries																						
1. Zachodni Leasing S.A.	Warsaw	Leasing, finance	direct	—	September 96	1,403	—	70.0	70.0	None	1,775	—	39 (11,318)	— (11,618)	93,705	61,405	7,194	— 85,263	24,986			
2. FORMUM ZTEI S.A.	Wroclaw	Fund management	direct	—	July 96	4,080	857	3,223	51.0	51.0	8,000	—	— (1,730)	— (1,730)	79	— 158	— 6,428	— 27	2,412			
3. G.R. Nieprzeszwo Sp.z o.o.	Nieprzeszwo	Agricultural production	direct	—	May 96	6,249	—	6,249	100.0	100.0	6,249	—	— 356	— 88	5,107	3,055	412	— 11,748	9,536			
4. G.R. Cisy Sp.z o.o. in liquidation	Cisy	Agricultural production	direct	—	May 96	700	700	—	100.0	100.0	700	—	— (1,344)	— (563)	(782)	1,557	504	66	— 922	847		
5. HSK VIOLETTA S.A.	Stronie Śl.	Manufacturing	direct	—	July 95	6,702	—	6,702	75.6	75.6	None	8,857	— 7,936	— 7,936	211	12,053	— 6,216	— 34,955	57,914			
6. Len S.A.	Kamienna G.	Manufacturing	direct	—	December 98	6,508	—	39.4	50.1	None	9,722	—	689 9,356	13,727	77	24,271	— 131	— 25,536	31,739			
Associated companies																						
7. GRANITEK Sp. z o.o.	Strzelin	Manufacturing	direct	—	April 92	2,100	1,050	37.2	37.2	None	5,650	—	29 (1,546)	(1,123) (1,059)	3,626	136	1,049	349 7,829	9,511			
8. SUDETY C.W. Sp. z o.o.	Szczytna Śl. Ireland	Manufacturing	direct	—	February 94	3,970	2,600	1,370	48.5	48.5	None	8,192	— 55 (5,286)	(3,685) (1,600)	8,435	— 1,301	— 1,101	— 11,399	25,047			
9. WESTFUND Ltd.		Management services	direct	—	July 95	175	—	175	33.7	33.7	None	595	— 9,015	— 9,015	—	— 2,333	— 10,422	— 2,596	— 49			
10. PROIHAN	Lazdzie	Agricultural production	direct	—	May 96	30	30	—	27.8	27.8	None	None	N/a	N/a	N/a	N/a	N/a	N/a				
11. Kaniwig-Trading Zurawica Sp. z o.o. in liquidation	Zurawica	Bonded warehouse	direct	—	May 96	670	670	—	77.0	45.6	None	None	N/a	N/a	N/a	N/a	N/a	N/a				
12. Kaniwig Agencja Celna Sp. z o.o. in liquidation	Zurawica	Customs agency	direct	—	May 96	5	5	—	49.0	49	None	None	N/a	N/a	N/a	N/a	N/a	N/a				
13. Wroclawski Park Technologic S.A.	Wroclaw	Industrial development agency	direct	—	July 98	150	7	143	51.5	40.7	None	291	— (14)	— (14)	—	— 3	— 277	— 1	—			

Note 9

9.1

SHARES IN OTHER ENTITIES	31.12.2000	31.12.1999	31.12.1998
a) banks	—	—	500
b) other financial entities	1,329	1,327	2,242
c) non-financial entities	22,537	13,733	18,112
Total shares in other entities	23,866	15,060	20,854

9.2

MOVEMENTS IN SHARES IN OTHER ENTITIES	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	15,060	20,854	14,748
a) increase due to			
– purchases	29,166	13,805	36,809
– other	13,947	4,364	9,812
– release of provisions	6,692	9,384	26,509
b) decrease due to			
– sale of shares	(20,360)	(19,599)	(30,703)
– other	(12,921)	(555)	(8,980)
– creation of provisions	(90)	(15,636)	(20,461)
Total shares in other entities at the end of the period	23,866	15,060	20,854

9.3

SHARES IN OTHER ENTITIES	31.12.2000	31.12.1999	31.12.1998
a) operating securities of brokerage house	—	—	871
b) held for trading	6,702	—	435
c) held for investment	17,164	15,060	19,548
Total shares in other entities	23,866	15,060	20,854

9.4 SHARES IN OTHER ENTITIES (HELD FOR INVESTMENT) 2000

PLN '000

No	a Name of entity (and its legal status)	b Registered office	c Business	d Book value of shares	e Shareholding	f Percentage of votes at AGM	g Value of shares not paid by the issuer	h Dividends received or due for previous accounting year
1.	Chocianowska SM	Chocianów	services	-	*	*	-	-
2.	SM Nadodrza	Głogów	services	-	*	*	-	-
3.	Miedzynarodowa Szkoła Bankowości i Finansów Sp. z o.o.	Katowice	services	11	3.8	3.8	-	-
4.	Invest Park WSSE Sp. z o.o.	Wałbrzych	management of economic zone	1,000	2	0.7	-	-
5.	FUM Poręba Sp. z o.o.	Poręba	manufacturing	-	-	-	-	-
6.	Fabryka Nici ODRADA S.A.	Nowa Sól	manufacturing	-	12.5	12.5	-	-
7.	Huta Szczecin S.A.	Szczecin	manufacturing	-	1.6	1.6	-	-
8.	Bank Powierniczo-Gwarancyjny S.A.	Warsaw	banking activity	-	1.8	1.6	-	-
9.	Dojlinośka ARR S.A.	Wałbrzych	services	102	2.5	2.2	-	-
10.	ARR Agroreg S.A.	Nowa Ruda	services	100	7.8	7.8	-	-
11.	ARR Arleg S.A.	Legnica	services	48	5.2	5.2	-	-
12.	Karkonoska ARR S.A.	Jelenia Góra	services	80	2.7	2.7	-	-
13.	BPTT Telbank S.A.	Warsaw	services	5,151	3.3	3.3	66	66
14.	Cera S.A.	Warsaw	services	12	2.3	2.3	-	-
15.	Wrocławska ARR S.A.	Wrocław	services	100	0.6	0.6	-	-
16.	Legnicka Specjalna Strefa Ekonomiczna S.A.	Legnica	services	150	0.5	0.6	-	-
17.	Biuro Informacji Kredytowej S.A.	Warsaw	services	220	2.6	2.6	-	-
18.	Krajowa Izba Rozliczeniowa S.A.	Warsaw	services	313	5.7	5.7	-	-
19.	Giełda Poznańska S.A.	Poznań	services	45	1.6	1.0	-	-
20.	Polska Giełda Finansowa S.A.	Warsaw	services	-	3.1	3.1	-	-
21.	Wałbrzyska Giełda Rolno-Spożywca S.A.	Wałbrzych	services	22	0.6	0.7	-	-
22.	DCHR S.A.	Wrocław	services	850	2.2	1.9	-	1
23.	Gorzowski Rynek Hurtowy S.A.	Gorzów Wilk.	services	-	5.7	9.9	-	-
24.	Giełda Elbląska S.A.	Elbląg	services	100	0.8	1.1	-	1
25.	Vienna Leas International S.A.	Gliwice	services	-	8.7	2.5	-	-
26.	Wrocławski Park Technologiczny S.A.	Wrocław	services	36	21.2	19.9	-	-
27.	FASING S.A.	Katowice	manufacturing	300	3.2	3.2	-	-
28.	MAGNA POLONIA S.A.	Warsaw	services	5,762	5.5	5.5	-	-
29.	Hutmen	Wrocław	copper processing	872	2.5	2.5	-	-
30.	TIM S.A.	Wrocław	sale of electrical equipment	1,155	9.1	9.1	-	-
31.	MITEX	Wrocław	construction	735	3.6	3.6	-	-

Shareholdings representing less than 5% of share capital and total voting rights at the AGM of the company may be disclosed in total under "Other", unless they are material by virtue of their market value or investment policy of the issuer.

No a	b Name of entity (and its legal status)	Registered office	c Business	Book value of shares	d	Share-holding	e Percentage of votes at AGM	f Value of shares not paid by the issuer	g	h Dividends received or due for previous accounting year
1.	Chocianowska SM	Chocianow	services	-	-	-	*	*	*	-
2.	SM Nadodrza	Głogów	services	-	-	-	-	-	-	-
3.	Miedzynarodowa Szkoła Bankowości i Finansów Sp. z o.o.	Katowice	services	-	-	-	-	-	-	-
4.	Romi Agro Sp. z o.o.	Goldap	agricultural production	11	3.8	3.8	-	-	-	-
5.	Tarpan Sp. z o.o.	Poznań	manufacturing	50	2.4	2.4	-	-	-	-
6.	Invest Park WSSE Sp. z o.o.	Wałbrzych	management of economic zone	-	2.98	2.98	-	-	-	-
7.	FUM Poręba Sp. z o.o.	Poręba	manufacturing	1,000	0.8	0.8	-	-	-	-
8.	PZPS Chełmiec S.A.	Chęciny	manufacturing	-	0.02	0.02	-	-	-	-
9.	Fabryka Nici ODRASA S.A.	Nowa Sól	manufacturing	-	0.07	0.07	-	-	-	-
10.	Huta Szaczein S.A.	Szczecin	manufacturing	-	12.53	12.53	-	-	-	-
11.	OZPL Linoplyt S.A.	Wrocław	manufacturing	-	1.62	1.62	-	-	-	-
12.	Bank Powierniczo-Gwarancyjny S.A.	Warsaw	banking activity	-	14.1	14.1	-	-	-	-
13.	ARR Walbrzych S.A.	Walbrzych	services	102	1.8	1.59	-	-	-	-
14.	ARR Agroreg S.A.	Nowa Ruda	services	100	2.5	2.2	-	-	-	-
15.	ARR Arfeg S.A.	Legnica	services	47	7.8	7.8	-	-	-	-
16.	ARR w Zielonej Górze S.A.	Zielona Góra	services	32	5.2	5.2	-	-	-	-
17.	Karkonoska ARR S.A.	Jelenia Góra	services	80	3.2	6.06	-	-	-	-
18.	BPT Telbank S.A.	Warsaw	services	3,288	2.7	2.7	-	-	-	-
19.	Farmex S.A.	Warsaw	manufacturing	35	3.33	3.33	-	-	-	-
20.	Cera S.A.	Warsaw	services	30	9.43	9.43	-	-	-	-
21.	Wrocławska ARR S.A.	Wrocław	services	100	5.3	5.3	-	-	-	-
22.	Legnicka Specjalna Strefa Ekonomiczna S.A.	Legnica	services	150	0.6	0.6	-	-	-	-
23.	Biuro Informacji Kredytowej S.A.	Warsaw	services	239	0.5	0.6	-	-	-	-
24.	Krajowa Izba Rozliczeniowa S.A.	Warsaw	services	313	2.6	2.6	-	-	-	-
25.	Giełda Poznańska S.A.	Poznań	services	45	5.7	5.7	-	-	-	-
26.	Polska Giełda Finansowa S.A.	Warsaw	services	100	1.6	1.6	-	-	-	-
27.	Wałbrzyska Giełda Rolno-Spożywczego S.A.	Wałbrzych	services	36	3.1	3.1	-	-	-	-
28.	KTIS S.A.	Jelenia Góra	services	25	0.6	0.6	-	-	-	-
29.	DCHRS S.A.	Jelenia Góra	services	61	4.8	4.8	-	-	-	-
30.	Gorzowski Rynek Hurtowy S.A.	Wrocław	services	750	2.4	2.16	-	-	-	-
31.	Giełda Elbląska S.A.	Gorzów Wlkp.	services	-	6.94	13.94	-	-	-	-
32.	Vienna Leas International S.A.	Elbląg	services	100	0.77	1.1	-	-	-	-
33.	Fasing S.A.	Gliwice	services	-	8.7	8.7	-	-	-	-
34.	Huta Ofawa S.A.	Katowice	manufacturing	200	3.2	3.2	-	-	-	-
35.	Hutmen	Ofawa	paint production	2,073	11.16	11.16	-	-	-	-
36.	TIM S.A.	Wrocław	copper production	1,005	2.5	2.5	-	-	-	-
37.	STOMIL BELCHATÓW	Rogowice	sale of electrical equipment	2,213	9.9	9.9	-	-	-	-
			production of rubber products	2,975	5.5	5.5	-	-	-	-

Shareholdings representing less than 5% of share capital and total voting rights at the AGM of the company may be disclosed in total under "Other", unless they are material by virtue of their market value or investment policy of the issuer.

Note: In 1999 BZ S.A. received a dividend of PLN 2,500 for 1998 from GPW S.A.

9.4 SHARES IN OTHER ENTITIES (HELD FOR INVESTMENT) 1998 PLN '000

No a	Name of entity (and its legal status)	b Registered office	c Business	d Book value of shares	e Share-holding	f Percentage of votes at AGM	g Value of shares not paid by the issuer	h Dividends received or due for previous accounting year
1.	Chociąnowska SM	Chociąnow	services	-	*	*	*	-
2.	SM Nadodrza	Głogów	services	-	*	*	-	-
3.	Miedzynarodowa Szkoła Bankowości i Finansów Sp. z o.o.	Katowice	services	11	3.8	3.8	-	-
4.	RomiAgro Sp. z o.o.	Goldap	agricultural production	50	2.4	2.4	-	-
5.	Tarpan Sp. z o.o.	Poznań	manufacturing	-	2.98	2.98	-	-
6.	Invest Park WSSE Sp. z o.o.	Wałbrzych	management of economic zone	1,000	10.8	5.4	-	-
7.	FUM Poręba Sp. z o.o.	Poręba	manufacturing	-	0.02	0.02	-	-
8.	PZPS Chełmek S.A.	Chętki	manufacturing	-	0.07	0.07	-	-
9.	Fabryka Nici ODRA S.A.	Nowa Sól	manufacturing	-	12.53	12.53	-	-
10.	Huta Szczecin S.A.	Szczecin	manufacturing	7	1.62	1.62	-	-
11.	OZPL Linophyt S.A.	Wałczyn	manufacturing	-	14.1	14.1	-	-
12.	Bank Powierniczo-Gwarancyjny S.A.	Warszawa	banking activity	-	-	-	-	-
13.	Bank Własności Pracowniczej S.A.	Gdańsk	banking activity	500	1.8	1.59	-	-
14.	ARR Wałbrzych S.A.	Wałbrzych	banking activity	102	7.1	8.75	-	-
15.	ARR Agnieszka S.A.	Nowa Ruda	services	100	7.8	7.8	-	-
16.	ARR Arleg S.A.	Legnicka	services	47	5.2	5.2	-	-
17.	ARR w Zielonej Górze S.A.	Zielona Góra	services	32	3.2	6.06	-	-
18.	Karkonoska ARR S.A.	Jelenia Góra	services	80	2.7	2.7	-	-
19.	BPT Telbank S.A.	Warszawa	services	3,288	3.33	3.33	-	-
20.	Farmex S.A.	Warszawa	manufacturing	35	9.43	9.43	-	-
21.	Cera S.A.	Warszawa	services	-	2.25	2.25	-	-
22.	Wrocławska ARR S.A.	Wrocław	services	100	5.3	5.3	-	-
23.	Legnicka Specjalna Strefa Ekonomiczna S.A.	Legnicka	services	150	0.6	0.6	-	-
24.	Biuro Informacji Kredytowej S.A.	Warszawa	services	360	0.5	0.5	-	-
25.	Giełda Papierów Wartościowych S.A.	Warszawa	services	2	2.6	2.6	-	-
26.	Krajowa Izba Rozliczeniowa S.A.	Warszawa	services	313	* ⁴⁹	* ⁴⁹	-	-
27.	Ceto S.A.	Wrocław	services	-	5.7	5.7	-	-
28.	Giełda Poznańska S.A.	Poznań	services	62	1	1	-	-
29.	Polska Giełda Finansowa S.A.	Warszawa	services	76	1.6	0.99	-	-
30.	Wałbrzyska Giełda Rynku-Spożywczego S.A.	Wałbrzych	services	25	3.1	3.1	-	-
31.	KTIS A.	Jelenia Góra	services	61	0.6	0.6	-	-
32.	DCHRS S.A.	Wrocław	services	1,360	4	4.22	-	-
33.	Gorzowski Rynek Hurtowy S.A.	Gorzów Wilk.	services	245	6.94	13.94	-	-
34.	Giełda Elbląska S.A.	Elbląg	manufacturing	100	0.77	1.1	-	-
35.	Fasig S.A.	Katowice	paint production	300	3.2	3.2	-	-
36.	OLAWA S.A.	Oława	cooper production	1,710	11.9	11.9	-	-
37.	Humen	Wrocław	sale of electrical equipment	650	2.5	2.5	-	-
38.	TIM S.A.	Wrocław	production of rubber products	2,760	9.6	9.6	-	-
39.	STOMIL BELCHATÓW	Rogowice	-	3,882	8.8	8.8	-	-
40.	Other – total			2,141				-

Shareholdings representing less than 5% of share capital and total voting rights at the AGM of the company may be disclosed in total under "Other", unless they are material by virtue of their market value or investment policy of the issuer.

Note 10

10.1

OTHER SECURITIES (BY TYPE)	31.12.2000	31.12.1999	31.12.1998
a) units in trust funds	100,000	5,800	5,110
b) pre-emptive rights	—	—	—
c) derivative rights	—	—	—
d) other (by type)	—	—	—
Total other securities	100,000	5,800	5,110

10.2

Other securities	31.12.2000	31.12.1999	31.12.1998
a) operating securities of brokerage house	—	—	—
b) held for trading	100,000	5,800	5,110
c) held for investment	—	—	—
Total other securities	100,000	5,800	5,110

10.3

CHANGE IN OTHER SECURITIES	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	5,800	5,110	—
a) increase due to			
– purchase	100,200	690	6,000
– release of provisions	100,000	—	6,000
– other	—	690	—
b) decrease due to			
– creation of provisions	(6,000)	—	(890)
– sale	(6,000)	—	—
Total other securities at the end of the period	100,000	5,800	5,110

Note 11

11.1

DEBT SECURITIES, SHARES AND OTHER SECURITIES	31.12.2000	31.12.1999	31.12.1998
a) operating securities of brokerage house	—	—	870
b) held for trading	291,994	417,622	741,171
c) held for investment	1,778,558	1,343,037	775,035
Total debt securities, shares and other securities	2,070,552	1,760,659	1,517,076

11.2

MOVEMENTS IN DEBT SECURITIES, SHARES AND OTHER SECURITIES	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	1,760,659	1,517,076	1,003,101
a) increase due to			
– purchases	417,316	269,598	561,008
– other	398,824	259,286	525,645
– release of provisions	7,012	9,467	27,631
b) decrease due to	(107,423)	(26,015)	(47,033)
– sales	(91,616)	(555)	(16,525)
– other	(6,985)	(16,712)	(20,461)
– creation of provisions	(8,822)	(8,748)	(10,047)
Total debt securities, shares and other securities at the end of the period	2,070,552	1,760,659	1,517,076

11.3

DEBT SECURITIES, SHARES AND OTHER SECURITIES (by currency)	31.12.2000	31.12.1999	31.12.1998
a) in PLN	2,062,470	1,751,940	1,508,625
b) in foreign currency (by currency and PLN equivalent)	8,082	8,719	8,451
b1. in thousand /IEP	34	34	34
PLN thousand	165	178	175
b2. in thousand/DEM	4,017	4,007	3,958
PLN in thousand	7,917	8,541	8,276
b3. Other currencies (in PLN thousand)	–	–	–
Total debt securities, shares and other securities	2,070,552	1,760,659	1,517,076

11.4

DEBT SECURITIES, SHARES AND OTHER SECURITIES – HELD FOR TRADING (BY MARKETABILITY)	31.12.2000	31.12.1999	31.12.1998
A. With unlimited marketability, listed on a stock exchange (book value)	83,408	47,843	735
a) shares	—	—	435
– market value	—	—	451
– value at cost	—	—	518
b) bonds	83,408	47,843	300
– market value	—	48,006	300
– value at cost	83,296	46,979	300
c) other – by category	—	—	—
B. With unlimited marketability, in regulated, OTC trading	—	—	—
a) shares	—	—	—
– market value	—	—	—
– value at cost	—	—	—
b) bonds	—	—	—
– market value	—	—	—
– value at cost	—	—	—
c) other – by category	—	—	—
C. With unlimited marketability, not listed and not in regulated, OTC trading	208,586	369,779	740,436
a) shares	6,702	—	—
– market value	—	—	—
– value at cost	6,702	—	—
b) bonds	24,404	39,795	49,945
– market value	—	39,795	49,945
– value at cost	24,271	38,419	47,741
c) other – by category	177,480	329,984	690,491
c1) commercial paper	—	—	587,827
– market value	—	—	587,827
– value at cost	—	—	582,392
c2) treasury bills	47,902	287,204	52,969
– market value	—	287,298	52,969
– value at cost	47,974	286,992	52,269
c3) other discounted securities	29,578	36,980	44,585
– market value	—	36,980	44,858
– value at cost	29,514	36,873	44,180
c4) units in trust funds	100,000	5,800	5,110
– market value	—	—	—
– value at cost	100,000	6,000	6,000
D. With limited marketability	—	—	—
a) shares	—	—	—
– estimated market value	—	—	—
– value at cost	—	—	—
b) bonds	—	—	—
– estimated market value	—	—	—
– value at cost	—	—	—
c) other – by category	—	—	—
Total value at cost	291,757	415,263	733,400
Total adjustments	—	—	—
Total estimated/market value	—	412,079	736,350
Total book value	291,994	417,622	741,171

11.5

DEBT SECURITIES, SHARES AND OTHER SECURITIES – HELD FOR INVESTMENT

(BY MARKETABILITY)	31.12.2000	31.12.1999	31.12.1998
A. With unlimited marketability, listed on a stock exchange (book value)	700,352	313,437	185,801
a) shares	8,824	8,267	11,144
– value adjustments (balance)	(9,088)	(7,573)	(10,565)
– value at cost	17,912	15,840	21,709
b) bonds	691,528	305,170	174,657
– value adjustments (balance)	34,743	3,276	1,392
– value at cost	656,785	301,894	173,265
c) other – by category	–	–	–
B. With unlimited marketability, in regulated, OTC trading	–	200	300
a) shares	–	200	300
– value adjustments (balance)	–	(800)	(700)
– value at cost	–	1,000	1,000
b) bonds	–	–	–
– value adjustments (balance)	–	–	–
– value at cost	–	–	–
c) other – by category	–	–	–
C. With unlimited marketability, not listed and not in regulated, OTC trading	481,990	429,853	470,538
a) shares	202	6,904	6,911
– value adjustments (balance)	(8,695)	(9,330)	(9,323)
– value at cost	8,897	16,234	16,234
b) bonds	117,438	114,317	159,043
– value adjustments (balance)	82,496	75,234	100,256
– value at cost	34,942	39,083	58,787
c) other – by category	364,350	308,632	304,584
c1) commercial paper	357,476	79,913	272,009
– value adjustments (balance)	2,744	465	317
– value at cost	354,732	79,448	271,692
c2) treasury bills	6,874	228,719	32,575
– value adjustments (balance)	865	3,118	144
– value at cost	6,009	225,601	32,431
D. With limited marketability	596,216	599,547	118,396
a) shares	43,260	42,378	21,508
– value adjustments (balance)	(9,719)	(12,539)	(7,947)
– value at cost	52,979	54,917	29,455
b) bonds	478,519	477,397	–
– value adjustments (balance)	8,621	10,520	–
– value at cost	469,898	466,877	–
c) other – by category	74,437	79,772	96,888
c1) commercial paper	–	19,973	46,561
– value adjustments (balance)	–	110	126
– value at cost	–	19,863	46,435
c2) treasury bills	74,437	59,799	50,327
– value adjustments (balance)	7,456	1,010	4,341
– value at cost	66,981	58,789	45,986
Total value at cost	1,669,135	1,279,546	696,994
Total adjustments	109,423	63,491	78,041
Total book value	1,778,558	1,343,037	775,035

Note 12**12.1**

INTANGIBLE ASSETS	31.12.2000	31.12.1999	31.12.1998
a) deferred organisation and expansion expenses	298	4	6
b) development costs	—	—	—
c) goodwill on acquisition	9,313	31,662	54,650
d) licenses, trademarks, patents	21	858	10,771
e) acquired software	14,103	10,768	1,893
f) acquired rights to perpetual usufruct of land	425	624	—
g) other intangible assets	2,814	3,199	2,835
h) prepayments for intangible assets	—	—	—
Total intangible assets	26,974	47,115	70,155

12.2
MOVEMENTS IN INTANGIBLE ASSETS (by type) 2000

	a	b	c	d	e	f	g	h
Deferred organisation and expansion expenses	Development costs	Goodwill on acquisition	Licences, patents and similar assets	Acquired software	Acquired rights to perpetual usufruct of land	Other intangible assets	Prepayments on intangible assets	Total intangible assets
a) cost at the beginning of the period	11	—	122,221	1,005	22,861	980	8,473	—
b) increase due to	333	—	—	—	9,306	—	66	—
- transfer from assets under construction	290	—	—	—	8,434	—	—	9,705
- transfer between groups	43	—	—	—	872	—	66	—
c) decrease	—	—	—	(938)	(11)	(15)	—	(964)
d) cost at the end of the period	344	—	122,221	67	32,156	965	8,539	164,292
e) accumulated amortization at the beginning of the period	7	—	90,558	147	12,093	356	5,274	108,435
f) amortization for the period	39	—	22,350	(101)	5,960	184	451	—
- amortization	39	—	22,350	14	5,766	191	451	—
- transfers	—	—	—	—	202	—	—	202
- decreases	—	—	—	(115)	(8)	(7)	—	(130)
g) accumulated amortization at the end of the period	46	—	112,908	46	18,053	340	5,725	137,318
h) net book value at the end of the period	298	—	9,313	21	14,103	425	2,814	26,974

In 1998-2000 there were no unplanned amortization costs.

12.2 MOVEMENTS IN INTANGIBLE ASSETS (by type) 1999

	a	b	c	d	e	f	g	h
Deferred organisation and expansion expenses	Development costs	Goodwill on acquisition	Licences, patents and similar assets	Acquired software	Acquired rights to perpetual usufruct of land	Other intangible assets	Prepayments on intangible assets	Total intangible assets
a) cost at the beginning of the period	11	—	122,221	14,155	7,705	—	6,866	—
b) increase due to	—	—	—	885	17,744	980	1,659	—
- transfer from assets under construction	—	—	—	406	6,272	15	—	21,268
- transfer between groups	—	—	—	479	11,472	965	1,659	6,693
c) decrease	—	—	—	(14,035)	(2,588)	—	(52)	14,575
d) cost at the end of the period	11	—	122,221	1,005	22,861	980	8,473	155,551
e) accumulated amortization at the beginning of the period	5	—	67,571	3,384	5,812	—	4,031	80,803
f) amortization for the period	2	—	22,988	(3,237)	6,281	356	1,243	27,633
- amortization	2	—	22,988	211	4,912	95	1,122	29,330
- transfers	—	—	—	(3,430)	3,048	261	129	—
- decreases	—	—	—	(18)	(1,679)	—	(8)	(1,705)
g) accumulated amortization at the end of the period	7	—	90,559	147	12,093	356	5,274	108,436
h) net book value at the end of the period	4	—	31,662	858	10,768	624	3,199	47,115

MOVEMENTS IN INTANGIBLE ASSETS (by type) 1998

	a	b	c	d	e	f	g	h
Deferred organisation and expansion expenses	Development costs	Goodwill on acquisition	Licences, patents and similar assets	Acquired software	Acquired rights to perpetual usufruct of land	Other intangible assets	Prepayments on intangible assets	Total intangible assets
a) cost at the beginning of the period	8	—	122,221	6,971	11,070	—	6,848	—
b) increase due to	3	—	—	7,379	641	—	18	—
- transfer from assets under construction	3	—	—	7,379	589	—	18	—
- transfer between groups	—	—	—	—	52	—	—	52
c) decrease	—	—	—	(195)	(4,006)	—	—	(4,201)
d) cost at the end of the period	11	—	122,221	14,155	7,705	—	6,866	—
e) accumulated amortization at the beginning of the period	3	—	43,127	253	5,348	—	2,929	—
f) amortization for the period	2	—	24,444	3,131	464	—	1,102	—
- amortization	2	—	24,444	2,069	2,137	—	1,102	—
- transfers	—	—	—	1,136	—	—	—	1,136
- decreases	—	—	—	(74)	(1,673)	—	—	(1,747)
g) accumulated amortization at the end of the period	5	—	67,571	3,384	5,812	—	4,031	—
h) net book value at the end of the period	6	—	54,650	10,771	1,893	—	2,835	—
								70,155

Note 14

14.1

TANGIBLE FIXED ASSETS	31.12.2000	31.12.1999	31.12.1998
a) fixed assets:			
– freehold land and buildings occupied by the Bank for its own use	360,744	354,459	301,025
– other land and buildings	193,175	190,199	156,452
– equipment	38,250	48,713	40,794
– motor vehicles	95,213	85,022	82,729
– other	6,877	5,665	2,278
b) Assets under construction	27,229	24,860	18,772
c) Prepayments for assets under construction	71,935	20,721	45,750
Total tangible fixed assets	386	561	889
	433,065	375,741	347,664

14.2

MOVEMENTS IN FIXED ASSETS (BY TYPE) as at 31.12.2000

	Freehold land and buildings occupied by the bank for its own use	Other land and buildings	Equipment	Motor vehicles	Other fixed assets
a) cost at the beginning of period	213,625	54,092	155,089	10,158	60,718
b) increase	7,813	-	33,300	3,101	9,084
– transferred from assets under construction/purchased	7,813	-	33,300	3,101	9,084
c) decrease due to	-	9,654	3,517	709	18,610
– liquidation	-	1,029	3,144	208	18,610
– sale	-	8,625	373	501	-
d) cost at the end of the period	221,438	44,438	184,872	12,550	51,192
e) accumulated depreciation (amortization) at the beginning of period	23,048	5,757	70,067	4,493	35,858
f) depreciation for the period	5,215	1,329	22,540	1,724	6,462
g) decrease in amortization (due to liquidation and sale)	-	898	2,948	544	18,596
– liquidation	-	10	2,869	69	18,596
– sale	-	888	79	475	-
h) other increases	-	-	-	-	239
i) accumulated depreciation at the end of the period	28,263	6,188	89,659	5,673	23,963
j) net book value of fixed assets at the end of the period	193,175	38,250	95,213	6,877	27,229

14.2

MOVEMENTS IN FIXED ASSETS (BY TYPE) as at 31.12.1999

	Freehold land and buildings occupied by the bank for its own use	Other land and buildings	Equipment	Motor vehicles	Other fixed assets
a) cost at the beginning of period	175,242	45,464	137,468	6,892	49,004
b) increase	38,383	9,596	25,042	5,002	13,219
– transferred from assets under construction/purchased	38,383	9,596	25,042	5,002	13,219
c) decrease due to	-	968	7,421	1,736	1,505
– liquidation	-	199	5,901	300	1,505
– sale	-	769	1,520	1,436	-
d) cost at the end of the period	213,625	54,092	155,089	10,158	60,718
e) accumulated depreciation at the beginning of period	18,790	4,670	54,739	4,614	30,232
f) depreciation for the period	4,636	1,182	20,460	1,261	6,957
g) decrease in amortization (due to liquidation and sale)	-	473	5,132	1,382	1,434
– liquidation	-	40	3,677	160	1,434
– sale	-	433	1,455	1,222	-
h) other increases	-	-	-	-	103
i) accumulated depreciation at the end of the period	23,426	5,379	70,067	4,493	35,858
j) net book value of fixed assets at the end of the period	190,199	48,713	85,022	5,665	24,860

14.2

MOVEMENTS IN FIXED ASSETS (BY TYPE) as at 31.12.1998

	Freehold land and buildings occupied by the bank for its own use	Other land and buildings	Equipment	Motor vehicles	Other fixed assets
a) cost at the beginning of period	152,447	39,092	98,991	6,528	40,943
b) increase	24,266	8,244	41,713	501	8,658
– transferred from assets under construction/purchased	24,266	8,244	41,713	501	8,658
c) decrease due to	1,471	1,872	3,236	137	597
– liquidation	1,471	403	799	26	597
– sale	-	1,469	2,437	111	-
d) cost at the end of the period	175,242	45,464	137,468	6,892	49,004
e) accumulated depreciation at the beginning of period	15,495	3,912	39,899	3,601	26,098
f) depreciation for the period	3,756	958	16,731	1,141	4,610
g) decrease in amortization (due to liquidation and sale)	461	200	1,921	128	579
– liquidation	461	-	284	17	579
– sale	-	200	1,637	111	-
h) other increases	-	-	30	-	103
i) accumulated depreciation at the end of the period	18,790	4,670	54,739	4,614	30,232
j) net book value of fixed assets at the end of the period	156,452	40,794	82,729	2,278	18,772

In 1998-2000 there were no unplanned depreciation costs.

14.3

TANGIBLE FIXED ASSETS RECORDED ON BALANCE SHEET (OWNERSHIP STRUCTURE)	31.12.2000	31.12.1999	31.12.1998
a) Own assets	360,744	354,459	301,025
b) used under a lease, rent or similar agreements	-	-	-
Total tangible fixed assets recorded on balance-sheet	360,744	354,459	301,025

14.4

TANGIBLE FIXED ASSETS RECORDED OFF-BALANCE SHEET	31.12.2000	31.12.1999	31.12.1998
used under a lease, rent or similar agreements, of which:	10,303	4,877	4,343
– value of land held under perpetual usufruct	10,231	4,802	4,230
– used under rental agreements	-	3	41
– used free of charge	72	72	72
Total fixed assets recorded off-balance sheet	10,303	4,877	4,343

Note 15

15.1

OWN SHARES FOR DISPOSAL

a Number	b Value at purchase price	c Balance-sheet value	d Purpose of purchase	e Held for
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

15.2

THE BANK'S SHARES HELD BY SUBSIDIARY COMPANIES

a	b	c	d
Name of the entity (company)	Number of shares	Value at cost	Carrying value
-	-	-	-
-	-	-	-
-	-	-	-

Note 16

16.1

OTHER ASSETS	31.12.2000	31.12.1999	31.12.1998
1 Assets taken over – for sale	816	4,535	3,797
2 Other, of which:			
– balances with central and local authorities	145,255	45,284	33,301
– amounts granted from the Employee Social Fund	41,030	22,394	10,582
Total other assets	146,071	49,819	37,098

16.2

ASSETS TAKEN OVER – FOR SALE	31.12.2000	31.12.1999	31.12.1998
1. Assets under construction	–	–	–
2. Real estate	86	94	24
3. Inventories	20	2,810	2,939
4. Other	710	1,631	834
Total assets taken over – for sale	816	4,535	3,797

16.3

MOVEMENTS IN ASSETS TAKEN OVER – FOR SALE	31.12.2000	31.12.1999	31.12.1998
1. Balance at the beginning of the period	4,535	3,797	914
2. Increase due to			
– taken over for debts	1,834	2,015	4,375
– release of provisions	1,720	1,677	3,657
3. Decrease in the period due to	(5,553)	(1,277)	(1,492)
– sale	(5,432)	(833)	(1,411)
– creation of provisions	(40)	(444)	(81)
– other	(81)	–	–
4. Balance at the end of the period	816	4,535	3,797

Note 17

17.1

MOVEMENTS IN DEFERRED TAX ASSET	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	-	-	-
a) Increase	-	-	-
b) Decrease in the period	-	-	-
Balance at the end of the period	-	-	-

17.2

OTHER PREPAYMENTS	31.12.2000	31.12.1999	31.12.1998
a) Prepaid expenses, of which:			
– costs paid in advance	42,370	5,296	1,619
b) Other prepayments, of which:	2,243	1,869	919
– materials	2,243	1,866	919
– trade goods	-	3	-
Total other prepayments	44,613	7,165	2,538

SUBORDINATED LOANS

1.	2.	3.	4.
Name of the borrower	Value of the loan currency	Interest rate PLN '000	Maturity date
-	-	-	-
-	-	-	-
-	-	-	-

Note 18

18.1

AMOUNTS DUE TO THE FINANCIAL SECTOR (by category)	31.12.2000	31.12.1999	31.12.1998
1. Current accounts and deposits	472,767	327,072	357,793
2. Loans and advances received	51,878	71,307	71,307
3. Other liabilities	21,170	4,608	26,430
4. Interest	7,886	2,256	2,288
Total amounts due to the financial sector	553,701	405,243	457,818

18.2

AMOUNTS DUE TO THE FINANCIAL SECTOR (by maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	61,452	72,763	76,301
2. Term, with remaining maturity of:	484,363	330,224	379,229
a) up to 1 month	411,500	148,761	196,530
b) from 1 month to 3 months	20,904	2,274	760
c) over 3 months to 1 year	32	1,057	5,124
d) over 1 year to 5 years	53	106,797	105,509
e) over 5 years	51,874	71,335	71,306
f) overdue	—	—	—
3. Interest	7,886	2,256	2,288
Total amounts due to the financial sector	553,701	405,243	457,818

18.3

AMOUNTS DUE TO THE FINANCIAL SECTOR (by original maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	61,452	72,763	76,301
2. Term, with original maturity of:	484,363	330,224	379,229
a) up to 1 month	182,560	114,908	103,283
b) from 1 month to 3 months	188,264	139,097	200,942
c) over 3 months to 1 year	61,665	4,036	2,821
d) over 1 year to 5 years	—	877	877
e) over 5 years	51,874	71,306	71,306
3. Interest	7,886	2,256	2,288
Total amounts due to the financial sector	553,701	405,243	457,818

18.4

AMOUNTS DUE TO THE FINANCIAL SECTOR (by currency)	31.12.2000	31.12.1999	31.12.1998
a) in PLN	528,797	282,448	259,180
b) in foreign currency (by currency and PLN equivalent)	24,904	122,795	198,638
b1. in thousand /USD	5,035	2,975	18,611
PLN thousand	20,864	12,345	65,140
b2. in thousand/DEM	302	212	60,007
PLN thousand	595	451	125,414
b3. Other currencies (in PLN thousand)	3,445	109,999	8,084
Total amounts due to the financial sector	553,701	405,243	457,818

Note 19

19.1

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS (by category)	31.12.2000	31.12.1999	31.12.1998
1. Current accounts and deposits	7,059,501	6,179,952	6,006,240
2. Other liabilities:	62,599	79,359	82,105
3. Interest	96,799	72,328	97,068
Total amounts due to the non-financial and public sectors	7,218,899	6,331,639	6,185,413

19.2

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS

SAVINGS DEPOSITS (by maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	—	—	—
2. Term, with remaining maturity of:	2	2	2
a) up to 1 month	—	—	—
b) from 1 month to 3 months	—	—	—
c) over 3 months to 1 year	—	—	—
d) over 1 year to 5 years	1	—	—
e) over 5 years	1	2	2
f) overdue	—	—	—
3. Interest	—	—	—
Total amounts due to the non-financial and public sectors – savings deposits	2	2	2

19.3

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – SAVINGS

DEPOSITS (by original maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	—	—	—
2. Term, with original maturity of:	2	2	2
a) up to 1 month	—	—	—
b) from 1 month to 3 months	—	—	—
c) over 3 months to 1 year	2	2	2
d) over 1 year to 5 years	—	—	—
e) over 5 years	—	—	—
3. Interest	—	—	—
Total amounts due to the non-financial and public sectors – savings deposits	2	2	2

19.4

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – OTHER (by maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	1,958,528	2,155,484	2,151,974
2. Term, with remaining maturity of:	5,163,570	4,103,825	3,936,369
a) up to 1 month	1,987,882	1,250,128	1,192,426
b) from 1 month to 3 months	1,849,099	1,468,386	1,390,624
c) over 3 months to 1 year	1,237,175	1,241,312	1,220,532
d) over 1 year to 5 years	89,102	143,856	129,280
e) over 5 years	312	143	3,507
f) overdue	—	—	—
3. Interest	96,799	72,328	97,068
Total amounts due to the non-financial and public sectors – other	7,218,897	6,331,637	6,185,411

19.5

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – OTHER (by original maturity)	31.12.2000	31.12.1999	31.12.1998
1. Current	1,958,528	2,155,484	2,151,974
2. Term, with original maturity of:			
a) up to 1 month	5,163,570	4,103,825	3,936,369
b) from 1 month to 3 months	954,337	491,433	532,172
c) over 3 months to 1 year	2,220,658	1,539,523	1,328,855
d) over 1 year to 5 years	1,833,423	1,865,480	1,873,347
e) over 5 years	155,152	207,389	201,995
3. Interest	96,799	72,328	97,068
Total amounts due to the non-financial and public sectors – other	7,218,897	6,331,637	6,185,411

19.6

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS (by currency)	31.12.2000	31.12.1999	31.12.1998
a) in PLN	6,216,988	5,387,466	5,416,591
b) in foreign currency (by currency and PLN equivalent)	1,001,911	944,173	768,822
b1. in thousand /USD	136,073	126,426	112,297
PLN thousand	563,778	524,667	393,038
b2. in thousand/DEM	182,841	169,597	117,803
PLN thousand	360,325	361,242	341,629
b3. Other currencies (in PLN thousand)	77,808	58,264	34,155
Total amounts due to the non-financial and public sectors	7,218,899	6,331,639	6,185,413

Note 20

20.1

AMOUNTS PAYABLE UNDER REPO TRANSACTIONS	31.12.2000	31.12.1999	31.12.1998
a) to financial sector	99,508	–	–
b) to non-financial sector and public sector	–	–	–
c) interest	–	–	–
Total amounts payable under repo transactions	99,508	–	–

Note 21

OTHER BORROWED FUNDS	31.12.2000	31.12.1999	31.12.1998
1. Bonds	–	–	–
2. Certificates	1,596	2,381	7,529
3. Other	–	–	–
4. Interest	46	69	218
Total other borrowed funds	1,642	2,450	7,747

21.2

MOVEMENTS IN OTHER BORROWED FUNDS	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	2,450	7,747	–
a) increase due to:	–	–	28,088
– issues	–	–	28,088
b) decrease due to	(808)	(5,297)	(20,341)
– redemptions	(808)	(5,297)	(20,341)
Balance at the end of the period	1,642	2,450	7,747

21.3

LONG-TERM LIABILITIES ARISING FROM ISSUED SECURITIES AS AT 31.12.2000

a	b	c	d	e	f
Securities by type	Nominal value	Interest rate	Redemption date	Collateral	Additional rights
Certificates of deposit	1,596	7%	03.08.2001	none	none

21.3

LONG-TERM LIABILITIES ARISING FROM ISSUED SECURITIES AS AT 31.12.1999

a	b	c	d	e	f
Securities by type	Nominal value	Interest rate	Redemption date	Collateral	Additional rights
Certificates of deposit	2,381	7%	03.08.2001	none	none

21.3

LONG-TERM LIABILITIES ARISING FROM ISSUED SECURITIES AS AT 31.12.1998

a	b	c	d	e	f
Securities by type	Nominal value	Interest rate	Redemption date	Collateral	Additional rights
Certificates of deposit	7,529	7%	03.08.2001	none	none

Note 22

SPECIAL FUNDS AND OTHER LIABILITIES	31.12.2000	31.12.1999	31.12.1998
1. Special funds due to:			
– Employee fund	8,891	8,030	7,167
– Employee Social Fund	1,668	1,669	1,463
2. Other liabilities, due to:			
– interbank settlements	7,223	6,361	5,704
– balances with central and local authorities	97,472	17,952	242,020
– sundry creditors	77,992	1,918	181,066
Total special funds and other liabilities	106,363	25,982	249,187

Note 23

23.1

ACCRAULS, DEFERRED AND SUSPENDED INCOME	31.12.2000	31.12.1999	31.12.1998
a) accrued expenses	51,975	19,771	10,104
b) deferred income, of which:	87,371	112,939	157,853
– unrealized exchange rate gains	–	–	–
– income collected in advance	24,834	23,672	28,639
– other deferred income	48,622	87,313	128,161
c) suspended income, of which:	161,299	153,904	139,627
– interest due not received from non financial entities	131,469	109,411	103,376
– accrued interest on non performing receivables from non financial entities	15,869	33,964	29,340
– capitalised interest	1,109	4,515	6,017
– other	12,852	6,014	894
Total accruals, deferred and suspended income	300,645	286,614	307,584

Note 24

24.1

MOVEMENTS IN DEFERRED TAX PROVISION	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	20,588	23,573	32,763
a) increase due to			
– interest on restructuring bonds accrued not received	(1,420)	(11,191)	(27,240)
– interest on securities accrued not received	8,433	2,256	(11,165)
– interest on loans accrued not received	(22,393)	3,896	6,246
– investment allowance	(4,211)	(235)	10,622
– income receivable on derivatives transactions	22,541	416	–
– interest receivable from the State Treasury converted into Treasury bonds	21,167	–	–
– other	640	(604)	409
b) decrease due to	(17,225)	2,477	11,938
– provisions for loans/receivables to be claimed as tax deductible	(3,877)	(13,535)	(5,626)
– taxable capitalised interest	1,044	691	(165)
– interest on deposits accrued not paid	(6,935)	11,403	15,542
– taxable income collected in advance	147	2,635	1,498
– investment allowance	2,441	5,945	(2,183)
– investment premium	(107)	(2,441)	–
– holiday provisions	–	306	354
– provisions for long service awards	(3,343)	(2,481)	290
– accrual for audit fee and other professional services	(3,360)	–	–
– costs of derivatives transactions	(3,324)	(176)	–
– other	89	130	2,228
Deferred tax provision at the end of the period	28,120	20,588	23,573

24.2

OTHER PROVISIONS (BY CATEGORY):	31.12.2000	31.12.1999	31.12.1998
– contingent off-balance sheet liabilities	8,115	28,393	2,975
– general risk	40,537	40,537	41,815
– costs to be incurred	4,346	4,257	135
– other	2,442	478	–
Total other provisions	55,440	73,665	44,925

24.3

MOVEMENTS IN OTHER PROVISIONS	31.12.2000	31.12.1999	31.12.1998
Balance of provisions at the beginning of the period	73,665	44,925	1,853
a) increase	11,824	31,882	45,949
– off-balance sheet contingent liabilities	9,748	27,211	3,999
– general risk	–	–	41,815
– charge for costs to be incurred	112	4,193	135
– charge for interest receivable	1,964	478	–
b) utilization	–	–	–
c) releases	(30,049)	(3,142)	(2,877)
– off-balance sheet contingent liabilities	(30,026)	(1,792)	(2,877)
– general risk	–	(1,279)	–
– costs to be incurred	(23)	(71)	–
Other provisions at the end of the period	55,440	73,665	44,925

Note 25

25.1

SUBORDINATED LIABILITIES

1.	2.	3.	4.	5.	6.
Name of lender	Value of loan	Interest rate	Maturity	Balance of subordinated liabilities	Interest
	currency	PLN '000			
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

25.2

MOVEMENTS IN SUBORDINATED LIABILITIES	31.12.2000	31.12.1999	31.12.1998
Balance at the beginning of the period	–	–	–
a) increase	–	–	–
b) decrease	–	–	–
Balance of subordinated liabilities at the end of the period	–	–	–

Note 28

SHARE CAPITAL 2000					nominal value of one share = PLN 10		
Series /issue	Type of shares	Type of preference	No of shares	Total nominal value of issue	Paid up as	Registration date	Right to dividend
Series A from No. 0000001 to No. 5120000	registered ordinary shares	none	5,120,000	51,200,000	cash	8.11.1991	from 8.11.1991
Series B from No. 000001 to No. 724073	registered shares	none	724,073	7,240,730 contribution in kind – real estate in Wrocław, ul. Ofiar Oświecimskich 38/40, lot no. 36/1	real estate in Wrocław, ul. Ofiar Oświecimskich 38/40, lot no. 36/1	21.12.1996	from 1.01.1997
Series C from no 00000001 to no 22155927	registered ordinary shares	none	22,155,927	221,559,270 transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69), and risk fund established from 1991 net profit (PLN 14,522,258.31)	transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69), and risk fund established from 1991 net profit (PLN 14,522,258.31)	31.12.1996	from 1.01.1997
Series D from No. 0000001 to No. 1470589	registered ordinary shares	none	1,470,589	14,705,890	Cash	25.10.1999	from 1.01.1999
Series E from No. 000001 to No. 980393	registered ordinary shares	none	980,393	9,803,930	Cash	17.05.2000	from 1.01.2000
Series F from No. 0000001 to No. 2500000	registered ordinary shares	none	2,500,000	25,000,000	Cash	30.11.2000	from 1.01.2001
Total number of shares				32,950,982			
Total share capital				329,509,820			

SHARE CAPITAL 1999					nominal value of one share = PLN 10		
Series /issue	Type of shares	Type of preference	No of shares	Total nominal value of issue	Paid up as	Registration date	Right to dividend
Series A from No. 0000001 to No. 5120000	registered ordinary shares	none	5,120,000	51,200,000	cash	8.11.1991	from 8.11.1991
Series B from No. 000001 to No. 724073	registered shares	none	724,073	7,240,730 contribution in kind – real estate in Wrocław, ul. Ofiar Oświecimskich 38/40, lot no. 36/1	real estate in Wrocław, ul. Ofiar Oświecimskich 38/40, lot no. 36/1	21.12.1996	from 1.01.1997
Series C from no 00000001 to no 22155927	registered ordinary shares	none	22,155,927	221,559,270 transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69), and risk fund established from 1991 net profit (PLN 14,522,258.31)	transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69), and risk fund established from 1991 net profit (PLN 14,522,258.31)	31.12.1996	from 1.01.1997
Series D from No. 0000001 to No. 1470589	registered ordinary shares	none	1,470,589	14,705,890	Cash	25.10.1999	from 1.01.1999
Total number of shares				29,470,589			
Total share capital				294,705,890			

SHARE CAPITAL 1998							nominal value of one share = PLN 10	
Series /issue	Type of shares	Type of preference	No of shares	Total nominal value of issue	Paid up as	Registration date	Right to dividend	
Series A from No. 0000001 to No. 5120000.	bearer shares	none	5,120,000	51,200,000	cash	8.11.1991	from 8.11.1991	
Series B from No. 0000001 to No. 724073	registered shares	none	724,073	7,240,730	contribution in kind – real estate in Wrocław, ul. Ofiar Oświecimskich 38/40, lot no. 36/1	21.12.1996	from 1.01.1997	
Series C from No. 00000001 to No. 22155927	bearer shares	none	22,155,927	221,559,270	transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69), and risk fund established from 1991 net profit (PLN 14,522,258.31)	31.12.1996	from 1.01.1997	
Total number of shares				28,000,000				
Total share capital					280,000,000			

As at 31.12.2000 the shareholding structure is as follows:

83% – AIB European Investment Limited

12.70% – Employees

4.30% – State Treasury

Changes in share capital from 1998 to 2000

Value of share capital at the beginning of the period	Movements in share capital in the period				Value of share capital at the end of the period	
	Number of shares	Type of shares	Nominal value	Issue price		
1998 280,000,000.00	-	-	-	-	-	280,000,000.00
1999 280,000,000.00	1,470,589	Ordinary registered	10.00	102.00	294,705,890.00	
2000 294,705,890.00	980,393	Ordinary registered	10.00	102.00	329,509,820.00	
	2,500,000	Ordinary registered	10.00	40.00		

There were no changes in share capital in 1998. In 1999 bearer shares were converted into registered ordinary shares. All shares issued in 1999 and 2000 were acquired by AIB European Investments Limited.

Note 29

SUPPLEMENTARY CAPITAL	31.12.2000	31.12.1999	31.12.1998
a) share premium	300,491	135,294	—
b) required by law	110,157	110,157	94,623
c) required by the Statutes of the Bank in excess of legal requirements	—	—	—
d) contributed by shareholders	—	—	—
e) other	1,356	1,273	778
Total supplementary capital	412,004	246,724	95,401

Note 30

OTHER RESERVE CAPITAL (BY PURPOSE):	31.12.2000	31.12.1999	31.12.1998
- General banking risk fund	59,810	59,810	59,810
- Brokerage activity fund	—	17,000	17,000
- other	215,431	195,260	195,260
Total other reserve capital	275,241	272,070	272,070

Note 31

RETAINED PROFIT/LOSS BROUGHT FORWARD	31.12.2000	31.12.1999	31.12.1998
a) retained profit	—	—	—
b) (loss) brought forward	—	—	—
Retained profits/(loss) brought forward	—	—	—

Note 32

The book value per share was calculated on the basis of the net book value and actual number of shares in issue at the end of 1998, 1999 and 2000.

31.12.1998

PLN 695,282 thousand / 28,000,000 = PLN 24.83 per share

31.12.1999

PLN 837,443 thousand / 29,470,589 = PLN 28.42 per share

31.12.2000

PLN 947,463 thousand / 32,950,982 = PLN 28.75 per share

For 1998 and 1999 the diluted book value per share was calculated on the basis of the net book value and actual number of shares in issue at the end of 1998 and 1999. The calculation for 2000 takes into account the proposed issue of series G shares. The calculation however does not take into consideration the increase in net assets arising from the planned merger with WBK S.A.

31.12.1998

PLN 695,282 thousand / 28,000,000 = PLN 24.83 per share

31.12.1999

PLN 837,443 thousand / 29,470,589 = PLN 28.42 per share

31.12.2000

PLN 947,463 thousand / 72,960,284 = PLN 12.99 per share

CAPITAL ADEQUACY RATIO CALCULATED AS AT 31.12.2000

I. Risk weighted assets and off balance sheet liabilities	5,467,724
1. Share capital	329,510
2. Supplementary capital	412,004
3. Reserve capital	215,431
4. General risk fund	59,810
5. Revaluation reserve	20,668
II. Core and supplementary funds	1,037,443
III. Deductions	105,153
IV. Bank's own funds	932,290
V. Capital Adequacy ratio	17.05%

CAPITAL ADEQUACY RATIO CALCULATED AS AT 31.12.1999

I. Risk weighted assets and off balance sheet liabilities	4,874,286
1. Share capital	294,706
2. Supplementary capital	246,724
3. Reserve capital	212,260
4. General risk fund	59,810
5. Revaluation reserve	20,772
II. Core and supplementary funds	834,272
III. Deductions	23,540
IV. Bank's own funds	810,732
V. Capital Adequacy ratio	16.63%

CAPITAL ADEQUACY RATIO CALCULATED AS AT 31.12.1998

I. Risk weighted assets and off balance sheet liabilities	5,695,378
1. Core funds (equity)	647,471
a) Share capital	280,000
b) Supplementary capital	95,401
c) Reserve capital (to cover balance sheet losses)	212,260
d) General risk fund	59,810
2. Supplementary funds	21,266
a) revaluation reserve	21,266
II. Core and supplementary funds	668,737
1. Provisions not booked	3,131
2. Shares in financial entities	4,626
III. Deductions	7,757
IV. Bank's own funds	660,980
V. Capital Adequacy ratio	11.61%

Note 33

OFF-BALANCE SHEET CONTINGENT LIABILITIES	31.12.2000	31.12.1999	31.12.1998
Guarantees granted on behalf of:			
a) subsidiary companies	-	-	-
b) associated companies	-	-	-
c) parent company	-	-	-
d) other entities	177,243	192,168	198,453
Total guarantees granted	177,243	192,168	198,453

NOTES TO THE PROFIT AND LOSS ACCOUNT

Note 34

INTEREST INCOME	31.12.2000	31.12.1999	31.12.1998
1. From financial institutions	115,613	67,685	31,983
2. From non-financial and public sectors	816,615	730,711	901,632
3. On securities	244,902	198,862	185,376
a) with a fixed yield	167,766	188,334	173,752
b) with a variable yield	77,136	10,528	11,624
4. Other	20,127	19,904	51,198
Total interest income	1,197,257	1,017,162	1,170,189

Note 35

INTEREST EXPENSE	31.12.2000	31.12.1999	31.12.1998
1. On transactions with financial institutions	56,414	37,512	36,807
2. On transactions with non-financial and public sectors	696,365	531,833	651,692
3. Other	1,058	2,147	799
Total interest expense	753,837	571,492	689,298

Note 36

COMMISSION INCOME	31.12.2000	31.12.1999	31.12.1998
1. Commissions on banking operations	159,271	151,318	142,917
2. Commissions on brokerage operations	-	6,947	9,921
Total commission income	159,271	158,265	152,838

Note 37

INCOME ON SHARES AND OTHER SECURITIES	31.12.2000	31.12.1999	31.12.1998
1. From subsidiary companies	1,232	-	-
2. From associated companies	-	677	355
3. From other entities	-	-	-
Total income on shares and other securities	1,232	677	355

Note 38

PROFIT ON FINANCIAL OPERATIONS	31.12.2000	31.12.1999	31.12.1998
1. Profit on trading in securities	2,313	737	26,458
a) Income from trading in securities	8,241	6,880	28,806
b) Cost of trading in securities	(5,928)	(6,143)	(2,348)
2. Profit on other financial operations	62,668	(15)	(1)
Total profit on financial operations	64,981	722	26,457

Note 39

OTHER OPERATING INCOME	31.12.2000	31.12.1999	31.12.1998
a) on management of third party assets	-	-	-
b) on disposal or liquidation of fixed assets or assets for disposal	33,088	6,226	20,271
c) on recovery of bad debts	4,940	353	616
d) damages, penalties and fines received	116	79	296
e) donations received	-	110	52
f) other	10,758	13,269	24,377
- sales of materials	14	16	18
- sales of goods	18	5	2
- sales of other services	8,036	6,938	5,906
- internal capital expenditure	-	81	332
- increases in value of tangible fixed assets	68	28	67
- increases in value of current assets	34	29	21
- other	2,588	6,172	18,031
Total other operating income	48,902	20,037	45,612

Note 40

OTHER OPERATING EXPENSES	31.12.2000	31.12.1999	31.12.1998
a) management of third party assets	-	-	-
b) disposal or liquidation of fixed assets or assets for sale	89,223	6,512	15,917
c) recovery of bad debts	92	156	63
d) compensation, penalties and fines paid	547	659	3,584
e) donations granted	669	499	1,553
f) others due to	5,787	5,890	8,536
- cost of goods sold	9	2	1
- decrease in value of current assets	6	7	3
- other	5,772	5,881	8,532
Total other operating expenses	96,318	13,716	29,653

In 1998 the Bank sold shares in subsidiary and associated companies with sale proceeds of PLN 618 thousand and PLN 12,428 thousand, respectively.

In 1999 there were no sales of shares in any subsidiary or associated entity.

In 2000 the Bank sold shares in subsidiary and associated companies with sale proceeds of PLN 4,961 thousand and PLN 2,310 thousand respectively.

Note 41

OVERHEAD COSTS	31.12.2000	31.12.1999	31.12.1998
1. Salaries	215,755	190,981	136,882
2. Other employment costs	41,162	38,713	67,659
3. Materials and consumables	28,571	22,874	19,356
4. Taxes and charges	6,959	4,386	4,602
5. Contributions to Bank Guarantee Fund	19,357	7,268	8,564
6. Other costs, including:	122,407	84,152	62,205
- services	57,953	51,534	39,033
- maintenance of premises and rentals	23,230	21,146	13,882
- other specific non-operational expenses	13,184	9,222	7,586
- other	28,040	2,250	1,704
Total overhead costs	434,211	348,374	299,268

Note 42

PROVISIONS	31.12.2000	31.12.1999	31.12.1998
1. Provisions for:	678,545	442,907	390,845
- normal loans/receivables	804	-	-
- watch category loans/receivables	33,547	25,803	21,704
- non-performing loans/receivables	593,937	373,594	304,290
- off-balance sheet liabilities	9,748	27,211	3,999
- general banking risk	-	-	41,816
- deferred expenses	-	4,193	-
- other:	40,509	12,106	19,036
- interest receivable	1,964	478	-
- other loans/receivables	31,157	4,781	6,306
- assets taken over for sale	40	444	81
- securities	7,348	6,403	12,649
2. Diminution in value:	1,260	3,269	7,798
- financial assets	1,260	3,269	7,798
Total provisions	679,805	446,176	398,643

Note 43

PROVISION RELEASES	31.12.2000	31.12.1999	31.12.1998
1. Release of provisions for:	438,867	267,680	159,956
- normal loans/receivables	-	-	-
- watch category loans/receivables	38,777	3,960	3,335
- non-performing loans/receivables	343,067	252,038	147,240
- off-balance sheet liabilities	30,026	1,793	2,876
- general banking risk	-	1,278	-
- other:	26,997	8,611	6,505
- other loans/receivables	17,408	1,572	3,704
- assets taken over for sale	114	338	717
- interest receivable	-	-	1,751
- securities	9,475	6,701	333
2. Reversal of diminution in value	4,077	-	7,244
- financial assets	4,077	-	7,244
Total provisions released	442,944	267,680	167,200

Note 44

EXTRAORDINARY GAINS	31.12.2000	31.12.1999	31.12.1998
a) force majeure	33	118	385
b) profit on disposal of shares in subsidiaries	-	-	-
c) profit on disposal of shares in associated companies	-	-	-
d) other	3	-	-
Total extraordinary gains	36	118	385

Note 45

EXTRAORDINARY LOSSES	31.12.2000	31.12.1999	31.12.1998
a) force majeure	171	158	262
b) on disposal of shares in subsidiaries	-	-	-
c) on disposal of shares in associated companies	-	-	-
d) other of which	76	293	73
- liquidation of obsolete tangible fixed assets	70	104	73
- transfer of an organised part of the Bank (the Brokerage House) to a separate legal entity	-	186	-
- other	6	3	-
Total extraordinary losses	247	451	335

Note 46

CORPORATE INCOME TAX	31.12.2000	31.12.1999	31.12.1998
1. Gross profit/(loss)	(81,113)	41,741	118,831
2. Permanent timing differences	154,022	145,547	184,538
3. Temporary timing differences	(67,242)	(57,795)	(13,001)
4. Other differences	(1,221)	(486)	(691)
- (loss) brought forward	-	-	-
5. Taxable income subject to corporate income tax	4,446	129,007	289,677
6. Corporate income tax according to 30% rate	1,334	43,862	104,284
7. Exemptions, deductions and reductions in tax	(1,220)	(1,721)	(2,853)
8. Corporate income tax due	114	42,141	101,431
- other taxation including income tax on foreign income and withholding tax on dividends	1,221	(586)	45
9. Deferred tax provision	7,532	(2,985)	(9,190)
- balance at the beginning of the period	20,588	23,573	32,763
- increase	24,757	(5,462)	(21,128)
- decrease	(17,225)	2,477	(11,938)
- at the end of the period	28,120	20,588	23,573
10. Deferred tax assets	-	-	-
- at the beginning of the period	-	-	-
- increase	-	-	-
- decrease	-	-	-
- at the end of the period	-	-	-
11. Corporate income tax charge	8,867	38,570	92,286

Information to Note 46 for the years 1998-2000

Additional information concerning the major differences between the corporate income tax charge disclosed in the profit and loss account, and the corporate income tax arising on taxable income during the years 1998-2000.

	2000	1999	1998
Investment allowance	556	16,276	34,973
Investment allowance premium	556	17,487	10,443
Amount of tax deductible donations	523	479	690
Exemptions, deductions and reductions of tax:			
– Art. 20 and Art. 23 of the Corporate Income Tax Act – withholding tax on dividends	1,220	169	45
– Decision of the Tax Office No. 8211/PK/2/199/99 of 13.04.1999	-	1,552	2,808
Deferred tax provision at the end of the period	28,120	20,588	23,573

Calculation of deferred tax provision:

		2000			1999			1998	
1. Interest on restructuring bonds, not paid by the State Budget	82.453	24%*	19.789	75.205	28%*	21.209	100.232	32.325%*	32.400
2. Interest on securities accrued not received	56.086	28%	15.704	24.235	30%	7.271	14.751	34%	5.015
3. Interest on loans accrued not received	45.549	28%	12.754	117.155	30%	35.146	91.912	34%	31.250
4. Interest accrued on deposits in other banks	3.291	28%	921	919	30%	276	1.845	34%	627
5. Foreign exchange gains	(49)	28%	(14)	(26)	30%	(8)	666	34%	227
6. Investment allowance utilised	52.121	24.47%*	12.755	59.904	28.3%*	16.966	51.559	33.393%*	17.217
7. Income receivable from derivatives transactions and from foreign currency operations	81.989	28%	22.957	1.386	30%	416	-	-	-
8. Interest receivable on State Treasury debts converted into Treasury bonds by way of novation	90.417	23.41%*	21.167	-	-	-	-	-	-
9. Specific provisions to be claimed as tax deductible in the years 2000-2003	(89.534)	28%	(25.070)	(70.610)	30%	(21.183)	(22.494)	34%	(7.648)
10. Capitalised interest	(1.109)	28%	(311)	(4.515)	30%	(1.355)	(6.017)	34%	(2.045)
11. Interest on deposits accrued not received	(104.702)	28%	(29.317)	(74.605)	30%	(22.381)	(99.365)	34%	(33.784)
12. Suspended interest taxed in 1991	(945)	28%	(265)	(1.027)	30%	(308)	(1.111)	34%	(378)
13. Taxable income collected in advance	(24.834)	28%	(6.954)	(23.672)	30%	(7.102)	(28.639)	34%	(9.737)
14. Provision for retirement payments, long service awards and other payments to employees	(39.000)	28%	(10.920)	(16.855)	30%	(5.057)	(7.820)	32.95%*	(2.577)
15. Costs of derivatives transactions	(12.501)	28%	(3.500)	(586)	30%	(176)	-	-	-
16. Investment allowance premium	(382)	28%	(107)	(8.138)	30%	(2.441)	(17.487)	34%	(5.945)
17. Accruals for audit fee and other professional services	(3.000)	28%	(840)	-	-	-	-	-	-
18. Other	(2.252)	28%	(629)	(2.283)	30%	(685)	(3.087)	34%	(1.049)
Total			28.120			20.588			23.573

* The effective tax rate used differs from the expected tax rate for that year as these items will be realised over a period of several years

- There was no deferred tax asset as at 31.12.1999. 2000 1999 1998
- Impact of changes in tax rates 1,145 3,120 -3,120
- There was no write off of deferred tax assets due to lack of certainty that they would be realised.

Pursuant to Art. 18a of the Corporate Income Tax, Bank Zachodni S.A. utilised investment allowance in 1997-99, which was continued in 2000. As permitted by the Act, qualifying investment expenditure incurred during a fiscal year can be deducted from the taxable income of that fiscal year. It is also possible to deduct an additional 50% of qualifying investment expenditure from the taxable income of the following fiscal year. The amounts claimed in particular years were (in PLN '000):

– investment allowance	72,703		
comprising			
2000	1999	1998	1997
556	16.276	34.973	20.898

– investment allowance premium	28,486		
comprising			
2000	1999	1998	1997
556	17.487	10.443	

The use of investment allowance permitted Bank Zachodni S.A. to pay lower income tax in the years concerned. The tax savings in the respective years was:

2000	1999	1998	1997
334	11.479	16.350	7.941

The Bank has claimed investment allowances primarily in respect of expenditure on the construction and development of bank buildings and purchase of IT equipment. In 2000, the investment allowance was claimed in respect of continued expenditure on the construction of a bank building.

The Act provides for the loss of entitlement to investment allowances and investment allowance premiums if any of the following circumstances are determined or occur, in relation to the fiscal year in which the allowances were claimed, within the three fiscal years following that fiscal year:

- arrears (individually exceeding 3% of the amount due for a particular year) are assessed with respect to social security contributions or taxes representing the income of central government,
- the tangible fixed assets received for use under rental agreements, lease agreements or agreements of a similar nature will cease to be regarded as the Bank's assets,
- the Bank will transfer – in any form – the ownership rights to the assets for which investment allowances have been claimed; this does not refer to a transfer of ownership as a consequence of a legal transformation, merger or division of existing business entities performed *inter alia* in accordance with the Polish Commercial Code,
- the Bank is placed in liquidation or is announced bankrupt,
- the Bank receives a reimbursement of the qualifying investment expenditure.

The risk of losing entitlement to investment allowances applies to all tax payers and not just the Bank. The risk of losing the right to investment allowances as a result of an assessment of tax arrears is insignificant, as it is assumed that if the tax payer corrects the relevant tax return and settles the arrears including interest within 14 days, following receipt of an assessment issued by the first instance tax authority, the right to investment allowance shall not be lost.

Note 47

OTHER CHARGES AGAINST PROFIT	31.12.2000	31.12.1999	31.12.1998
Other charges against profit	-	-	-
- provision for deferred tax liabilities	-	-	--
Other charges against profit	-	-	-

Note 48**Profit/(loss) per ordinary share (in PLN)****31.12.1998** – 0.95**31.12.1999** – 0.11**21.12.2000** – (2.96)**Weighted average number of shares****1) 31.12.1998** – 28,000,000**2) 31.12.1999** – 28,310,234**3) 31.12.2000** – 30,418,972

The profit/(loss) per ordinary share is calculated on the basis of the net profit/(loss) for the year and the weighted average number of shares in issue during the year.

For 1999 and 1998 the diluted earnings per share are calculated on the basis of the net profit/(loss) for the year and the weighted average number of shares in issue during the year. The calculation for 2000 takes account of the proposed issue of series G shares. It does not however take into account any change in net profit arising from the planned merger with WBK S.A.

Diluted earnings/(loss) per share (PLN)

31.12.1998 – 0.95

31.12.1999 – 0.11

21.12.2000 – (1.28)

Weighted average diluted number of shares used for calculating diluted earnings/(losses) per share.

31.12.1998 – 28,000,000

31.12.1999 – 28,310,234

31.12.2000 – 70,428,274

Profit distribution for 1998

On June 30, 1999 the Annual General Meeting of Shareholders approved Resolution No. 2 concerning the following profit distribution for 1998:

- bonuses for employees of PLN 11,010,000 including bonuses of PLN 10,000 for the Management Board,
- supplementary capital of PLN 15,534,531.33.

Profit distribution for 1999

In accordance with Resolution No. 2 of the Annual General Meeting of Shareholders held on March 15, 2000, the 1999 net profit of PLN 3,170,903.81 was allocated to reserve capital.

Coverage of loss for 2000

On February 15, 2001 BZ S.A. the Management Board proposed to cover the loss of PLN 89,980,123.64 from supplementary capital.

Notes to the cash-flow statement of Bank Zachodni S.A.

1.

Cash and cash equivalents

Item	31.12.2000	31.12.1999	31.12.1998
Cash and balances with the Central Bank	567,234	703,825	928,866
Nostro accounts with other banks	8,390	12,213	10,409
Deposit with the Warsaw Stock Exchange Guarantee Fund	-	-	589
Funds of BZ S.A. brokerage house on current account with Bank Śląski	-	-	105
Total	575,624	716,038	939,969

2.

Classification of operating, investing and financing activities in the cash-flow statement

Operating activities comprise the core activities of the Bank, as specified in the Articles of Association, which generate income on transactions and other events associated with the main activities of the bank, such as:

- maintenance of bank accounts,
- granting cash loans and advances,
- accepting savings deposits and term deposits,
- monetary settlements in all forms accepted in domestic and international banking relationships,
- accepting and placing deposits in domestic and foreign banks,
- issuing and servicing of payment card operations.

Operating activities also include: purchase of securities held for trading/including debt securities, corporate income tax paid and overpaid corporate income tax received and all non-monetary adjustments to the net profit/(loss) associated with investing or financing activities.

Investing activities involve the purchase and sale of long-term assets held for the generation of future profits. The cash flows from investing activities include:

- purchase/sale of tangible and intangible fixed assets,
- purchase/sale of shares in other companies (other than shares held for trading),
- purchase/sale of debt securities held for investment purpose.

Financing activities involve activities resulting in changes to the level of equity and long term borrowings, and in particular:

- obtaining/repayment of long-term loans and advances with banks and other financial institutions,
- payments to shareholders on acquisition or redemption of the bank's shares,
- proceeds from the redemption of restructuring bonds,
- proceeds from share issues,
- payment of dividends to shareholders.

3.

Explanation of the differences between changes in balance-sheet amounts for selected items and the changes in these items disclosed in the cash-flow statement

The differences between changes in balance-sheet amounts for selected items and the changes in these items disclosed in the cash-flow statement are presented below.

Change in other provisions	2000	1999	1998
Change in the balance-sheet	(18,225)	28,261	42,938
Provisions for amounts due from the financial sector	56,418	24,988	3,161
Provisions for amounts due from non-financial and the public sectors	157,927	117,986	167,331
Change in the cash-flow statement	196,120	171,235	213,430

Change in debt securities	2000	1999	1998
Change in the balance-sheet	(214,453)	(226,314)	(498,925)
Interest receivable on trading portfolio debt securities	(3,152)	(5,115)	2,771
Debt securities in the investment portfolio	421,794	550,120	(11,323)
Bonds taken over for debt	324,095	-	-
Change in the cash-flow statement	528,284	318,691	(507,477)

Change in amounts due from the financial sector	2000	1999	1998
Change in the balance sheet	(1,083,713)	182,238	(106,956)
Nostro accounts	(3,822)	1,110	(11,925)
Provisions for amounts due from the financial sector	(56,418)	(24,988)	(3,161)
Change in the cash-flow statement	(1,143,953)	158,360	(122,042)

Provisions for amounts due from non-financial and public sectors	2000	1999	1998
Change in the balance sheet	198,519	(153,417)	(818,380)
Provisions for amounts due from non-financial and public sectors	(157,927)	(117,986)	(167,331)
Bonds taken over for debts	(324,095)	-	-
Change in the cash-flow statement	(283,503)	(271,403)	(985,711)

Change in amounts due to the financial sector	2000	1999	1998
Change in the balance sheet	148,457	(52,563)	188,725
Loan from the Bank Guarantee Fund	9,433	-	-
Long-term loans from banks	10,000	-	-
Change in the cash-flow statement	167,890	(52,563)	188,725

The largest difference between the changes in balance sheet amounts and the cash-flow statement relates to debt securities. This was primarily due to the exchange by the Bank of State Treasury receivables into bonds and the re-classification of the sale of debt securities from operating to investing activities.

The difference in changes in other provisions results from the presentation of the change in the balance of amounts due from financial and non-financial sectors on the basis of gross amounts (i.e. excluding provisions). This results in analogous differences in changes in amounts due from the financial and non-financial sectors.

4.

Other adjustments, inflows and outflows whose amounts exceed 5% of the total adjustments, inflows or outflows from a given activity

4.1

Operating activities

	2000	1999	1998
Overpaid corporate income tax	18,634	11,812	10,439
Provisions for diminution in value of other shares and interests	(1,128)	(2,251)	12,220
Interest accrued on investment portfolio debt securities	(37,148)	(9,294)	47,919
Unpaid interest on restructuring debt securities receivable from the State	(5,132)	20,160	66,825
Appropriation of profit to the employee bonus fund	-	(11,010)	(22,761)
Reclassification of LEN shares from associated to subsidiary undertakings	-	(19,345)	-
Other assets	(96,252)	(12,722)	1,531
Other	2,243	17,934	(6,231)
Total	(118,783)	(4,716)	109,942

4.2

Investing activities

	2000	1999	1998
Interest income on investment portfolio debt securities	243,968	184,489	168,320
Accrued interest on investment portfolio debt securities	(37,148)	(9,294)	47,919
Unpaid interest on restructuring debt securities receivable from the State	(5,133)	20,160	66,825
Other	13,451	1,601	623
Total	215,138	196,956	283,687

4.3

Financing activities

	2000	1999	1998
Interest expense on loan granted by the Bank Guarantee Fund	(3,741)	(3,284)	(4,608)
Loan from the Bank Guarantee Fund	(9,433)	-	-
Other	(222)	(464)	(944)
Total	(13,396)	(3,748)	(5,552)

Additional Explanatory Notes – Bank Zachodni S.A.

Information on the concentration of exposures to individual entities, groups, and sectors, and an assessment of the risks connected with these exposures

The concentration of the exposures of Bank Zachodni S.A. to individual groups and entities are within the limits set out in Art. 71 of the Banking Law of 29 August 1997.

Bank Zachodni S.A. constantly monitors the concentration of exposures to individual entities and groups as required by relevant legislation. Bank Zachodni S.A. has a policy of limiting credit risk arising from the concentration of exposures to individual entities, groups, and sectors.

At the end of December 2000, the exposure to the 50 largest customers accounted for 36.7% of the Bank's balance-sheet receivables. The exposure to eight groups represented 21.5% of the Bank's balance-sheet receivables.

According to the Bank's estimates, 56% of total receivables were characterised by low sector risk, and 20% by medium sector risk. The credit risk resulting from these concentrations is continually decreasing as a result of a policy that aims to find attractive areas for the expansion of lending activities and limiting the exposure in sectors with high credit risk. Bank Zachodni S.A. constantly monitors the economic and financial standing of borrowers and evaluates the credit risk associated with the financing of entities in a given sector.

The Bank's credit exposure to individual borrowers who have received loans exceeding 1% of total loans is presented below.

Borrower	Loan principal	Credit	Off balance	Total	Total
	PLN '000	exposure %*	liabilities PLN '000	exposure PLN '000	exposure %**
Public Administration	179,518	3.5	12,001	191,519	3.2
Mine	160,000	3.1	30,000	190,000	3.2
Paper production	154,179	3.0	-	154,179	2.6
Production of vehicles and civil engineering	116,434	2.3	6,126	122,560	2.1
Retail Trade	82,786	1.6	78	82,864	1.4
Electricity generator	72,757	1.4	397	73,154	1.2
Production of wood products	58,915	1.2	-	58,915	1.0
Financial intermediary and producer of soft drinks	58,747	1.2	-	58,747	1.0
Producer of white goods	57,773	1.1	430	58,203	1.0
Rental of transport equipment	50,840	1.0	23,283	74,123	1.2
Telecommunications and retail trade	49,513	1.0	-	49,513	0.8
Aircraft manufacturer	49,318	1.0	-	49,318	0.8
Financial Center	46,198	0.9	-	46,198	0.8
Total ***	5,101,373	22.3	859,089	5,960,462	20.3

* Credit exposure is presented as the ratio of gross loans granted to a given entity to the total gross loan portfolio of the Bank.

** Total exposure is presented as the ratio of total gross loans and off-balance-sheet liabilities granted to a given entity to the total gross loans (item IV of the Bank's Balance Sheet) and off-balance-sheet liabilities of the Bank.

*** Amounts due from customers, the public sector (gross loans as disclosed in item IV of the Bank's balance sheet and off-balance-sheet items).

The Bank's exposure to particular industries as at 31 December 2000 is as follows:

Sector	Total exposure	
	PLN '000	%
Wholesale Trade	519,689	10.2
Agriculture	357,890	7.0
Construction	291,532	5.7
Retail Trade	268,909	5.3
Energy	256,822	5.0
Public Administration	253,875	5.0
Foodstuffs	201,216	3.9
Mining	169,538	3.3
Financial Services	149,502	2.9
Machinery	141,671	2.8
Pulp & Paper	128,391	2.5
Transportation	101,095	2.0
Total loans where credit exposure exceeds 2% of the Bank's gross loans	2,840,130	55.6

The concentration of exposure to individual borrowers and industry sectors does not give rise to increased risk. The Bank's loan portfolio is highly diversified, both in terms of exposure to individual sectors and in terms of exposure to individual customers.

Credit exposure to groups:

List of 10 major borrowers of Bank Zachodni S.A.

As at 31 December 2000

PLN '000			
No.	CUSTOMER	Total exposure*	% share in the total loan portfolio of the Bank
1.	CUSTOMER 1	190,000	3.2%
2.	CUSTOMER 2	138,097	2.4%
3.	CUSTOMER 3	74,122	1.3%
4.	CUSTOMER 4	73,630	1.3%
5.	CUSTOMER 5	73,154	1.2%
6.	CUSTOMER 6	72,842	1.2%
7.	CUSTOMER 7	71,000	1.2%
8.	CUSTOMER 8	68,251	1.2%
9.	CUSTOMER 9	65,295	1.1%
10.	CUSTOMER 10	58,915	1.0%
TOTAL		885,306	15.1%

* Loans utilised, receivables, guarantees and unutilised credit facilities.

PLN '000			
No.	CUSTOMER	Total exposure*	% share in the total loan portfolio of the Bank
1.	GROUP 1	205,054	4.05%
2.	GROUP 2	159,541	3.15%
3.	GROUP 3	116,433	2.30%
4.	GROUP 4	82,864	1.64%
5.	GROUP 5	71,512	1.41%
TOTAL		635,404	12.55%

Financial Instruments

Information on securities referred to in Art. 3.3 of the Act on Public Trading of Securities dated 21 August 1997 (Dz.U. No. 118, item 754, as amended) and other derivative transactions is presented in the table below.

	PLN Interest Rate SWAPS	PLN Future Rate Agreement (sale)	PLN Future Rate Agreement (purchase)	Fx Swap	FX Forward
Nominal value (PLN '000)	310,000	100,000	50,000	1,448,369	74,675
Purpose	Hedging	Trading	Trading	Trading	Hedging
Maturity/Date Range	11.06.2003-22.07.2004	09.04.01-23.04.01	17.04.01	02.01.01-20.08.01	02.01.01-23.03.01
Possibility of early settlement	N/A	N/A	N/A	N/A	N/A
Price/Range of Prices	From 8.5%	From 15.8% to 17.30%	15.45%	From 0.0006 to 0.5200	From 1.9684 to 4.7075
Ability to exchange for other asset/liability	N/A	N/A	N/A	N/A	N/A
Expected Cash Flows	Variable	Variable	Variable	Variable	Variable
Additional collateral	N/A	N/A	N/A	N/A	N/A
Other terms	N/A	N/A	N/A	N/A	N/A
Risk type	Interest rate, credit	Interest rate, credit	Interest rate, credit	Interest rate, credit	Interest rate, credit

Off-balance-sheet contingent liabilities

As at 31.12.2000, contingent liabilities totalled PLN 969,423 thousand, including:

granted liabilities: PLN 859,089 thousand

accepted liabilities: PLN 110,334 thousand

Liabilities granted include:

financing commitments: PLN 681,846 thousand

guarantees: PLN 177,243 thousand

Liabilities due to purchase/sale transactions of PLN 2,443,871 thousand include:

liabilities of PLN 1,643,132 thousand resulting from currency transactions of which:

– foreign currencies purchased: PLN 162,683 thousand

– foreign currencies sold: PLN 1,488,682 thousand

– differences on SWAP transactions: PLN (8,233) thousand

Commitments resulting from transactions in securities amounted to PLN 800,739 thousand including:

securities to be received PLN 419,149 thousand

securities to be delivered PLN 381,590 thousand

Assets taken over amounted to PLN 441,153 thousand.

As at 31 December 2000 there were no contingent liabilities to subsidiaries or associates entities.

All guarantees were granted to non-financial entities, of which 17% were granted to the public sector.

Liabilities to the State or local authorities relating to ownership title of buildings and premises.

As at 31 December 2000, Bank Zachodni S.A. did not have any liabilities to the State or local authorities arising from ownership title of buildings and premises.

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

In 2000 no activity of material importance was discontinued. The Bank does not intend to discontinue any of its activities.

Costs of internally generated assets under construction, tangible fixed assets and development work

As at 31 December 2000, assets under construction amounted to PLN 72,321 thousand. Assets under construction related to the adaptation and modernisation of property amounted to PLN 50,194 thousand.

In 2000, capital expenditure on the purchase of software was PLN 16,673 thousand and on IT equipment and other equipment was PLN 5,068 thousand.

Incurred and planned capital expenditure

Capital expenditure incurred in 2000 amounted to PLN 112,065 thousand, of which PLN 68,232 thousand was spent on the modernisation and construction of buildings/facilities. Expenditure on IT and telecommunications amounted to PLN 40,871 thousand.

The capital expenditure planned by Bank Zachodni S.A. for 2001 amounts to PLN 339,568 thousand comprising:

– construction and modernisation projects – PLN 100,259 thousand

– information technology and telecommunications – PLN 239,309 thousand

Significant transactions with related parties

The table below presents major transactions with non-consolidated related companies:

Entity	Scope of activities	% share in total	Loans/Receivables 31.12.2000 PLN '000	Liabilities 31.12.2000 PLN '000	Expenses 31.12.2000 PLN '000	Income 31.12.2000 PLN '000
		number of votes				
FORUM ZTFI	Fund management	51.0	-	13	20	187
G.R. Nieprzeszwo Sp. z o.o.	Agriculture	100.0	1,444	-	-	-
G.R. Cisy Sp z o.o. (under liquidation)	Agriculture	100.0	-	-	-	-
Len S.A.	Production	50.1	5,534	-	-	-
Zachodnie Systemy	Services	100.0	-	973	5,557	375
Teleinformatyczne Sp. z o.o.						
WESTFUND Ltd.	Management services	33.7	-	-	-	-
Kanwig Trading Żurawica	Running a bonded warehouse	45.6	-	-	-	-
Sp. z o.o. (in liquidation)						
Kanwig Agencja Celna	Running a customs agency	49.0	-	-	-	-
Sp. z o.o. (in liquidation)						
Sudety CW Sp. z o.o.	Production	48.5	-	-	-	-
Total			6,978	986	5,577	562

As at 31 December 2000 the total value of balances eliminated from the consolidated financial statements resulting from transactions of Bank Zachodni S.A. with its wholly owned subsidiary Dom Maklerski BZ S.A., which is consolidated under the acquisition accounting method, was as follows:

Balance-sheet	PLN '000
Amounts due to the financial sector	242,695
Shares in consolidated subsidiary undertakings	24,040
Other assets – clearing accounts	13

Profit and loss account	PLN '000
Interest expense	12,052
Commission income	386
Other operating income	3,001

Major transactions with non-consolidated subsidiary undertakings include an increase in the share capital of BZ Finance & Leasing amounting to PLN 69,192 thousand and the subsequent sale of that company as described in Note 40. The funds obtained by BZ Finance & Leasing as a result of the increase in share capital were allocated for the repayment of loans received from the Bank as well as of certain purchased receivables.

Information on non-consolidated joint ventures

On 25 May 2000, WBK S.A. concluded an agreement with Bank Zachodni S.A., concerning the purchase of ICBS software license from Fiserv (Europe) Limited, in connection with the implementation of the system at both banks. Under the licence agreement, each of the banks holds a separate license and also covers the costs of the license and equipment.

Average staffing levels at Bank Zachodni S.A.

	Bank Zachodni S.A.
- Management Board	5 persons
- Management personnel	528 persons
- Team managers	370 persons
- Other employees	5,606 persons
Total	6,509 persons

Information on remuneration paid to members of the Management Board and the Bank Council

In 2000 the following amounts were paid to the members of the Management Board and the Bank Council:

Gross remuneration for 2000 – Management Board of BZ S.A.: PLN 1,451 thousand

Gross remuneration for 2000 – Bank Council: PLN 189 thousand

One of the members of the Management Board of Bank Zachodni S.A. acted as the Chairman of the Supervisory Board of the subsidiary company Zachodnie Systemy Teleinformatyczne Sp. z o.o., without receiving any remuneration.

Information on loans, advances and guarantees granted to members of the Management Board and the Bank Council

In 2000 members of the Bank's Management Board had a total credit limit of PLN 50,000. The loans were granted in compliance with the regulations concerning personal loans applicable in Bank Zachodni S.A.

The members of the Management Board did not receive any loans, advances or guarantees granted by affiliated and subsidiary undertakings.

Information on significant events related to previous years

No significant events occurred in previous years, which required inclusion in the 2000 financial statements.

Information on significant post balance sheet date events, which were not reflected in the 2000 financial statements

In February 2001, shares in the following companies were sold:

	Book value	Sale price
FORUM ZTFI S.A.	PLN 2,800 thousand	PLN 2,915 thousand
Violetta S.A.	PLN 6,702 thousand	PLN 11,903 thousand
Sudety CW Sp. z o.o.	PLN 1,370 thousand	PLN 1,642 thousand

Information on relations between the legal predecessor and the Bank and the transfer of assets and liabilities

Bank Zachodni S.A. was created in 1989 as one of nine state-owned regional banks spun-off from the National Bank of Poland. In 1991 Bank Zachodni S.A. was transformed into a joint-stock company with the State Treasury being its sole shareholder. In 1999 the State Treasury privatised Bank Zachodni S.A. and AIB was selected to be the strategic investor in the Bank. Following increases in the share capital of Bank Zachodni S.A. during November 2000, AIB holds approximately 83% of the Bank's share capital.

Adjustment of the financial statements to take account of the effects of inflation

The last few years of the Bank's operations have been characterised by a decreasing inflation rate – which has remained below 20% on an annual basis. Therefore the Bank has not adjusted the 1998, 1999 and 2000 financial statements to take account of the effects of inflation.

Changes to adopted accounting policies and methods of preparation of the financial statements

In order to properly reflect the return achieved on bills of exchange issued by non-performing customers, since 2000 the discount on such bills of exchange has only been recognised in income after the bills of exchange were repaid. The change had no material effect on the net profit/(loss) or the structure of the Bank's balance sheet.

Income and expenses on transactions with financial instruments, interest on swap transactions and realised and unrealised expenses and income are now disclosed as separate items. The change had no material effect on the net profit/(loss) or the structure of the Bank's balance sheet.

In 2000 the Bank adapted its rules for creating specific provisions for credit risk to take account of the new, modified requirements included in Resolution No. 8/99 of the Banking Supervision Commission. According to the resolution (Par. 6.3 and 6.4) the Bank reduces the required level of provisions for normal and watch category receivables by an amount representing 25% of the general banking risk provision.

As at 31 December 2000, provisions for loans and advances granted to retail customers (excluding housing loans) for purposes not associated with business activity, and for watch category loans/receivables were decreased by PLN 17,000 as a result of the above.

Provisions for loans/receivables denominated in foreign currencies are translated according to the principles specified in Resolution No. 1/98 of the Banking Supervision Commission. Foreign exchange gains and (losses) on the translation of provisions are included in the foreign exchange result. Previously, these items were charged to provision costs or credited to income as release of provisions. The change had no material effect on the net profit/(loss) or the structure of the Bank's balance sheet.

Differences between the comparative data disclosed in these financial statements and previously published comparative financial data

The 1998-2000 financial statements of the Bank were prepared in accordance with the Accounting Act and the resolutions of the Banking Supervision Commission. Data relating to the previous year was restated as appropriate to ensure compliance with the 2000 format.

The restatement of the financial statements prior to 2000 consisted of:

In the balance sheet:

1. the elimination of intra-branch interest included within amounts due to and from the financial sector;
2. the transfer of provisions for suspended interest from accruals and deferred income to other provisions;
3. a detailed presentation of supplementary capital in accordance with the current financial statement format.

In the profit and loss account:

4. the result on the valuation of foreign currency derivatives is presented as part of the foreign exchange result. Previously they were shown as part of the profit/(loss) on financial operations;
5. foreign exchange gains and (losses) on specific provisions are included in the foreign exchange result. Previously they were included in provision costs or provision releases;
6. costs related to the creation of provisions for certain interest amounts are now shown in provision costs. Previously they were shown in other operating costs.

The effects of the restatements referred to above on individual items in the balance sheet and profit and loss account are presented below.

	31.12.1998		
	Before restatement	After restatement	Change
Total assets	8,056,470	7,971,529	(84,941)
Amounts due from the financial sector	567,399	567,390	(9)
Amounts due from non-financial and public sectors	4,581,728	4,500,742	(80,986)
Other assets	41,043	37,097	(3,946)
Total	5,190,170	5,105,229	(84,941)
 Total equity and liabilities before restatement	8,056,470	7,971,529	(84,941)
Amounts due to the financial sector	520,229	457,818	(62,411)
Amounts due to non-financial and public sectors	6,197,838	6,185,413	(12,425)
Other liabilities	294,882	249,187	(45,695)
Accruals and deferred income	313,944	307,584	(6,360)
Provisions	26,548	68,498	41,950
Supplementary capital:			
Statutory	95,401	95,400	(1)
Other	-	1	1
Total	7,448,842	7,363,901	(84,941)
 Changes in the profit and loss account			
Interest expense	(689,176)	(689,298)	(122)
Profit on financial operations	26,335	26,457	122
Foreign exchange profit	36,099	36,071	(28)
Other operating income	47,363	45,612	(1,751)
Other operating expenses	(29,651)	(29,653)	(2)
Provision costs	(398,809)	(398,643)	166
Provisions releases	165,585	167,200	1,615
Total	(842,254)	(842,254)	-

31.12.1999

	Before restatement	After restatement	Change
Total assets	7,983,644	7,983,624	(20)
Amounts due from the financial sector	385,161	385,141	(20)
Total	385,161	385,141	(20)
Total equity and liabilities before restatement	7,983,644	7,983,624	(20)
Amounts due to financial institutions	405,263	405,243	(20)
Accruals and deferred income	287,092	286,614	(478)
Provisions	93,775	94,253	478
Supplementary capital:			
Share premium	-	135,294	135,294
Created in accordance with statutory requirements	246,724	110,157	(136,567)
Other	-	1,273	1,273
Total	1,032,854	1,032,834	(20)
Changes in the profit and loss account			
Profit on financial operations	1,478	722	(756)
Foreign exchange profit	32,991	28,769	(4,222)
Other operating income	(14,193)	(13,716)	477
Other operating expenses	(451,502)	(446,176)	5,326
Provision releases	268,505	267,680	(825)
Total	162,721	162,721	-

The changes in the presentation of data in the financial statements for 1998 and 1999 did not affect the reported net profit or net assets.

Legal basis for not preparing consolidated financial statements for 1999 and 1998

The Bank did not prepare consolidated financial statements for 1999 and 1998 in accordance with Art. 56.2 of the Accounting Act dated 29 September 1994 and Par.3.3 of Resolution No. 2/98 of the Banking Supervision Commission dated 3 June 1998.

Relevant financial information justifying the decision not to prepare consolidated financial statements is presented in the following tables:

Company	1999			
	Total assets	% share	Net revenues	% share
	PLN '000	in total assets of BZ S.A.	on sales and financial income	in interest income of BZ S.A.
Subsidiary companies				PLN '000
FORUM ZTFI S.A.	6,105	0.08	996	0.10
G.R. Niepruszewo Sp. z o.o.	12,082	0.15	9,489	0.93
G.R. Cisy Sp. z o.o. in liquidation	N/A	-	N/A	-
Len S.A.	20,808	0.26	29,249	2.88
Zachodni Leasing S.A.	58,637	0.73	28,864	2.84
Huta Szkła Violetta S.A.	37,876	0.47	67,512	6.64
Dom Maklerski BZ S.A.	69,318	0.87	6,762	0.66
Zachodnie Systemy Teleinformatyczne Sp. z o.o.	1000	0.01	3,311	0.33
Associated companies				
Sudety C.W. Sp. z o.o.	12,253	0.15	30,748	3.02
WESTFUND Ltd.	10,175	0.13	2,706	0.27
Wrocławski Park Technologiczny S.A.	286	0.00	13	-
Granitex Sp. z o.o.	7,514	0.09	9,918	0.98
Prolhan Sp. z o.o. in bankruptcy	N/A	-	N/A	-
Kanwig-Trading Żurawica Sp. z o.o. in liquidation	N/A	-	N/A	-
Kanwig Agencja Celna Sp. z o.o. in liquidation	N/A	-	N/A	-

The total assets of the above subsidiary and associated companies as at 31 December 1999 represented 2.03% of the total assets of the BZ S.A. Group.

The total income of the above subsidiary and associated companies in 1999 represented 15.00% of the total income of the BZ S.A. Group.

The Bank acquired its shareholding in Huta Szkła Violetta S.A. through a debt for equity swap. At 31 December 1999 the intention of the Bank further to Resolution No 11 of the Management Board passed on 30 April 1999 was to dispose of its shareholding. Therefore in accordance with paragraph 3.3.1. of Resolution No. 2/98 of the Banking Supervision Commission dated 3 June 1998 the Bank elected not to consolidate this company. An agreement to sell this shareholding was concluded on 27 November 2000 with the final transfer of ownership taking place on 22 February 2001.

Company	Total assets PLN '000	% share in total assets of BZ S.A.	Net revenues on sales and financial income PLN '000	% share
				in interest
				income of BZ S.A.
Subsidiary companies				
FORUM ZTFI S.A.	6,427	0.08	1,219	0.10
G.R. Niepruszewo Sp. z o.o.	11,748	0.15	9,700	0.83
G.R. Cisy Sp. z o.o. in liquidation	922	0.01	848	0.07
Len S.A.	25,535	0.32	34,734	2.97
Zachodni Leasing S.A.	96,964	1.20	25,634	2.19
Huta Szkła Violetta S.A.	34,955	0.43	58,461	4.99
Associated companies				
Sudety C.W Sp. z o.o.	11,399	0.14	25,892	2.21
WESTFUND Ltd.	9,600	0.12	14,709	1.26
Wrocławski Park Technologiczny S.A.	277	-	1	-
Granitex Sp. z o.o.	7,830	0.10	9,611	0.82
Prolhan Sp. z o.o. in bankruptcy	N/A	-	N/A	-
Kanwig-Trading Żurawica Sp. z o.o. in liquidation	N/A	-	N/A	-
Kanwig Agencja Celna Sp. z o.o. in liquidation	N/A	-	N/A	-

The total assets of the above subsidiary and associated companies as at 31 December 1998 represented 2.49% of the total assets of the BZ S.A. Group.

The total income of the above subsidiary and associated companies in 1998 represent 13.38% of the total income of the BZ S.A. Group.

Other information

On 20 December 2000, an Extraordinary General Meeting of Shareholders of Bank Zachodni S.A. approved the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. The merger of the Banks will be take place through the transfer of the assets and liabilities of WBK S.A. to Bank Zachodni S.A. in exchange for new BZ S.A. shares that will be issued to the shareholders of WBK S.A. As a result of these decisions, in 2001 the share capital of Bank Zachodni S.A. will be increased by PLN 400,093,020 through the issue of 40,009,302 G series ordinary bearer shares with a nominal value of PLN 10 each. As a result of this the share capital of Bank Zachodni S.A. will be increased by PLN 400,093,020 to PLN 729,602,840.

The approved share exchange ratio is one G series (Merger Issue) share for 1.72 WBK S.A. shares.

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK ZACHODNI S.A. GROUP, WROCŁAW

1.1. OPINION ON THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of this opinion is related to the introduction to public trading of the following securities of Bank Zachodni S.A. (hereinafter referred to as the Bank):

- 5,120,000 series A shares with a par value of PLN 10 each,
- 724,073 series B shares with a par value of PLN 10 each,
- 22,155,927 series C shares with a par value of PLN 10 each,
- 1,470,589 series D shares with a par value of PLN 10 each,
- 980,393 series E shares with a par value of PLN 10 each,
- 2,500,000 series F shares with a par value of PLN 10 each,
- 40,009,302 series G shares with a par value of PLN 10 each,

and the public offering of series G shares, issued in relation with the merger of the Bank with WBK S.A., which will be assigned and allocated to the shareholders of WBK S.A.

To the shareholders of Bank Zachodni S.A.

Dear Sirs,

In accordance with the requirements specified in the Decree of the Council of Ministers of 22 December 1998 on the detailed conditions which must be fulfilled by share issue prospectuses, abbreviated share issue prospectuses, information memoranda and abbreviated information memoranda (hereinafter referred to as the Decree), Bank Zachodni S.A. has presented the consolidated financial statements of the Bank Zachodni S.A. Group (the Group) for the 12 month period from 1 January 2000 to 31 December 2000 which, in the opinion of the registered auditor, were audited in compliance with the provisions of the Accounting Act and auditing standards.

The Bank did not prepare consolidated financial statements for any previous periods before the 12 months from 1 January 2000 to 31 December 2000. Therefore, the Prospectus does not include any comparative data.

The Group's consolidated financial statements for the period from 1 January 2000 to 31 December 2000, included in this Prospectus, were prepared in accordance with the provisions of the Accounting Act, Resolution No. 1/98 of the Banking Supervision Commission concerning detailed accounting rules for banks and specific requirements regarding the preparation of notes to the financial statements of banks, and Resolution No. 2/98 of the Banking Supervision Commission on detailed rules for the preparation of consolidated financial statements by banks.

We conducted the audit of the consolidated financial statements of the Group for the period from 1 January 2000 to 31 December 2000, in compliance with:

- chapter 7 of the Accounting Act (Dz.U. No. 121 item 591, as amended);
- auditing standards issued by the National Board of Registered Auditors.

In our opinion the Group's consolidated financial statements for the period from 1 January 2000 to 31 December 2000 have been prepared, in all material aspects, on the basis of properly maintained consolidation records and in accordance with the consistently applied rules defined in the Polish Accounting Act and the disclosure requirements included in the Decree of the Council of Ministers of 22 December 1998 on the detailed conditions which must be fulfilled by share issue prospectuses, abbreviated issue prospectuses, information memoranda and abbreviated information memoranda. The consolidated financial statements are consistent with respect to their form and content with the provisions of law which are binding on the Group.

The Group's consolidated financial statements present, in all material aspects, in a fair and clear manner, the Group's financial position as at 31 December 2000 and the result of its operations for the period from 1 January 2000 to 31 December 2000.

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

Adam Celiński
Registered Auditor
No. C-33/7039

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

Registered Audit Company
No. 144

Warsaw, February 28, 2001

1.1. SOURCES OF INFORMATION WHICH PROVIDE THE BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE OPINION OF THE REGISTERED AUDITOR

The Group's consolidated financial statements including the notes to the consolidated financial statements contained in Chapter VIII, were prepared on the basis of the audited financial statements of the Bank Zachodni S.A. Group, Wrocław for the year 2000, prepared and submitted by the Management Board of the said Bank pursuant to the relevant legislation referred to in the opinion of the registered auditor, included in Section 1.2.1 of Chapter VIII, the report and opinion of the registered auditor concerning the year and additional data prepared by the Management Board on the basis of previously audited accounting records.

The responsibility for the financial statements and their restatement to ensure comparability lies with the Management Board of the Bank.

1.2.1 Opinions of Registered Auditors on the truth and fairness of the financial statements

REGISTERED AUDITOR'S OPINION

To the Shareholders of Bank Zachodni S.A.

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

- (a) the introduction;
- (b) the consolidated balance sheet as at 31 December 2000, showing total assets and total liabilities and equity of PLN 9,302,245 thousand;
- (c) the consolidated profit and loss account for the financial year from 1 January 2000 to 31 December 2000, showing a net loss of PLN 85,138 thousand;
- (d) the consolidated cash flow statement for the financial year from 1 January 2000 to 31 December 2000, showing a decrease in cash and cash equivalents of PLN 140,414 thousand;
- (e) the schedule of changes in consolidated equity;
- (f) the schedule of off-balance sheet items totalling PLN 4,494,238 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 Directors' Report is the responsibility of the Management Board of the parent company. Our responsibility was 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 binding in Poland:

- (a) the provisions of the Accounting Act of 29 September 1994 (Dz.U. 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 principles employed by the Group and consideration of significant estimates made during the preparation of the consolidated financial statements. Our audit also included a review of the overall presentation of the consolidated financial statements. We believe that our audit provided a reasonable basis for our audit opinion.

The consolidation 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 principles and valuation methods. The financial period of the consolidated subsidiary company is coterminous with that of the parent company, Bank Zachodni S.A.

The financial information included in the Directors' Report for the financial year from 1 January 2000 to 31 December 2000 is consistent with the information included in the audited consolidated financial statements.

The Bank did not prepare consolidated financial statements for the year ended 31 December 1999. Therefore, the consolidated financial statements for the financial year 31 December 2000 do not include any comparative data.

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

- (a) were prepared on the basis of properly maintained consolidation records and in accordance with the consistently applied provisions of the Polish Accounting Act, Resolution No. 1/98 of the Banking Supervision Commission concerning specific accounting policies for banks and the preparation of notes to financial statements, Resolution No. 2/98 of the Banking Supervision Commission concerning the specific rules for preparation of consolidated financial statements by banks, the Decree of the Council of Ministers, dated 22 December 1998, on the type, form, scope and frequency of publication of current and periodical information by issuers of securities admitted to public trading (Dz.U. of 30 December 1998) and the interpretations by the Polish Securities and Exchange Commission of the said Decree,
- (b) are consistent with respect to their form and content with the applicable legislation binding the Group,
- (c) present in a fair and clear manner the Group's financial position as at 31 December 2000 and the results of its operations for the financial year from 1 January 2000 to 31 December 2000.

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

Adam Celiński
Registered Auditor
No. C-33/7039

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

Registered Audit Company
No. 144

Warsaw, February 19, 2001

1.3. AVERAGE PLN/EUR EXCHANGE RATES

Year	Average exchange rate in the year	Minimum exchange rate in the year	Maximum exchange rate in the year	Exchange rate as at the last day of the year
2000	4.0046	3.8544	4.2075	3.8544

1.4. THE MAIN ITEMS IN THE BALANCE SHEET, PROFIT AND LOSS ACCOUNT AND CASH FLOW STATEMENT FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2000 TOGETHER WITH AMOUNTS TRANSLATED INTO EUR

Selected financial data	31.12.2000 (in PLN '000)	31.12.2000 (in EUR '000)
Interest income	1,197,544	299,042
Commission income	174,250	43,512
Profit on banking operations	725,115	181,071
Profit on operations	(73,826)	(18,435)
(Loss) on operating activities	(74,037)	(18,488)
Net (loss)	(85,138)	(21,260)
Total assets	9,302,245	2,413,409
Amounts due from the financial sector	1,474,313	382,501
Amounts due from the non-financial and public sectors	4,450,518	1,154,659
Amounts due to the financial sector	312,473	81,069
Amounts due to the non-financial and public sectors	7,435,757	1,929,161
Equity	952,359	247,084
Number of shares (in thousands) *	32,951	32,951
Book value per share in PLN/EUR as at 31 December 2000	28.90	7.46
Capital adequacy ratio	17.05	-
(Loss) per ordinary share (in PLN/EUR) **	(2.80)	(0.69)
Net change in cash and cash equivalents	(140,414)	(36,430)
Net cash flow from operating activities	(75,575)	(19,607)
Net cash flow from investing activities	(392,647)	(101,870)
Net cash flow from financing activities	176,658	45,833

* Number of shares at the end of the accounting period.

** These figures were calculated on the basis of the weighted average number of shares in the period.

The following rules were applied in the calculation of the selected financial data:

For profit and loss account items for the year 2000, the average EUR exchange rate was applied, calculated as the arithmetical mean of the EUR mid exchange rates announced by the NBP at the end of each month.

For balance sheet and cash flow statement items, the mid EUR exchange rate announced by the NBP as at the last day of the period was applied.

1.5. CONSOLIDATED FINANCIAL STATEMENTS

1.5.1. Introduction to the financial statements

1.5.1.1. Name, head office and scope of business activities of Bank Zachodni S.A.

Bank Zachodni S.A. (Bank Zachodni S.A.) is a joint-stock company, with its head office at Rynek 9/11, Wrocław, classified in division 6512 of the European Classification of Activities. The Bank was established on the basis of a Notarial deed, signed on 8 October 1991, transforming a state-owned bank into a joint-stock company, and was registered in the Commercial Register of the District Court in Wrocław Fabryczna, VI Commercial Department, Division B, reference No. RHB 2655 on 8 November 1991. The Bank performs foreign currency transactions pursuant to permit No. 18/91 issued by the President of the NBP on 13 May 1991.

Bank Zachodni S.A. is a bank offering a wide range of banking services nationally as well as internationally both for legal entities and private individuals.

The main areas of activity of Bank Zachodni S.A. comprise:

1. receiving cash deposits repayable on demand or at maturity, maintaining accounts for such deposits, and receiving and making deposits in domestic and foreign banks;
2. maintaining other bank accounts;
3. granting loans;
4. granting bank guarantees;
5. issue of bank securities;
6. performance of financial settlements;
7. granting cash loans;
8. cheque and bill of exchange operations;
9. issue of payment cards and processing of related transactions;
10. future and forward financial transactions;
11. trading in receivables;
12. custody of securities and other valuable items, and provision of safe deposit boxes;
13. trading in foreign currencies;
14. granting sureties;
15. carrying out activities related to the issue of securities;
16. acting as a representative of bondholders.

Other activities consisting of:

1. acquiring shares and other interests in other legal entities as well as units in trust funds, in accordance with the Banking Law;
2. taking on commitments related to the issue of securities;
3. proprietary trading in securities or on behalf of third parties;
4. exchange of debts for other assets held by debtors;
5. purchasing and selling real estate and receivables secured on real estate;
6. consulting and advisory services with respect to financial issues;
7. other financial services consisting of:
 - a. maintenance of securities accounts,
 - b. agency and intermediary services with respect to the granting of loans and credits,
 - c. debt collection based on supporting documents,

- d. contracting and performance of agreements with both domestic and foreign enterprises, concerning payments on bank accounts,
- e. financial and operational participation in international projects and ventures,
- f. custodial services,
- g. leasing, factoring, forfaiting, franchising and underwriting services,
- h. proprietary trading in derivatives and on behalf of third parties,
- i. performance of activities, on behalf of the Minister of the State Treasury, resulting from the provisions of the Act of August 30, 1996 on the commercialisation and privatisation of state-owned enterprises,
- j. managing shares held by the State Treasury;

8. sale of pension policies on behalf of open pension funds;

9. acting as a depositary within the meaning of the Act on the Organisation and Functioning of Pension Funds;

10. acting as a depositary within the meaning of the Act on Investment Funds;

11. agency services with respect to the sale of insurance, leasing and pension products as well as units and deposit certificates of investment funds.

The Bank may also perform the above mentioned activities at the request of other banks providing that they fall within the scope of activity of those banks.

The scope of the Bank's activities also includes dealing with domestic, foreign and international banks and financial institutions in the course of its operations.

The Bank may establish or join clearing houses (established in the form of incorporated companies) in order to process payment instructions and to determine mutual liabilities arising from such transactions.

Dom Maklerski BZ S.A. was established on the basis of a Notarial deed dated 22 July 1999 and registered in the commercial register maintained by the District Court in Wrocław Fabryczna, VI Commercial and Registration Department (Reference B No. 8754) on 23 July 1999.

Pursuant to a decision of the Polish Securities and Exchange Commission (KPWiG) of 9 August 1999 (decision KPWiG-4021-13/99), Dom Maklerski BZ S.A. has a permit to participate in activities associated with the trading of securities.

The Bank did not prepare consolidated financial statements for 1998 and 1999.

Bank Zachodni S.A. prepared consolidated financial statements for the year from 1 January to 31 December 2000 in which the financial statements of Dom Maklerski BZ S.A. were consolidated.

1.5.1.2. Restatement of previous financial statements to ensure comparability

Bank Zachodni S.A. in Wrocław did not prepare consolidated financial statements for previous years.

1.5.1.3. Accounting principles and methods applied

Legal basis

The following regulations form the basis for the preparation of the financial statements:

- The Banking Law of 29 August 1997 (Dz.U. of 1997 No. 140, item 939);
- The Accounting Act of 29 September 1994 as amended (Dz.U. of 1994 No. 121, item 591);
- Resolution No. 2/98 of the Banking Supervision Commission of 3 June 1998 concerning detailed rules for the preparation of consolidated financial statements by banks (Dz.Urz. NBP of 1998 No. 14, item 28);
- Resolution No. 8/99 of the Banking Supervision Commission of 22 December 1999 concerning the rules for creating provisions for risk associated with banking operations (Dz.Urz. NBP of 1999 No. 26 item 43);

- Resolution No. 13/98 of the Banking Supervision Commission of 22 December 1998 concerning the rules for creating provisions for risk associated with banking operations (Dz.Urz. NBP of 1998 No. 29 item 65);
- Decree of the Minister of Finance of 17 January 1997 on the depreciation and amortisation of tangible and intangible fixed assets (Dz.U. of 1997 No. 6, item 35);
- Decree of the Minister of Finance of 15 June 2000 concerning specific accounting principles for brokerage houses and for banks with internal organisational units engaged in brokerage activities (Dz.U. No. 52 item 624);
- The Act on Public Trading in Securities of 21 August 1997 (Dz.U. No. 118, item 754 as amended).

Principles governing the valuation of assets and liabilities and the determination of the financial result applied by the Bank Zachodni S.A. Group in 2000

The consolidated financial statements were prepared on the basis of the historic cost convention, in accordance with the applicable accounting policies and the following principles: completeness, application of the accruals basis, matching of income and costs and consistency in the classification of transactions.

The consolidated financial statements of the Bank Zachodni S.A. Group were prepared in accordance with the acquisition accounting method which consists of the summation of the relevant items of the:

- balance sheets,
- profit and loss accounts,
- changes in equity, and
- cash flows

of the consolidated companies together with appropriate consolidation eliminations and adjustments.

The historic cost convention was modified in the case of the revaluation of tangible fixed assets, balances denominated in foreign currencies and valuation of securities.

Amounts due from other financial institutions

Amounts due from other financial institutions are disclosed in the balance sheet at the amount due decreased by specific provisions.

Amounts due from customers and the public sector and specific provisions created

Amounts due from customers and the public sector are disclosed at the amount due decreased by specific provisions created in relation to receivables classified as non-performing.

Specific provisions set up for non-performing loans are determined on the basis of an assessment of the quality of the loan portfolio. Provisions were created pursuant to Resolutions No. 13/98 of the Banking Supervision Commission of 22 December 1998 and No. 8/99 of 22 December 1999.

The Bank creates a general banking risk provision in accordance with Art. 130 of the Banking Law of 29 August 1997.

Other receivables and liabilities

Balances representing the participation of other banks in syndicated loans are not shown in the balance sheet.

Suspended interest

Capitalised interest together with interest accrued or due but not received on loans classified as non-performing is shown in the balance sheet as suspended interest within deferred income.

Restructuring bonds

Restructuring bonds are shown at their nominal value increased by capitalised and accrued interest less any payments received from the State.

Pursuant to Decree No. 67 of the Ministry of Finance of 26 August 1993 concerning the issue of restructuring bonds, interest on these bonds is calculated using the rediscountrate established by the NBP, and the value of principal is increased by the amount of unpaid interest.

Investment and trading securities

Securities are classified as held for trading or as investment depending on the purpose for which they have been purchased. Securities purchased for investment purposes are classified as held in the investment portfolio, whereas securities purchased with a view to resale are classified as held in the trading portfolio.

The investment portfolio comprises debt securities purchased in order to be kept until their maturity date, and other securities which the Bank intends to keep for a period of at least six months after purchase.

The trading portfolio comprises debt securities purchased in order to be resold before their maturity date and other securities which are intended to be disposed of within six months of their purchase.

Investment debt securities are shown at cost plus accrued interest, discount or premium, and net of provisions for permanent diminution in value.

Debt securities held for trading are shown at the lower of cost (plus accrued interest discount or premium) and net realisable value. The realisable value is determined on the basis of available market information. If the net realisable value is lower than cost, the difference is charged to costs of financial operations.

Equity securities held for trading are disclosed at the lower of cost and net realisable value.

Equity securities held for investment are shown at cost less any provisions for permanent diminution in value.

During 2000, in accordance with the Decree of the Minister of Finance of 8 September 1999 concerning the issue of Treasury bills in connection with the conversion of State Treasury liabilities (Dz.U. No. 74 item 834) the Bank conducted a conversion of a part of its receivables from the State Treasury into Treasury bills by way of a novation as defined in Art. 506 of the Polish Civil Code. As a result of this transaction, the liabilities of the State Treasury were converted into Treasury bills. The nominal value of these Treasury bills is equal to the principal value of the State Treasury receivables plus interest accrued to the date of the conversion.

Intangible assets

Intangible assets are disclosed at cost net of accumulated amortisation. Goodwill on acquisition represents the difference between the acquisition price of an enterprise or organised business segment and the market value of the net assets acquired.

Intangible assets are amortised using the straight line method over the following periods:

• cooperative right to premises	40 years
• other intangible assets	2 to 5 years

Tangible fixed assets

Tangible fixed assets are disclosed at purchase price or manufacturing cost net of accumulated depreciation and taking into account any revaluations.

Tangible fixed assets are depreciated using the straight line method and the following annual depreciation rates:

– buildings/excluding residential buildings	2.5%
– residential buildings	1.5%
– other structures	4.0-4.5%
– boilers and power generating equipment	6.0%
– machinery and equipment	12.5%

– computer equipment	17.0-30.0%
– specialist machinery and equipment	12.5%
– technical devices and vehicles	20.0%
– tools, devices, movable property and fittings	14.0-20.0%
– leasehold improvements	2.5-50.0%

Tangible fixed assets with a purchase price lower than PLN 3,500 are written-off immediately to depreciation costs at the moment they are commissioned for use.

The tangible fixed assets of Dom Maklerski BZ S.A. are depreciated by the straight line method with the use of the following rates:

– initial value does not exceed PLN 25,000	50.00%
– their value is between PLN 25,000-50,000	33.33%
– motor vehicles	20.00%

The minimum limit for the recognition of a tangible fixed asset is PLN 700 except for: works of art, other fixed assets such as safes, TV sets, metal cabinets, perforators, refrigerators, vacuum cleaners and shredders to which the limit does not apply.

Tangible fixed assets are shown at historic cost adjusted for revaluation, and decreased by accumulated depreciation. Land, works of art and assets under construction are not depreciated. Tangible fixed assets are revalued in accordance with regulations issued by the Minister of Finance. The last revaluation of tangible fixed assets was performed on 1 January 1995.

Depreciation rates specified in the Decree of the Minister of Finance of 17 January 1997 on the depreciation and amortisation of tangible and intangible fixed assets, hereinafter referred to as the “Decree”, are adopted for tax purposes. The Decree specifies the tax-deductible limits for depreciation and amortisation charges as defined in the Corporate Income Tax Act of 15 February 1992.

Investment allowance and investment premium

In the years 1997-2000 Bank Zachodni S.A. utilised investment allowances pursuant to the Corporate Income Tax Act.

In 1998-2000 the Bank also utilised investment premiums amounting to 50% of investment allowances utilised in previous years.

The depreciation of tangible fixed assets for which investment allowances have been claimed is calculated in accordance with the same rules as those applied for other fixed assets and is not tax-deductible. Investment allowances utilised less disallowed depreciation charges to date are recognised as deferred tax liabilities. Investment premiums are recognised as deferred tax assets.

Assets taken over for sale

Assets taken over for sale are disclosed at the amount of the debt in relation to which they have been taken over, less provisions for the difference between the amount of the debt and the net realisable value of the assets taken over.

Equity

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

Share capital

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

Supplementary capital

Is principally created from appropriations of profit and shares premiums arising on the issue of shares. In accordance with the Polish Commercial Code, at least 8% of net profit must be transferred to supplementary capital each year until supplementary capital reaches the level of 1/3 of share capital.

Reserve capital

Is utilised in accordance with the articles of association of the consolidated Group companies. It is principally created from appropriations of profit and in certain circumstances is distributable.

General risk reserve

Is created from appropriations of profit to cover unidentified banking risks.

Revaluation reserve

Represents the accumulated net surplus on revaluation of fixed assets in prior years. Revaluation reserve realised on disposal of the related fixed assets is transferred to supplementary capital. Unrealised revaluation reserve is not distributable.

Recognition of income and costs

All the material items in income and costs, except for commissions other than for the granting of loans, guarantees and suretyships as well as for the opening of a letter of credit are recognised on the accruals basis.

Interest due to Dom Maklerski BZ S.A. on guarantee funds and security deposits is calculated on a quarterly basis in accordance with the rules established by the National Depository of Securities.

Accrued interest and interest due not received from regular loans within 30 days of its due date is recognised as income.

Commissions

Commissions are recognised as income or cost when they are received or paid, except for commissions received for the granting of loans, guarantees and letter of credit facilities which are recognised on a straight line basis over the period of the relevant agreements.

Brokerage commissions of Dom Maklerski BZ S.A. related to trading in securities on the Warsaw Stock Exchange and Centralna Tabela Ofert (CeTO) (OTC market) are collected and recognised in income on the day the transaction is executed, whereas commissions related to the offering of securities in public trading, the acceptance of sale or purchase orders for securities in non-public trading, and other commissions and fees are recognised in income in the periods in which they were earned.

Foreign currencies

Transactions in foreign currencies are disclosed in PLN at the exchange rate applicable on the date of the transaction. Assets, liabilities as well as off-balance sheet items denominated in foreign currencies are translated into PLN at the mid NBP exchange rate applicable at the end of the reporting period.

Realised and unrealised foreign exchange gains and losses are included in the profit and loss account.

Off-balance sheet liabilities and provisions created in relation to guarantees

A specific provision is created for non performing risk-bearing off-balance sheet liabilities granted in accordance with the criteria specified in relation to "Amounts due from customers and the public sector, and specific provisions created".

Provisions for off-balance sheet liabilities are shown in the balance sheet under "Other provisions".

Corporate income tax and deferred tax provision

Corporate income tax is calculated according to the Polish tax regulations on the basis of the gross accounting profit adjusted for tax exempt income and non-deductible costs. In addition in accordance with Polish tax regulations, the gross accounting profit is adjusted for tax-exempt income from donations and investment allowances and investment premiums utilised.

From 1 January 1995, a provision for deferred corporate income tax has been created. Provisions for deferred corporate income tax are recognised in relation to timing differences in the recognition of income and costs in accordance with accounting and tax regulations. Deferred tax assets are only recognised when it is certain that they will be realised in the following financial years. Deferred tax assets or liabilities are calculated taking into account the relevant balances on the last day of the financial year. Movements in the deferred tax provision are shown within the taxation charge for a given period.

One-off retirement payments and long service awards

Bank Zachodni S.A. has performed an actuarial calculation of the accrued liability resulting from one-off retirement payments and long-service awards as at 31 December 1999. According to this calculation, the liability resulting from one-off retirement payments and long-service awards amounted to PLN 44,999 thousand.

In the financial statements, the provision for long-service awards and one-off retirement payments is presented within accruals.

Dom Maklerski BZ S.A. has created a provision for the long service awards and one-off retirement payments that it expects to pay in the period to 2003.

Holiday pay accrual

Since 1999, holiday pay accruals have not been created. According to the provisions of the Polish Labour Code employees are obliged to use their holiday entitlement by the end of March of the following year.

Net profit/(loss)

The net profit/(loss) is determined taking into account the prudence principle, the accruals basis and the matching principle. The net profit/(loss) includes all income generated and costs incurred in a given reporting period, regardless of the date of their payment.

1.5.1.4 Adjustment of the financial statements or comparative financial data resulting from qualifications in registered auditor's opinions

No consolidated financial statements were prepared for previous years.

1.5.1.5 Indication whether the financial statements and comparable financial data contain aggregate data

The Bank does not have any internal reporting units that prepare their own financial statements.

1.5.1.6 Differences between financial statements prepared according to PAS and IAS

- The BZ SA Group prepares financial statements in compliance with Polish Accounting Standards (PAS) and International Accounting Standards (IAS).
- The main differences between PAS and IAS relate to the following items:

Tangible fixed assets

Tangible fixed assets in the consolidated financial statements prepared according to IAS are increased by the value of land held in perpetual usufruct (long term leasehold). In the consolidated financial statements prepared according to PAS these amounts are disclosed off-balance sheet.

Amounts due from customers, accruals and deferred income

Suspended income, general banking risk provisions and discount on purchased debt, are disclosed as separate liabilities in the consolidated financial statements prepared according to PAS. They decrease the relevant amounts due from customers in the consolidated financial statements prepared according to IAS.

Employee benefits

In the consolidated financial statements prepared according to PAS, the costs of one-off retirement payments and long-service awards are accrued during the period of employment of employees who will be entitled to receive the benefits in future. The Bank is gradually increasing the amount of the provision created in order to eventually match the value determined by actuarial calculations. The full amount of the provision determined by actuarial calculations has been recognised in the IAS financial statements.

Deferred tax provision

The calculation of deferred tax would take into account the adjustments described above, resulting in a change in the deferred tax provision.

Presentation of items in the financial statements

The presentation of information in the consolidated financial statements prepared according to IAS is different to that in the consolidated financial statements prepared according to PAS.

INTRODUCTION

CONSOLIDATED BALANCE SHEET

	Note	31.12.2000
Assets		
I. Cash and balances with the Central Bank	1	567,234
II. Debt securities eligible for rediscounting at the Central Bank		-
III. Amounts due from the financial sector	2	1,474,313
1. Current		28,846
2. Term		1,445,467
IV. Amounts due from non-financial and public sectors	3	4,450,518
1. Current		766,049
2. Term		3,684,469
V. Amounts due from non-consolidated subsidiaries and associated companies	2, 3	6,978
VI. Amounts due from subsidiaries and associated companies consolidated by the equity method	2, 3	-
VII. Amounts receivable from reverse repo transactions	4	98,779
VIII. Debt securities	5, 11	1,911,564
IX. Shares in non-consolidated subsidiaries and associated companies	6, 8, 11	11,082
X. Shares in subsidiaries and associated companies consolidated by the equity method	7, 8, 11	-
XI. Shares in other entities	9, 11	23,898
XII. Other securities	10, 11	102,506
XIII. Intangible assets	12	27,672
XIV. Goodwill on consolidation	13	-
XV. Tangible fixed assets	14	436,436
XVI. Own shares for sale	15	-
XVII. Other assets	16	146,193
1. Assets taken over – for sale		816
2. Other		145,377
XVIII. Prepayments	17	45,072
1. Deferred taxation		-
2. Other prepayments		45,072
Total assets		9,302,245

	Note	31.12.2000
Liabilities		
I. Amounts due to the Central Bank		-
II. Amounts due to the financial sector	18	312,473
1. Current		46,594
2. Term		265,879
III. Amounts due to non-financial and public sectors	19	7,435,757
1. Savings deposits, of which:		2
a) current		-
b) term		2
2. Other, of which:		7,435,755
a) current		2,186,083
b) term		5,249,672
IV. Amounts due to non-consolidated subsidiaries and associated companies	18, 19	986
V. Amounts due to subsidiaries and associated companies consolidated by the equity method	18, 19	-
VI. Amounts payable under repo transactions	20	99,508
VII. Other borrowed funds	21	1,642
VIII. Special funds and other liabilities	22	112,014
VI. Accruals, deferred and suspended income	23	303,616
X. Provisions	24	83,890
1. Deferred tax provision		28,357
2. Other provisions		55,533
XI. Subordinated liabilities	25	-
XII. Minority interests	26	-
XIII. Negative goodwill	27	-
XIV. Share capital	28	329,510
XV. Unpaid share capital (negative value)		-
XVI. Supplementary capital	29	412,058
XVII. Revaluation reserve		20,688
XVIII. Other reserve capital	30	275,241
XIX. Foreign exchange gains and (losses) on translation of foreign branches		-
XX. Foreign differences arising on consolidation		-
XXI. Retained profit or uncovered (loss) from previous year	31	-
XXII. Net (loss)		(85,138)
TOTAL LIABILITIES AND EQUITY		9,302,245
Capital adequacy ratio	32	17,05
Net book value		952,359
Number of shares (in thousands)		32,950,982
Net book value per share (in PLN)	32	28,90
Predicted number of shares		72,960,284
Diluted book value per share (in PLN)		13,05

Off-balance-sheet items

I.	Off balance-sheet contingent liabilities	969,423
1.	Committed:	859,089
a)	in relation to financing	681,846
b)	guarantees	33 177,243
2.	Received:	110,334
a)	in relation to financing	224
b)	guarantees	110,110
II.	Liabilities arising out of sale/purchase transactions	2,447,198
III.	Other contingent liabilities, of which:	1,077,617
–	assets taken over	441,153
–	liabilities received	625,268
–	sundry loans/receivables and liabilities written off/back	215
–	securities to be distributed	(1)
–	securities to be received	21
–	liabilities relating to assets received	10,303
–	deposits and Treasury bonds received in the form of payment	658
	Total off-balance-sheet items	4,494,238

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For period	Note	31.12.2000
I. Interest income	34	1,197,544
II. Interest expense	35	744,826
III. Net interest income (I-II)		452,718
IV. Commission income	36	174,250
V. Commission expense		17,248
VI. Net commission income (IV-V)		157,002
VII. Income on shares and other securities	37	1,232
VIII. Profit on financial operations	38	65,243
IX. Foreign exchange profit		48,920
X. Profit on banking operations		725,115
XI. Other operating income	39	46,266
XII. Other operating expenses	40	96,438
XIII. Overhead costs of the Bank	41	444,465
XIV. Depreciation and amortisation		67,482
XV. Provisions	42	679,971
XVI. Release of provisions	43	443,149
XVII. Net provisions (XV- XVI)		236,822
XVIII. (Loss) on operating activities		(73,826)
XIX. Net,extraordinary,gains, and,(losses)		(211)
1. Extraordinary gains	44	36
2. Extraordinary losses	45	247
XX. Amortization of goodwill on consolidation		-
XXI. Amortization of negative goodwill		-
XXII. Gross (loss)		(74,037)
XXIII. Corporate income tax	46	11,101
XXIV. Other charges against profit	47	-
XXV. Share in profit/ (losses) of entities consolidated by the equity method		-
XXVI. Minority interests		-
XXVII. Net (loss)		(85,138)
 Net (loss)		 (85,138)
Weighted average number of ordinary shares (in thousands)		30,418,972
Net (loss) per ordinary share (in PLN)	48	(2,80)
Predicted weighted average number of ordinary shares (in thousands)		70,428,274
Diluted book value per ordinary share (in PLN)		(1,21)

MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

For period	31.12.2000
I. Shareholders' funds at the beginning of the period	837,443
a) changes in adopted accounting policies	-
b) correction of fundamental errors	-
I. a Adjusted shareholders' funds at the beginning of the period	837,443
1. Share capital at the beginning of the period	294,706
1.1 Movements in share capital	34,804
a) increase due to	34,804
– issue of shares	34,804
b) decrease due to	-
– redemption	-
1.2 Share capital at the end of the period	329,510
2. Unpaid share capital at the beginning of the period	-
2.1 Movements in unpaid share capital	-
a) increase	-
b) decrease	-
2.2 Unpaid share capital at the end of the period	-
3. Supplementary capital at the beginning of the period	246,724
3.1 Movements in supplementary capital	165,334
a) increase due to	165,334
– share premium	165,196
– profit allocation (as required by law)	54
– profit allocation (in an amount higher than required by law)	-
– transfer from revaluation reserve	84
b) decrease due to	-
– covering of losses	-
3.2 Supplementary capital at the end of the period	412,058
4. Revaluation reserve at the beginning of the period	20,772
4.1 Movements in revaluation reserve	(84)
a) increase due to	-
b) decrease due to	(84)
– disposal and liquidation of fixed assets	(84)
4.2 Revaluation reserve at the end of the period	20,688
5. General banking risk fund at the beginning of the period	59,810
5.1 Movements in the general banking risk fund	-
a) increase due to	-
– profit allocation	-
b) decrease due to	-
– transfer to reserve capital	-
– transfer to corporate income tax liability	-
5.2 General banking risk fund at the beginning of the period	59,810
6. Brokerage activity fund at the beginning of the period	17,000
6.1 Movements in brokerage activity fund	(17,000)
a) Increase due to	-
b) decrease due to	(17,000)
– re-classification to other reserve capital	(17,000)
6.2 Brokerage activity fund at the end of the period	-
7. Other components of reserve capital at the beginning of the period	195,260
7.1 Movements in other components of reserve capital	20,171
a) Increase due to	20,171
– profit allocation	3,171
– re-classification from the brokerage activity fund	17,000
b) decrease due to	-
7.2 Other components of reserve capital at the end of the period	215,431
8. Foreign exchange gains and (losses) on translation of foreign branches	-

For period	31.12.2000
9. Foreign differences arising on consolidation	-
10. Retained profit or (loss) brought forward at the beginning of the period	-
10.1 Retained profit from previous years	3,171
a) changes in accounting policies	-
b) correction of fundamental errors	-
10.2. Adjusted retained profit brought forward at the beginning of the period	3,171
a) increase due to	54
– consolidation adjustment	54
b) decrease due to	(3,225)
– allocation to reserve capital	(3,171)
– allocation to supplementary capital	(54)
– profit allocation	-
10.3. Retained profit at the end of the period	-
10.4. Retained (loss) brought forward at the beginning of the period	-
a) changes in accounting policies	-
b) correction of fundamental errors	-
10.5. Adjusted retained (loss) brought forward at the beginning of the period	-
a) increase due to	-
– transfer to loss bought forward	-
b) decrease	-
10.6. (Loss) brought forward at the end of the period	-
10.7. Retained profit or (loss) brought forward at the end of the period	-
11. Net (loss)	(85,138)
a) net profit	-
b) net (loss)	(85,138)
II. Shareholders' funds at the end of the period	952,359

CONSOLIDATED CASH FLOW STATEMENT

For period	31.12.2000
A. NET CASH FLOWS FROM OPERATING ACTIVITIES (I-II) – indirect method*	75,575
I. Net (loss)	(85,138)
II. Total adjustments:	160,713
1. Minority interests	-
2. Share in profits/ (losses) of companies consolidated by the equity method	-
3. Depreciation/amortization (including amortisation of goodwill on consolidation or of negative goodwill)	67,481
4. Foreign exchange gains and (losses)	-
5. Interest and dividends	(204,444)
6. (Profit) /loss on investing activities	55,813
7. Changes in the balance of other provisions	196,327
8. Corporate income tax due	11,101
9. Corporate income tax paid	(21,966)
10. Change in debt securities	528,284
11. Change in amounts due from the financial sector	(1,149,413)
12. Change in amounts due from non-financial and public sectors	(285,472)
13. Change in amounts receivable from reverse repo transactions	(98,779)
14. Change in shares and other variable income securities	(9,379)
15. Change in amounts due to the financial sector	(73,338)
16. Change in amounts due to the non-financial and public sectors	1,105,104
17. Change in amounts payable on repo transactions	99,508
18. Change in other borrowed funds	(808)
19. Change in other liabilities	80,227
20. Change in prepayments and accruals	(2,733)
21. Change in deferred income	(18,173)
22. Other items	(118,627)
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	(392,647)
I. Inflows from investing activities	15,881,961
1. Sale of intangible assets	180
2. Sale of tangible fixed assets	20,171
3. Sale of shares in subsidiary companies	4,961
4. Sale of shares in associated companies	2,310
5. Sale of shares in parent company	-
6. Sale of shares in other entities (also those held for trading) and other securities	15,639,197
7. Other inflows	215,142
II. Outflows related to investing activities	(16,274,608)
1. Purchase of intangible assets	(10,241)
2. Purchase of tangible fixed assets	(102,074)
3. Purchase of shares in subsidiary companies	(46,169)
4. Purchase of shares in associated companies	-
5. Purchase of shares in parent company	-
6. Purchase of shares in other entities (also those held for trading) and other securities	(16,115,823)
7. Purchase of own shares for sale	-
8. Other	(301)
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	176,658
I. Inflows from financing activities	200,054
1. Raising long-term loans with banks	-
2. Raising long-term loans with other financial institutions	-
3. Issue of bonds or other debt securities to other financial institutions	-
4. Increase in subordinated liabilities	-
5. Proceeds from share issues	200,054
6. Contributions to capital	-
7. Other	-
II. Outflows related to financing activities	(23,396)
1. Repayment of long-term loans from banks	(10,000)

For period	31.12.2000
2. Repayment of long-term loans from other financial institutions	-
3. Redemption of bonds and other securities issued to other financial institutions	-
4. Decrease in subordinated liabilities	-
5. Share issues costs	-
6. Redemption of own shares	-
7. Dividends and other payments to shareholders	-
8. Payment from profit to members of management and supervisory boards	-
9. Donations made	-
10. Dividends paid to minority shareholders	-
11. Payments under finance lease agreements	-
12. Other expenses	(13,396)
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	(140,414)
E. Change in CASH AND CASH EQUIVALENTS	(140,414)
– including foreign exchange differences	-
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	716,038
G. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F+/-D)	575,624

The Cash Flow Statement was prepared with the use of the indirect method.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 1

1.1

CASH AND BALANCES WITH THE CENTRAL BANK	31.12.2000
1. Cash in hand and on current account	566,273
2. Amounts related to Bank Guarantee Fund	-
3. Other	961
Total cash and balances with the Central Bank	567,234

1.2

CASH AND BALANCES WITH THE CENTRAL BANK (BY CURRENCY)	31.12.2000
a) in PLN	498,551
b) in foreign currencies (by currency and PLN equivalent)	68,683
b1. in thousand /USD	4,360
in thousand PLN	18,063
b2. in thousand/DEM	15,991
in thousand PLN	31,513
b3. Other currencies (in PLN thousand)	19,107
Total cash and balances with the Central Bank	567,234

Note 2

2.1

AMOUNTS DUE FROM THE FINANCIAL SECTOR (BY CATEGORY)	31.12.2000
1. Current accounts	22,212
2. Loans and placements	1,517,214
3. Purchased debts	4,212
4. Realized guarantees	-
5. Other amounts due	6,655
6. Interest:	16,202
a) accrued	4,960
b) due, not received	11,242
Total amounts due from the financial sector (gross)	1,566,495
7. Provisions	(92,182)
Total amounts due from the financial sector (net)	1,474,313

2.2

AMOUNTS DUE FROM THE FINANCIAL SECTOR (by maturity)	31.12.2000
1. Current	28,867
2. Term, with remaining maturity:	1,521,426
a) up to 1 month	1,323,826
b) from 1 month to 3 months	817
c) over 3 months to 1 year	4,931
d) over 1 year to 5 years	161,033
e) over 5 years	11,168
f) overdue	19,651
3. Interest	16,202
- accrued	4,960
- due, not received	11,242
Total amounts due from the financial sector (gross)	1,566,495

2.3

AMOUNTS DUE FROM THE FINANCIAL SECTOR (BY ORIGINAL MATURITY)	31.12.2000
1. Current	28,867
2. Term, with maturity of:	1,521,426
a) up to 1 month	873,658
b) from 1 month to 3 months	453,842
c) over 3 months to 1 year	810
d) over 1 year to 5 years	154,060
e) over 5 years	39,056
3. Interest	16,202
- accrued	4,960
- due, not received	11,242
Total amounts due from the financial sector (gross)	1,566,495

2.4

AMOUNTS DUE FROM THE FINANCIAL SECTOR (by currency)	31.12.2000
a) in PLN (PLN)	172,778
b) in foreign currency (by currency and PLN equivalent)	1,301,535
b1. in thousand /USD	282,244
PLN thousand	1,168,490
b2. in thousand/DEM	9,236
PLN thousand	18,196
b3. Other currencies (in PLN thousand)	114,849
Total amounts due from the financial sector	1,474,313

2.5

AMOUNTS DUE FROM THE FINANCIAL SECTOR (gross)	31.12.2000
1. Normal	1,349,442
2. Watch category	70,146
3. Non-performing, of which:	130,705
– sub-standard	34,197
– doubtful	5,602
– lost	90,906
4. Interest	16,202
a) accrued	4,960
b) due, not received	11,242
– normal and watch category	59
– non-performing loans	11,183
Total amounts due from the financial sector (gross)	1,566,495

2.6

VALUE OF COLLATERAL RECOGNISED WHEN CREATING SPECIFIC PROVISIONS FOR AMOUNTS DUE FROM THE FINANCIAL SECTOR, CLASSIFIED AS:	31.12.2000
a) watch category	13,766
b) non-performing	26,998
– sub-standard	15,500
– doubtful	5,241
– lost	6,257
Total value of collateral recognised	40,764

2.7

PROVISIONS FOR AMOUNTS DUE FROM THE FINANCIAL SECTOR	31.12.2000
a) Watch category	564
b) non-performing	91,618
– sub-standard	6,691
– doubtful	181
– lost	84,746
Total provisions for amounts due from the financial sector	92,182

2.8

MOVEMENTS IN PROVISIONS FOR AMOUNTS DUE FROM THE FINANCIAL SECTOR	31.12.2000
Provisions for amounts due from the financial sector at the beginning of the period	35,764
a) increases due to	
– charged to costs	111,205
– foreign exchange differences	111,205
– transfer	-
b) utilization	(6)
c) releases due to	
– repayment of loans/receivables	(54,781)
– foreign exchange differences	(53,806)
– transfer	(975)
Provisions for amounts due from the financial sector at the end of the period	92,182

2.9

AMOUNTS DUE FROM FINANCIAL SECTOR	31.12.2000
a) from companies consolidated by the equity method	-
b) from other entities	1,474,313
Total amounts due from financial sector	1,474,313

Non performing loans/receivables from the financial sector do not exceed 10% of total assets

Note 3

3.1

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by category)	31.12.2000
1. Loans and advances	4,607,738
2. Purchased debts	266,944
3. Realized guarantees	918
4. Other amounts due (of which)	34,451
– deferred payment terms	885
– other	33,566
5. Interest	180,015
– accrued	44,202
– due, not received	135,813
6. Amounts receivable from the State relating to preferential loans	11,307
Amounts due from non-financial and public sectors (gross)	5,101,373
7. Provisions	643,877
Amounts due from non-financial and public sectors (net)	4,457,496
Including amounts receivable under finance leases	-

3.2

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by maturity)	31.12.2000
1. Current	773,122
2. Term, with remaining maturity:	4,148,236
a) up to 1 month	388,264
b) from 1 month to 3 months	204,159
c) over 3 months to 1 year	687,909
d) over 1 year to 5 years	1,253,248
e) over 5 years	1,083,556
f) overdue	531,100
3. Interest	180,015
– accrued	44,202
– due, not received	135,813
Total amounts due from non-financial and public sectors	5,101,373

3.3

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by original maturity)	31.12.2000
1. Current	773,122
2. Term, with original maturity:	4,148,236
a) up to 1 month	51,088
b) from 1 month to 3 months	106,587
c) over 3 months to 1 year	1,094,428
d) over 1 year to 5 years	1,249,271
e) over 5 years	1,646,862
3. Interest	180,015
– accrued	44,202
– due, not received	135,813
Amounts due from non-financial and public sectors	5,101,373

3.4

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (by currency)	31.12.2000
a) in Polish currency	3,544,993
b) in foreign currencies (by currency and PLN equivalent)	912,503
b1. in thousand /USD	124,782
PLN thousand	516,597
b2. in thousand/DEM	121,904
PLN thousand	240,151
b3. Other currencies (in thousand PLN)	155,755
Total amounts due from non-financial and public sectors	4,457,496

3.5

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS (gross)	31.12.2000
1. Normal	1,946,899
2. Watch category	1,539,499
3. Non-performing, of which:	1,434,960
– substandard	418,522
– doubtful	398,739
– lost	617,699
4. Interest on non-performing amounts due from non-financial and public sectors	180,015
a) accrued	44,202
b) due, not received	135,813
– on normal and watch category amounts	3,843
– non-performing loans	131,970
Total amounts due from non-financial and public sectors (gross)	5,101,373

3.6

VALUE OF COLLATERAL RECOGNISED WHEN CREATING SPECIFIC PROVISIONS FOR AMOUNTS DUE FROM THE NON-FINANCIAL AND PUBLIC SECTORS, CLASSIFIED AS:	31.12.2000
1. Normal	-
2. Watch category	531,804
3. Non-performing	439,125
– sub-standard	110,083
– doubtful	187,134
– lost	141,908
Total value of collateral recognised	970,929

3.7

PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS	31.12.2000
1. Normal	804
2. Watch category	3,049
3. Non-performing	640,024
– sub-standard	61,027
– doubtful	124,562
– lost	454,435
Total provisions for amounts due from non-financial and public sectors	643,877

3.8

MOVEMENTS IN PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS	31.12.2000
Balance at the beginning of the period	505,278
a) Increase due to	538,737
– initial consolidation of subsidiary entity	165
– charged to costs	537,112
– foreign exchange differences	1,460
– transfers	-
b) Utilization due to	(48,483)
– write off and time expiry of amounts receivable	(48,483)
c) releases due to	(351,655)
– repayment of debts	(342,408)
– foreign exchange differences	(9,247)
Provisions for amounts due from non-financial and public sectors as at the end of the period	643,877

3.9

AMOUNTS DUE FROM NON-FINANCIAL AND PUBLIC SECTORS	31.12.2000
a) from entities consolidated by the equity method	-
b) from other entities	4,457,496
Total amounts due from non-financial and public sector	4,457,496

Pursuant to the Decree of the Minister of Finance dated September 8, 1999 concerning the terms and conditions of issue of bonds designated for the conversion of State Treasury liabilities (Dz.U. No. 74, pos. 834), during 2000 the Bank converted part of its receivables from the State Treasury into Treasury bonds, by way of a novation in the meaning of Art. 506 of the Polish Civil Code. As a result of this transaction, receivables from the State Treasury (both principal and interest amounts) were converted into Treasury bonds.

Note 4

AMOUNTS RECEIVABLE ON REVERSE REPO TRANSACTIONS	31.12.2000
a) from the financial sector	98,779
b) from non-financial and public sectors	-
c) interest	-
Total amounts receivable on reverse repo transactions	98,779

Note 5**5.1**

DEBT SECURITIES	31.12.2000
1. Issued by central banks, of which:	832,591
– foreign currency bonds	-
2. Issued by other banks, of which:	7,917
– in foreign currency	7,917
3. Issued by other financial entities, of which:	-
– in foreign currency	-
4. Issued by non-financial entities, of which:	29,578
– in foreign currency	-
5. Issued by the State Treasury, of which:	1,016,748
– in foreign currency	-
6. Issued by local authorities, of which:	24,730
– in foreign currency	-
7. Own debt securities repurchased	-
Total debt securities	1,911,564

5.2

DEBT SECURITIES (BY TYPE)	31.12.2000
1. Issued by the State Treasury, of which:	1,016,748
a) bonds	778,341
b) Treasury bills	129,212
c) other (by type)	109,195
– restructuring bonds	109,195
2. Issued by the parent company, of which:	-
a) bonds	-
b) other (by type)	-
3. Issued by subsidiary companies, of which:	-
a) bonds	-
b) other (by type)	-
4. Issued by associated companies, of which:	-
a) bonds	-
b) other (by type)	-
5. Issued by other entities, of which:	894,816
a) bonds	507,762
b) other (by type)	387,054
– NBP bills	357,476
– other discounted securities	29,578
Total debt securities	1,911,564

5.3

DEBT SECURITIES	31.12.2000
a) operating securities of brokerage house	-
b) held for trading	185,292
c) held for investment	1,726,272
Total debt securities	1,911,564

5.4

MOVEMENTS IN DEBT SECURITIES	31.12.2000
a) balance at the beginning of period	1,697,111
b) increase in:	214,666
– purchase	214,666
c) decrease due to	(213)
– creation of provisions	(213)
d) Balance at the end of the period	1,911,564

Note 6

6.1

SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	31.12.2000
a) in banks	-
b) in other financial entities	2,800
c) in non-financial entities	8,282
Total shares in non-consolidated subsidiaries and associated companies	11,082

6.2

SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	31.12.2000
a) in subsidiary companies	9,547
b) in associated companies	1,535
Total shares in non-consolidated subsidiaries and associated companies	11,082

6.3

MOVEMENTS IN SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	31.12.2000
Balance at the beginning of the period	42,688
a) increase due to	
- purchase (gross price)	70,212
- other, e.g. change in value of exchange rates and transfers	120
- release of provisions	2,953
b) decrease due to	(104,891)
- sale of shares	(72,696)
- other, e.g. change in value of exchange rates and transfers	(30,935)
- creation of provisions	(1,260)
Total shares in non-consolidated subsidiaries and associated companies at end of the period	11,082

6.4

SHARES IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	31.12.2000
a) operating securities of brokerage house	-
b) held for trading	-
c) held for investment	11,082
Total shares in non-consolidated subsidiaries and associated companies	11,082

Note 7

7.1

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES CONSOLIDATED BY THE EQUITY METHOD	31.12.2000
a) in banks	-
b) in other financial entities	-
c) in non-financial entities	-
Total shares in subsidiary and associated companies consolidated by the equity method	-

7.2

Shares in subsidiary and associated companies consolidated by the equity method	31.12.2000
a) in subsidiary companies	-
b) in associated companies	-
Total shares in subsidiary and associated companies consolidated by the equity method	-

7.3

MOVEMENTS IN SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES CONSOLIDATED BY THE EQUITY METHOD	31.12.2000
Balance at the beginning of the period	-
a) increase due to	-
– acquisition of shares	-
– release of provisions	-
b) decrease due to	-
– disposal of shares	-
– creation of provisions	-
Total shares in subsidiary and associated companies consolidated by the equity method at the end of the period	-

7.4

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES CONSOLIDATED BY THE EQUITY METHOD	31.12.2000
a) operating securities of brokerage house	-
b) held for trading	-
c) held for investment	-
Total shares in subsidiary and associated companies consolidated by the equity method	-

Note 8

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES (HELD FOR INVESTMENT) 2000

No. a	Name of entity (and its legal status)	Registered office	SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES (HELD FOR INVESTMENT) 2000				Reason holding of votes at AGM classification (if not on basis of j or k)	Share- holding tag for present capital shares which substantial influence is exercised	Book value of shares shares	Purchase Provisions cost of control date from which substantial influence is exercised	Share- holding tag for present capital shares	Percent- age of votes present capital shares	shareholders equity including share unpaid share capital capital capital capital			Liabilities including long term amounts	Receivables including long term amounts	Total assets	Income t	Value Dividends of shares received or due /share in profit				
			b	c	d	e							h	i	j	k	l	m						
Subsidiaries																								
1. FORUM ZTFS A.	Wroclaw	Fund	direct	—	July 96	6,200	3,400	2,800	51.0	51.0	none	12,000	—	—	(6,123)	(3,977)	(2,146)	119	—	17	—	6,300	57	—
2. G.R. Nieprzezwo Sp. z o.o.	Nieprzezwo	Agricultural production	direct	—	May 96	6,248	—	6,248	100.0	100.0	none	6,249	—	—	477	—	54	3,822	2,325	468	—	10,804	10,080	—
3. G.R. Cis Sp. z o.o. in liquidation	Cisy	Agricultural production	direct	—	May 96	700	700	—	100.0	100.0	none	700	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	—
4. Lens A.	Kamienno Góra Wroclaw	Manufacturing IT Services	direct	—	December 98	6,508	6,508	—	39.4	50.1	none	9,722	—	131	(18,284)	(20,412)	(2,074)	26,186	5,346	1,540	—	18,486	30,117	—
5. Zachodnic Systemy Telenif. Sp. z o.o.	—	—	—	—	February 99	499	—	499	100.0	100.0	none	499	—	344	648	—	648	268	—	323	—	1,856	5,599	—
Associated companies																								
6. SUDETY C.W. Sp. z o.o.	Szczytna Śl.	Manufacturing	direct	—	February 94	3,970	2,600	1,370	48.5	48.5	none	8,192	—	55	(4,855)	25	(4,880)	7,592	2,237	1,624	—	11,374	33,760	—
7. WESTFUND Ltd.	Ireland	Management services	direct	—	July 95	165	—	165	33.7	33.7	none	634	—	—	9,833	—	—	1,019	—	3,656	—	11,486	824	—
8. Kawwig-Trading Żurawica Sp. z o.o. in liquidation	Żurawica	Bonded warehouse	direct	—	May 96	670	670	—	77.0	45.6	none	870	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	—
9. Kawwig Agencja Cenna Sp. z o.o. in liquidation	Żurawica	Customs agency	direct	—	May 96	5	5	—	49.0	49.0	none	10	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	—

Note 9**9.1**

SHARES IN OTHER ENTITIES	31.12.2000
a) banks	-
b) other financial entities	1,361
c) non-financial entities	22,537
Total shares in other entities	23,898

9.2

MOVEMENTS IN SHARES IN OTHER ENTITIES	31.12.2000
Balance at the beginning of the period	15,060
a) increase due to	
– balance of the consolidated entity	29
– purchase	13,947
– other	6,692
– write-back of provisions	8,527
– increase of nominal value of shares	3
b) decrease due to	(20,360)
– sale of shares and interests	(12,921)
– other	(90)
– creation of provisions	(7,349)
Shares in other entities at the end of the period	23,898

9.3

SHARES IN OTHER ENTITIES	31.12.2000
a) operating securities of brokerage house	-
b) held for trading	6,702
c) held for investment	17,196
Total shares in other entities	23,898

9.4

SHARES IN OTHER ENTITIES (HELD FOR INVESTMENT) 2000

PLN '000

No. a	b	c	d	e	f	g	h
Name of entity (and its legal status)	Registered office	Business	Book value of shares	Share-holding	Percentage of votes at AGM	Value of shares not paid by the issuer	Dividends received or due for previous accounting year
1. Chocianowska SM	Chocianów	services	-	-	*	*	-
2. SM Nadodrza	Głogów	services	-	-	*	-	-
3. Międzynarodowa Szkoła Bankowości i Finansów Sp. z o.o.	Katowice	services	11	3.8	3.8	-	-
4. Invest Park WSSE Sp. z o.o.	Wałbrzych	management of economic zone	1,000	2	0.7	-	-
5. FUM Poręba Sp. z o.o.	Poręba	manufacturing	-	0.0	0.0	-	-
6. Fabryka Nici ODRAS S.A.	Nowa Sól	manufacturing	-	12,5	12,5	-	-
7. Huta Szczecin S.A.	Szczecin	manufacturing	-	1,6	1,6	-	-
8. Bank Powierniczo-Gwarancyjny S.A.	Warsaw	banking activity	-	1,8	1,6	-	-
9. Dolnośląska ARR S.A.	Wałbrzych	services	102	2,5	2,2	-	-
10. ARR Agroreg S.A.	Nowa Ruda	services	100	7,8	7,8	-	-
11. ARR Arleg S.A.	Legnica	services	48	5,2	5,2	-	-
12. Karkonoska ARR S.A.	Jelenia Góra	services	80	2,7	2,7	-	-
13. BPT Telbank S.A.	Warsaw	services	5,151	3,3	3,3	66	-
14. Cera S.A.	Warsaw	services	12	2,3	2,3	-	-
15. Wrocławska ARR S.A.	Wrocław	services	100	0,6	0,6	-	-
16. Legnicka Specjalna Strefa Ekonomiczna S.A.	Legnica	services	150	0,5	0,6	-	-
17. Biuro Informacji Kredytowej S.A.	Warsaw	services	220	2,6	2,6	-	-
18. Krajowa Izba Rozliczeniowa S.A.	Warsaw	services	313	5,7	5,7	56	-
19. Giełda Poznańska S.A.	Poznań	services	45	1,6	1,0	-	-
20. Polska Giełda Finansowa S.A.	Warsaw	services	-	3,1	3,1	-	-
21. Wałbrzyska Giełda Roho-Spożywczego S.A.	Wałbrzych	services	22	0,6	0,7	-	-
22. DCHRS S.A.	Wrocław	services	850	2,2	1,9	-	-
23. Gorzowski Rynek Hurtowy S.A.	Gorzów Wlkp.	services	-	5,7	9,9	-	-
24. Giełda Elbląska S.A.	Elbląg	services	100	0,8	1,1	1	-
25. Vienna Leas International S.A.	Gliwice	services	-	8,7	2,5	-	-
26. Wrocławski Park Technologiczny S.A.	Wrocław	services	36	21,2	19,9	-	-
27. FASING S.A.	Katowice	manufacturing	300	3,2	3,2	-	-
28. MAGNA POLONIA S.A.	Warsaw	services	5,762	5,5	5,5	-	-
29. Giełda Papierów Wartościowych	Warsaw	financial activity	8	0,02	0,0	4	-
30. Centralna Tabela Ofert	Wrocław	copper processing	24	0,4	0,5	-	-
31. Hultmen	Wrocław	sale of electrical equipment	872	2,5	2,5	-	-
32. TIM	Wrocław	construction	1,15	9,1	9,1	-	-
33. MIFTEX	Wrocław	-	735	3,6	3,6	-	-

Shareholdings representing less than 5% of share capital and total voting rights at the AGM of the company may be disclosed in total under "Other", unless they are material by virtue of their market value or investment policy of the issuer.

Note 10**10.1**

OTHER SECURITIES (BY TYPE)	31.12.2000
a) units in trust funds	100,000
b) pre-emptive rights	-
c) derivative rights	-
d) other (by type)	2,506
- operating	2,506
- held for investment	
Total other securities	102,506

10.2

OTHER SECURITIES	31.12.2000
a) operating securities of brokerage house	2,506
b) held for trading	100,000
c) held for investment	-
Total other securities	102,506

10.3

CHANGE IN OTHER SECURITIES	31.12.2000
Balance at the beginning of the period	5,800
a) increase due to	108,962
- initial consolidation of subsidiary entity	1,214
- purchase	107,417
- release of provisions	131
- other	200
b) decrease due to	(12,256)
- sale	(12,089)
- other	(167)
Total other securities at the end of the period	102,506

Note 11**11.1**

DEBT SECURITIES, SHARES AND OTHER SECURITIES	31.12.2000
a) operating securities of brokerage house	2,506
b) held for trading	291,994
c) held for investment	1,754,550
Total debt securities, shares and other securities	2,049,050

11.2

MOVEMENTS IN DEBT SECURITIES, SHARES AND OTHER SECURITIES	31.12.2000
Balance at the beginning of the period	1,760,659
a) increase due to	426,111
– initial consolidation of subsidiary entity	1,243
– purchase	406,242
– other	7,015
– release of provisions	11,611
b) decrease due to	(137,720)
– sales	(97,706)
– other	(31,192)
– creation of provisions	(8,822)
Total debt securities, shares and other securities at the end of the period	2,049,050

11.3

DEBT SECURITIES, SHARES AND OTHER SECURITIES (by currency)	31.12.2000
a) in PLN	2,040,968
b) in foreign currency (by currency and PLN equivalent)	8,082
b1. in thousand /IEP	34
PLN thousand	165
b2. in thousand/DEM	4,017
PLN in thousand	7,917
b3. Other currencies (in PLN thousand)	0
Total debt securities, shares and other securities	2,049,050

11.4

DEBT SECURITIES, SHARES AND OTHER SECURITIES – HELD FOR TRADING (BY MARKETABILITY)	31.12.2000
A. With unlimited marketability, listed on a stock exchange (book value)	85,914
a) shares	2,506
– market value	2,588
– value at cost	2,673
b) bonds	83,408
– market value	-
– value at cost	83,296
c) other – by category	-
B. With unlimited marketability, in regulated, OTC trading	-
a) shares	-
– market value	-
– value at cost	-
b) bonds	-
– market value	-
– value at cost	-
c) other – by category	-
C. With unlimited marketability, not listed and not in regulated, OTC trading	208,586
a) shares	6,702
– market value	-
– value at cost	6,702
b) bonds	24,404
– market value	-
– value at cost	24,271
c) other – by category	177,480
c1) commercial paper	-
– market value	-
– value at cost	-
c2) treasury bills	47,902
– market value	-
– value at cost	47,974
c3) other discounted securities	29,578
– market value	-
– value at cost	29,514
c4) units in trust funds	100,000
– market value	-
– value at cost	100,000
D. With limited marketability	-
a) shares	-
– estimated market value	-
– value at cost	-
b) bonds	-
– estimated market value	-
– value at cost	-
c) other – by category	-
Total value at cost	294,430
Total adjustments	-
Total estimated/market value	2,588
Total book value	294,500

11.5

DEBT SECURITIES, SHARES AND OTHER SECURITIES – HELD FOR INVESTMENT (BY MARKETABILITY)	31.12.2000
A. With unlimited marketability, listed on a stock exchange (book value)	700,352
a) shares	8,824
– value adjustments (balance)	(9,088)
– value at cost	17,912
b) bonds	691,528
– value adjustments (balance)	34,743
– value at cost	656,785
c) other – by category	-
B. With unlimited marketability, in regulated, OTC trading	-
a) shares	-
– value adjustments (balance)	-
– value at cost	-
b) bonds	-
– value adjustments (balance)	-
– value at cost	-
c) other – by category	-
C. With unlimited marketability, not listed and not in regulated, OTC trading	481,990
a) shares	202
– value adjustments (balance)	(8,695)
– value at cost	8,897
b) bonds	117,438
– value adjustments (balance)	82,496
– value at cost	34,942
c) other – by category	364,350
c1) commercial paper	357,476
– value adjustments (balance)	2,744
– value at cost	354,732
c2) treasury bills	6,874
– value adjustments (balance)	865
– value at cost	6,009
D. With limited marketability	572,208
a) shares	19,252
– value adjustments (balance)	(9,716)
– value at cost	28,968
b) bonds	478,519
– value adjustments (balance)	8,621
– value at cost	469,898
c) other – by category	74,437
c1) commercial paper	-
– value adjustments (balance)	-
– value at cost	-
c2) treasury bills	74,437
– value adjustments (balance)	7,456
– value at cost	66,981
Total value at cost	1,645,124
Total adjustments	109,426
Total book value	1,754,550

Note 12**12.1**

INTANGIBLE ASSETS	31.12.2000
a) deferred organisation and expansion expenses	321
b) development costs	-
c) goodwill on acquisition	9,313
d) licenses, trademarks, patents	21
e) acquired software	14,778
f) acquired rights to perpetual usufruct of land	425
g) other intangible assets	2,814
h) prepayments for intangible assets	-
Total intangible assets	27,672

12.2 MOVEMENTS IN INTANGIBLE ASSETS (by type) 2000 BZ S.A. GROUP

	a	b	c	d	e	f	g	h
	Deferred organisation and expansion expenses	Development costs	Goodwill on acquisition	Licences, patents and similar assets	Acquired software	Acquired rights to perpetual usufruct of land	Other intangible assets	Prepayments for intangible assets
a) cost at the beginning of the period	11	-	122,221	1,005	22,861	980	8,473	-
b) increase due to	364	-	-	-	10,733	-	66	11,163
- transfer from assets under construction	290	-	-	-	8,434	-	-	8,724
- transfer between groups	43	-	-	-	1,426	-	-	1,535
- initial consolidation of subsidiary entity	31	-	-	-	873	-	-	904
c) decrease	-	-	-	(938)	(11)	(15)	-	(964)
d) cost at the end of the period	375	-	122,221	67	33,583	965	8,539	165,750
e) accumulated amortization at the beginning of the period	7	-	90,558	147	12,093	356	5,274	108,435
f) amortization for the period	47	-	22,350	(101)	6,712	184	451	-
- amortization	45	-	22,350	14	6,396	191	451	-
- transfers	-	-	-	-	202	-	-	202
- decreases	-	-	-	(115)	(8)	(7)	-	(130)
- initial consolidation of subsidiary entity	2	-	-	-	122	-	-	124
g) accumulated amortization at the end of the period	54	-	112,908	46	18,805	540	5,725	-
h) net book value at the end of the period	321	-	9,313	21	14,778	425	2,814	-
								27,672

In 1998-2000 there were no unplanned amortisation costs.

Note 13**13.1**

GOODWILL ON CONSOLIDATION	31.12.2000
a) Goodwill on consolidation – subsidiaries	-
b) Goodwill on consolidation – associated companies	-
Goodwill on consolidation	-

13.2

CHANGE IN GOODWILL ON CONSOLIDATION – SUBSIDIARIES	31.12.2000
a) Gross value at the beginning of period	-
b) Increase	-
c) Decrease	-
d) Gross value at the end of period	-
e) Amortization of goodwill on consolidation at the beginning of the period	-
f) Amortization of goodwill on consolidation for the period	-
g) Amortization of goodwill on consolidation at the end of the period	-
h) Net value as at the end of period	-

13.3

CHANGE OF GOODWILL ON CONSOLIDATION – ASSOCIATED UNDERTAKINGS	31.12.2000
a) Gross value at the beginning of period	-
b) Increase	-
c) Decrease	-
d) Gross value at the end of period	-
e) Amortization of goodwill on consolidation at the beginning of the period	-
f) Amortization of goodwill on consolidation for the period	-
g) Amortization of goodwill on consolidation at the end of the period	-
h) Net value as at the end of period	-

Note 14**14.1**

TANGIBLE FIXED ASSETS	31.12.2000
Tangible assets, of which:	
a) fixed assets:	364,115
– freehold land and buildings occupied by the Bank for its own use	193,175
– other land and buildings	38,430
– equipment	98,344
– motor vehicles	6,937
– other	27,229
b) Assets under construction	71,935
c) Prepayments for assets under construction	386
Total tangible fixed assets	436,436

14.2

MOVEMENTS IN FIXED ASSETS (BY TYPE) AS AT 31.12.2000 BZ S. A. GROUP

	freehold land and buildings occupied by the Bank for its own use	other land and buildings	equipment	motor vehicles	other fixed assets
a) cost at the beginning of period	213,625	54,092	155,089	10,158	60,718
b) increase	7,813	245	37,470	3,183	9,315
- purchases	7,813	-	36,341	3,101	9,153
- other increases	-	-	116	-	-
- initial consolidation of subsidiary entity	-	245	1,013	82	162
c) decrease due to	-	(9,654)	(3,770)	(709)	(18,618)
- liquidation	-	(1,029)	(3,386)	(208)	(18,617)
- sale	-	(8,625)	(384)	(501)	(1)
d) cost at the end of the period	221,438	44,683	188,789	12,632	51,415
e) accumulated depreciation at the beginning of period	23,048	5,757	70,067	4,493	35,858
f) depreciation for the period	5,215	1,378	23,229	1,742	6,531
g) decrease in amortization due to	-	(898)	(3,054)	(546)	(18,605)
- liquidation	-	(10)	(2,966)	(70)	(18,604)
- sale	-	(888)	(88)	(476)	(1)
h) other increases	-	16	203	6	402
- increases	-	-	-	-	240
- initial consolidation of subsidiary entity	-	16	203	6	162
i) accumulated depreciation at the end of the period	28,263	6,253	90,445	5,695	24,186
j) net book value of fixed assets at the end of the period	193,175	38,430	98,344	6,937	27,229

Unplanned depreciation costs amounted to PLN 146 thousand.

14.3

TANGIBLE FIXED ASSETS RECORDED ON BALANCE SHEET (OWNERSHIP STRUCTURE)	31.12.2000
a) Own assets	364,115
b) used under a lease, rent or similar agreements	-
Total tangible fixed assets recorded on balance-sheet	364,115

14.4

TANGIBLE FIXED ASSETS RECORDED OFF-BALANCE SHEET	31.12.2000
used under a lease, rent or similar agreements, of which:	
- value of land held under perpetual usufruct	10,342
- used under rental agreements	10,231
- used free of charge	39
Total fixed assets recorded off-balance sheet	10,342

Note 15**15.1****OWN SHARES FOR DISPOSAL**

a	b	c	d	e
number	value at purchase price	balance-sheet value	purpose of purchase	held for
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

15.2**THE BANK'S SHARES HELD BY SUBSIDIARY COMPANIES**

a	b	c	d
name of the entity (company)	number of shares	value at cost	book value
-	-	-	-
-	-	-	-
-	-	-	-

Note 16**16.1**

OTHER ASSETS	31.12.2000
1. Assets taken over – for sale	816
2. Other, of which:	
– balances with central and local authorities	145,377
– amounts granted from the Employee Social Fund	41,030
– sundry amounts	6,277
Total other assets	146,193

16.2

ASSETS TAKEN OVER – FOR SALE	31.12.2000
1. Assets under construction	-
2. Real estate	86
3. Inventories	20
4. Other	710
Total assets taken over – for sale	816

16.3

MOVEMENTS IN ASSETS TAKEN OVER – FOR SALE	31.12.2000
1. Balance at the beginning of the period	4,535
2. Increase due to	1,834
– taken over for debts	1,720
– release of provisions	114
3. Decrease in the period due to	(5,553)
– sale	(5,432)
– creation of provisions	(40)
– other	(81)
4. Balance at the end of the period	816

Note 17**17.1**

MOVEMENTS IN DEFERRED TAX ASSET	31.12.2000
Balance at the beginning of the period	-
a) Increase due to	-
b) Decrease in the period due to	-
Balance at the end of the period	-

17.2

OTHER PREPAYMENTS	31.12.2000
a) Prepaid expenses, of which:	42,693
- costs paid in advance	42,667
- materials designated for consumption	26
b) Other prepayments, of which:	2,379
- materials	2,243
- sundry receivables	136
Total other prepayments	45,072

17.3**SUBORDINATED LOANS**

1.	2.	3.	4.
Name of the borrower	Value of the loan	Interest rate	Maturity date
	currency	PLN '000	
-	-	-	-
-	-	-	-
-	-	-	-

Note 18**18.1**

AMOUNTS DUE TO THE FINANCIAL SECTOR (by category)	31.12.2000
1. Current accounts and deposits	233,554
2. Loans and advances received	51,878
3. Other liabilities due to	22,637
- other transactions with financial institutions	21,170
- liabilities to other brokerage houses	1,246
- liabilities to stock exchanges	-
- liabilities to the National Securities Depository (KDPW)	90
- liabilities to clearing bank	-
- liabilities to entities organising regulated equity markets	131
4. Interest	4,404
Total amounts due to the financial sector	312,473

18.2

AMOUNTS DUE TO THE FINANCIAL SECTOR (by maturity)	31.12.2000
1. Current	45,941
2. Term, with remaining maturity of:	
a) up to 1 month	189,265
b) from 1 month to 3 months	20,904
c) over 3 months to 1 year	32
d) over 1 year to 5 years	53
e) over 5 years	51,874
f) overdue	-
3. Interest	4,404
Total amounts due to the financial sector	312,473

18.3

AMOUNTS DUE TO THE FINANCIAL SECTOR (by original maturity)	31.12.2000
1. Current	45,941
2. Term, with original maturity of:	
a) up to 1 month	127,325
b) from 1 month to 3 months	21,264
c) over 3 months to 1 year	61,665
d) over 1 year to 5 years	-
e) over 5 years	51,874
3. Interest	4,404
Total amounts due to the financial sector	312,473

18.4

AMOUNTS DUE TO THE FINANCIAL SECTOR (by currency)	31.12.2000
a) in PLN	287,569
b) in foreign currency (by currency and PLN equivalent)	24,904
b1. in thousand /USD	5,035
PLN thousand	20,864
b2. in thousand/DEM	302
PLN in thousand	595
b3. Other currencies (in PLN thousand)	3,445
Total amounts due to the financial sector	312,473

18.5

AMOUNTS DUE TO THE FINANCIAL SECTOR	31.12.2000
a) entities consolidated by the equity method	-
b) other entities	312,473
Total amounts due to the financial sector	312,473

Note 19**19.1**

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS (by category)	31.12.2000
1. Current accounts and deposits	7,059,501
2. Other liabilities:	
– liabilities to customers	280,443
– taxation, custom duties and social security liabilities	217,589
3. Interest	255
Total amounts due to the non-financial and public sectors	96,799
	7,436,743

19.2

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – SAVINGS DEPOSITS (by maturity)	31.12.2000
1. Current	-
2. Term, with remaining maturity of:	2
a) up to 1 month	-
b) from 1 month to 3 months	-
c) over 3 months to 1 year	-
d) over 1 year to 5 years	1
e) over 5 years	1
f) overdue	-
3. Interest	-
Total amounts due to the non-financial and public sectors – savings deposits	2

19.3

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – SAVINGS DEPOSITS (by original maturity)	31.12.2000
1. Current	-
2. Term, with original maturity of:	2
a) up to 1 month	-
b) from 1 month to 3 months	-
c) over 3 months to 1 year	2
d) over 1 year to 5 years	-
e) over 5 years	-
3. Interest	-
Total amounts due to the non-financial and public sectors – savings deposits	2

19.4

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – OTHER (by maturity)	31.12.2000
1. Current	2,176,372
2. Term, with remaining maturity of:	5,163,570
a) up to 1 month	1,987,882
b) from 1 month to 3 months	1,849,099
c) over 3 months to 1 year	1,237,175
d) over 1 year to 5 years	89,102
e) over 5 years	312
f) overdue	-
3. Interest	96,799
Total amounts due to the non-financial and public sectors – other	7,436,741

19.5

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS – OTHER (by original maturity)	31.12.2000
1. Current	2,176,372
2. Term, with original maturity of:	
a) up to 1 month	954,337
b) from 1 month to 3 months	2,220,658
c) over 3 months to 1 year	1,833,423
d) over 1 year to 5 years	155,152
e) over 5 years	-
3. Interest	96,799
Total amounts due to the non-financial and public sectors – other	7,436,741

19.6

AMOUNTS DUE TO THE NON-FINANCIAL AND PUBLIC SECTORS (by currency)	31.12.2000
a) in PLN	6,434,832
b) in foreign currency (by currency and PLN equivalent)	1,001,911
b1. in thousand /USD	136,073
PLN thousand	563,778
b2. in thousand/DEM	182,841
PLN thousand	360,325
b3. Other currencies (in PLN thousand)	77,808
Total amounts due to the non-financial and public sectors	7,436,743

Note 20

20.1

AMOUNTS PAYABLE UNDER REPO TRANSACTIONS	31.12.2000
a) to financial sector	99,508
b) to non-financial sector and public sector	-
c) interest	-
Total amounts payable under repo transactions	99,508

Note 21

21.1

OTHER BORROWED FUNDS	31.12.2000
1. Bonds	-
2. Certificates	1,596
3. Other due to:	-
– issue of long-term securities (excluding bonds) by the Bank	-
4. Interest	46
Total other borrowed funds	1,642

21.2

MOVEMENTS IN OTHER BORROWED FUNDS		31.12.2000
Balance at the beginning of the period		2,450
a) increase due to:		-
- issues		-
b) decrease due to		808
- redemptions		808
Balance at the end of the period		1,642

21.3

LONG-TERM LIABILITIES ARISING FROM ISSUED SECURITIES AS AT						31.12.2000
a	b	c	d	e	f	
securities by type	nominal value	interest rate	redemption date	collateral	additional rights	
Certificates of deposit	1 596	7%	03.08.2001	none	none	

Note 22

SPECIAL FUNDS AND OTHER LIABILITIES		31.12.2000
1. Special funds due to:		9,002
- Employee fund		1,668
- Employee Social Fund		7,334
2. Other liabilities, due to:		103,012
- interbank settlements		77,993
- balances with central and local authorities		-
- sundry creditors		25,019
Total special funds and other liabilities		112,014

Note 23

23.1

ACCRUALS, DEFERRED AND SUSPENDED INCOME		31.12.2000
a) accrued expenses		54,946
b) deferred income, of which:		87,371
- unrealized exchange rate gains		-
- income collected in advance		24,834
- other deferred income		48,622
c) suspended income, of which:		161,299
- interest due not received from non financial entities		131,469
- accrued interest on non performing receivables from non financial entities		15,869
- capitalised interest		1,109
- other		12,852
Total accruals, deferred and suspended income		303,616

Note 24

24.1

MOVEMENTS IN DEFERRED TAX PROVISION	31.12.2000
Balance at the beginning of the period	20,588
a) increase due to	
– interest on restructuring bonds accrued not received	25,732
– interest on securities accrued not received	(1,420)
– interest on loans accrued not received	8,433
– investment allowance	(21,418)
– income receivable on derivatives transactions	(4,211)
– interest receivable from the State Treasury converted into Treasury bonds	22,541
– other	21,167
b) decrease due to	640
– provisions for loans/receivables to be claimed as tax deductible	(17,963)
– taxable capitalised interest	(3,877)
– interest on deposits accrued not paid	1,044
– taxable income collected in advance	(7,627)
– investment allowance	147
– investment premium	2,441
– holiday provisions	(107)
– provisions for long service awards	-
– accrual for audit fee and other professional services	(3,389)
– costs of derivatives transactions	(3,360)
– other	(3,324)
– other	89
Deferred tax provision at the end of the period	28,357

24.2

OTHER PROVISIONS (BY CATEGORY):	31.12.2000
– contingent off-balance sheet liabilities	8,115
– general risk	40,537
– costs to be incurred	4,346
– other	2,535
Total other provisions	55,533

24.3

MOVEMENTS IN OTHER PROVISIONS		31.12.2000
Balance of provisions at the beginning of the period		73,665
a) increase due to		12,293
– initial consolidation of subsidiary entity		423
– amounts expensed		46
– contribution in kind		-
– off-balance sheet contingent liabilities		9,748
– general risk		-
– charge for costs to be incurred		112
– charge for interest receivable		1,964
b) utilization		(342)
c) releases		(30,083)
– income		(34)
– off-balance sheet contingent liabilities		(30,026)
– general risk		-
– costs to be incurred		(23)
– interest receivable		-
Other provisions at the end of the period		55,533

Note 25

25.1

SUBORDINATED LIABILITIES

1.	2.	3.	4.	5.	6.
Name of lender	Value of loan	Interest rate	Maturity	Balance of subordinated liabilities	Interest
	currency	PLN '000			
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

25.2

MOVEMENTS IN SUBORDINATED LIABILITIES		31.12.2000
Balance at the beginning of the period		-
a) increase		-
b) decrease		-
Balance of subordinated liabilities at the end of the period		-

Note 26

CHANGE IN MINORITY INTERESTS		31.12.2000
Balance at the beginning of period		-
a) increase		-
b) decrease		-
Minority interests at the end of period		-

Note 27**27.1**

NEGATIVE GOODWILL	31.12.2000
a) Negative goodwill – subsidiaries	-
b) Negative goodwill – associated companies	-
Total negative goodwill	-

27.2

CHANGE IN NEGATIVE GOODWILL – SUBSIDIARIES	31.12.2000
a) Gross at the beginning of period	-
b) Increase	-
c) Decrease	-
d) Gross value at the end of period	-
e) Amortization of negative goodwill at the beginning of the period	-
f) Amortization of negative goodwill for the period	-
g) Amortization of negative goodwill at the end of the period	-
h) Net value at the end of period	-

27.3

CHANGE IN NEGATIVE GOODWILL – ASSOCIATED COMPANIES	31.12.2000
a) Gross at the beginning of period	-
b) Increase	-
c) Decrease	-
d) Gross value at the end of period	-
e) Amortization of negative goodwill at the beginning of the period	-
f) Amortization of negative goodwill for the period	-
g) Amortization of negative goodwill at the end of the period	-
h) Net value at the end of period	-

Note 28

SHARE CAPITAL 2000						nominal value of one share = PLN 10	
Series /issue	Type of shares	Type of preference	No of shares	Total nominal value of issue	Paid up as	Registration date	Right to dividend
Series A from No. 0000001 to No. 5120000	registered ordinary shares	none	5,120,000	51,200,000	cash	8.11.1991	from 8.11.1991
Series B from No. 000001 to No. 724073	registered ordinary shares	none	724,073	7,240,730	contribution in kind – real estate in Wrocław, ul. Ofiar Oświęcimskich 38/40, lot no. 36/1	21.12.1996	from 1.01.1997
Series C from no 0000001 to no 22155927	registered ordinary shares	none	22,155,927	221,559,270	transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69), and risk fund established from 1991 net profit (PLN 14,522,258.31)	31.12.1996	from 1.01.1997
Series D from No. 0000001 to No. 1470589	registered ordinary shares	none	1,470,589	14,705,890	cash	25.10.1999	from 1.01.1999
Series E from No. 000001 to No. 980393	registered ordinary shares	none	980,393	9,803,930	cash	17.05.2000	from 1.01.2000
Series F from No. 0000001 to No. 2500000	registered ordinary shares	none	2,500,000	25,000,000	cash	30.11.2000	from 1.01.2001
Total number of shares				32,950,982			
Total share capital				329,509,820			

As at 31.12.2000 the shareholding structure is as follows:

83% – AIB European Investment Limited

12.70% – Employees

4.30% – State Treasury

Changes in share capital in 2000

Value of share capital at the beginning of the period	Movements in share capital in the period				Value of share capital at the end of the period
	Number of shares	Type of shares	Nominal value	Issue price	
2000 294,705,890.00	980,393	Ordinary registered	10.00	102.00	329,509,820.00
	2,500,000	Ordinary bearer	10.00	40.00	

All shares issued in 2000 were acquired by AIB European Investments Limited.

Note 29

SUPPLEMENTARY CAPITAL		31.12.2000
a) share premium		300,491
b) required by law		110,157
c) required by the Statutes of the Bank in excess of legal requirements		54
d) contributed by shareholders		-
e) other		1,356
Total supplementary capital		412,058

Note 30

OTHER RESERVE CAPITAL (BY PURPOSE):		31.12.2000
- General banking risk fund		59,810
- Brokerage activity fund		-
- Other		215,431
Total other reserve capital		275,241

Note 31

RETAINED PROFIT/ (LOSS) BROUGHT FORWARD		31.12.2000
a) retained profit		-
b) (loss) brought forward		-
Retained profit/ (loss) brought forward		-

Note 32

The book value per share was calculated on the basis of the net book value and actual number of shares in issue at the end of 2000.

31.12.2000

PLN 952,359 thousand / 32,950,982 = PLN 28.90 per share

The calculation of diluted book value per share takes into account the proposed issue of series G shares. The calculation however does not take into consideration the increase in net assets arising from the planned merger with WBK S.A.

31.12.2000

PLN 952,359 thousand / 72,960,284 = PLN 13.05 per share

Capital adequacy ratio calculated as at 31.12.2000

I. Risk weighted assets and off balance sheet liabilities	5,467,724
1. Share capital	329,510
2. Supplementary capital	412,004
3. Reserve capital	215,431
4. General risk fund	59,810
5. Revaluation reserve	20,688
II. Core and supplementary funds	1,037,443
III. Deductions	105,153
IV. Bank's own funds	932,290
V. Capital Adequacy ratio	17.05%

Note 33

OFF-BALANCE SHEET CONTINGENT LIABILITIES	31.12.2000
Guarantees granted on behalf of:	-
a) subsidiary companies	-
b) associated companies	-
c) parent company	-
d) other entities	177,243
Total guarantees granted	177,243

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**Note 34**

INTEREST INCOME	31.12.2000
1. From financial institutions	115,892
2. From non-financial and public sectors	816,623
3. On securities	244,902
a) with a fixed yield	167,766
b) with a variable yield	77,136
4. Other	20,127
Total interest income	1,197,544

Note 35

INTEREST EXPENSE	31.12.2000
1. On transactions with financial institutions	44,362
2. On transactions with non-financial and public sectors	699,406
3. Other	1,058
Total interest expense	744,826

Note 36

COMMISSION INCOME	31.12.2000
1. Commissions on banking operations	159,122
2. Commissions on brokerage operations	15,128
Total commission income	174,250

Note 37

INCOME ON SHARES AND OTHER SECURITIES	31.12.2000
1. From subsidiary companies	1,232
2. From associated companies	-
3. From other entities	-
Total income on shares and other securities	1,232

Note 38

PROFIT ON FINANCIAL OPERATIONS	31.12.2000
1. Profit on trading in securities	2,603
a) income from trading in securities	8,962
b) cost of trading in securities	(6,359)
2. Profit on other financial operations	62,640
Total profit on financial operations	65,243

Note 39

OTHER OPERATING INCOME	31.12.2000
a) on management of third party assets	-
b) on disposal or liquidation of fixed assets or assets for disposal	33,088
c) on recovery of bad debts	4,945
d) damages, penalties and fines received	139
e) donations received	19
f) other	8,075
- sales of materials	14
- sales of goods	18
- sales of other services	5,056
- increases in value of tangible fixed assets	68
- increases in value of current assets	34
- other	2,885
Total other operating income	46,266

Note 40

OTHER OPERATING EXPENSES	31.12.2000
a) management of third party assets	-
b) disposal or liquidation of fixed assets or assets for sale	89,224
c) recovery of bad debts	93
d) compensation, penalties and fines paid	638
e) donations granted	674
f) unscheduled depreciation charges	146
g) others due to	5,663
- cost of goods sold	9
- decrease in value of current assets	6
- purchase cost of securities sold	-
- other	5,648
Total other operating expenses	96,438

In 2000, the Bank sold shares in subsidiary and associated companies with sale proceeds of PLN 4,961 thousand and PLN 2,310 thousand, respectively.

Note 41

OVERHEAD COSTS	31.12.2000
1. Salaries	221,141
2. Other employment costs	41,537
3. Materials and consumables	29,227
4. Taxes and charges	6,997
5. Contributions to Bank Guarantee Fund	19,357
6. Other costs, including:	126,206
– services	59,847
– maintenance of premises and rentals	24,239
– other specific non-operational expenses	14,038
– other	28,082
Total overhead costs	444,465

Note 42

PROVISIONS	31.12.2000
1. Provisions for:	
– normal loans/receivables	678,711
– watch category loans/receivables	804
– non-performing loans/receivables	33,547
– off-balance sheet liabilities	593,937
– general banking risk	9,748
– lost loans/receivables	-
other:	166
– interest receivable	40,509
– other loans/receivables	1,964
– assets taken over for sale	31,157
– securities	40
2. Diminution in value:	7,348
– financial assets	1,260
Total provisions	679,971

Note 43

PROVISION RELEASES	31.12.2000
1. Release of provisions for:	439,038
– normal loans/receivables	-
– watch category loans/receivables	38,777
– non-performing loans/receivables	343,067
– off-balance sheet liabilities	30,026
– general banking risk	-
– deferred expenses	-
– lost loans/receivables	171
other:	26,997
– other loans/receivables	17,408
– assets taken over for sale	114
– securities	9,475
2. Reversal of diminution in value	4,111
– financial assets	4,111
Total provisions released	443,149

Note 44

EXTRAORDINARY GAINS	31.12.2000
a) force majeure	33
b) profit on disposal of shares in subsidiaries	-
c) profit on disposal of shares in associated companies	-
d) other	3
Total extraordinary gains	36

Note 45

EXTRAORDINARY LOSSES	31.12.2000
a) force majeure	171
b) on disposal of shares in subsidiaries	-
c) on disposal of shares in associated companies	-
d) other due to	76
– liquidation of obsolete tangible fixed assets	70
– other	6
Total extraordinary losses	247

Note 46

CORPORATE INCOME TAX	31.12.2000
1. Gross (loss)	(74,037)
2. Consolidation adjustments	-
3. Permanent timing differences	154,466
4. Temporary timing differences	(68,089)
5. Other differences	(1,237)
– (loss) brought forward	-
6. Taxable income subject to corporate income tax	11,103
7. Corporate income tax according to 30% rate	3,331
8. Exemptions, deductions and reductions in tax	(1,236)
9. Corporate income tax due	2,095
– other taxation including income tax on foreign income and withholding tax on dividends	1,237
10. Deferred tax provision	7,769
– balance at the beginning of the period	20,588
– increase	25,680
– DM BZ S.A. opening balance adjustment	52
– decrease	(17,963)
– at the end of the period	28,357
11. Deferred tax assets	-
– at the beginning of the period	-
– increase	-
– decrease	-
– at the end of the period	-
12. Corporate income tax charge	11,101

Information to Note 46 for 2000

Additional information concerning the major differences between the corporate income tax charge disclosed in the profit and loss account, and the corporate income tax arising on taxable income for 2000

– investment allowance	556
– investment allowance premium	556
– amount of tax deductible donations	528
Exemptions, deductions and reductions of tax	
a) Art. 20 and Art. 23 of the Corporate Income Tax Act	1,236
b) Decision of the Tax Office No. 8211/PK/2/199/99 of 13.04.1999	-
– Deferred tax provision at the end of 2000	28,357

Calculation of deferred tax provision:

	Consolidated 2000
1. Interest on restructuring bonds, not paid by the state budget	82,453 24% 19,789
2. Interest on securities accrued not received	56,086 28% 15,704
3. Interest on loans accrued not received	49,031 28% 13,729
4. Interest accrued on deposits in other banks	3,291 28% 921
5. Foreign exchange gains	(49) 28% (14)
6. Investment allowance utilised	52,121 12,755
7. Income receivable from derivatives transactions and from foreign currency operations	81,989 28% 22,957
8. Interest receivable on State Treasury debts converted into Treasury bonds by way of novation	90,417 21,167
9. Specific provisions, to be claimed as tax deductible in the years 2000-2003	(89,534) 28% (25,070)
10. Capitalised interest	(1,109) 28% (310)
11. Interest on deposits accrued not received	(107,364) 28% (30,062)
12. Suspended interest taxed in 1991	(945) 28% (265)
13. Taxable income collected in advance	(24,834) 28% (6,954)
14. Provision for retirement payments, long service awards and other payments to employees	(39,166) 28% (10,966)
15. Costs of derivatives transactions	(12,501) 28% (3,500)
16. Investment allowance premium	(382) 28% (107)
17. Accruals for audit fee and other professional services	(3,000) 28% (840)
18. Other	(2,252) 28% (629)
19. DM BZ S.A. opening balance adjustment	52
Total	28,357

– There was no deferred tax asset as at 31.12.1999.	
– Impact of changes in tax rates	3,124
– There was no write – off of deferred tax assets due to lack of certainty that they would be realised.	
– Corporate income tax on extraordinary items	(64)

Pursuant to Art. 18a of the Corporate Income Tax, Bank Zachodni S.A. utilised investment allowance in 2000. As permitted by the Act, qualifying investment expenditure incurred during a fiscal year can be deducted from the taxable income of that fiscal year. It is also possible to deduct an additional 50% of qualifying investment expenditure from the taxable income of the following fiscal year. The amounts claimed in 2000 were (in PLN '000):

- investment expenditure: PLN 556 thousand
- investment premium: PLN 556 thousand.

The use of investment allowance permitted Bank Zachodni S.A. to pay lower income tax in 2000. The tax savings in 2000 were PLN 334 thousand.

The Bank claimed investment allowances primarily in respect of expenditure on the construction and development of bank buildings and purchase of IT equipment. In 2000, the investment allowance was

claimed in respect of continued expenditure on the construction of a bank building. The Act provides for the loss of entitlement to investment allowances and investment allowance premium if any of the following circumstances are determined or occur, in relation to the fiscal year in which the allowances were claimed, within the three fiscal years following that fiscal year:

- arrears (individually exceeding 3% of the amount due for a particular year) are assessed with respect to social security contributions or taxes representing the income of central government,
- any tangible fixed assets (for which investment allowances have been claimed) used under rental agreements, lease agreements or agreements of a similar nature will cease to be regarded as the Bank's assets,
- the Bank will transfer – in any form – the ownership rights to the assets for which investment allowances have been claimed; this does not refer to a transfer of ownership as a consequence of a legal transformation, merger or division of existing business entities performed *inter alia* in accordance with the Polish Commercial Code,
- the Bank is placed in liquidation or is declared bankrupt,
- the Bank receives a reimbursement of the qualifying investment expenditure.

The risk of losing entitlement to investment allowances applies to all tax payers and not just the Bank. The risk of losing the right to investment allowances as a result of an assessment of tax arrears is insignificant, as it is assumed that if the tax payer corrects the relevant tax return and settles the arrears including interest within 14 days, following receipt of an assessment issued by the first instance tax authority, the right to investment allowance shall not be lost.

Note 47

OTHER CHARGES AGAINST PROFIT	31.12.2000
Other charges against profit	-
- provision for deferred tax liabilities	-
Other charges against profit	-

Note 48

Loss per ordinary share (in PLN)

31.12.2000 – (2.80)

Weighted average number of shares

31.12.2000 – 30,418,972

The profit/(loss) per ordinary share is calculated on the basis of the net profit/(loss) for the year and the weighted average number of shares in issue during the year.

The calculation of diluted loss per share takes account of the proposed issue of series G shares. It does not however take into account any change in net profit arising from the planned merger with WBK S.A.

Diluted (loss) per share (PLN)

31.12.2000 – (1.21)

Weighted average diluted number of shares used for calculating diluted (losses) per share.

31.12.2000 – 70,428,274

NET (LOSS)	31.12.2000
a) net (loss) of parent company (after consolidation adjustments)	(89,980)
b) net profit of subsidiaries (after consolidation adjustments)	4,842
c) net profit/ (loss) of associated companies (after consolidation adjustments)	-
Net (loss)	(85,138)

Result on banking operations	(89,980)
Result on brokerage operations	4,842
Total	(89,138)

Bank Zachodni S.A. – the Management Board has proposed to cover the net loss from supplementary capital.

Dom Maklerski S.A. – the Management Board has proposed the following distribution of profit

- employees bonuses – PLN 800 thousand,
- increase of supplementary capital – PLN 4,042 thousand.

Notes to the consolidated cash-flow statement of the Bank Zachodni S.A. Group

1.

Cash and cash equivalents

Item	31.12.2000
Cash and balances with the Central Bank	567,234
Nostro accounts with other banks	8,390
Deposit with the Warsaw Stock Exchange Guarantee Fund	-
Dom Maklerski BZ S. A. funds on current account with Bank Śląski	-
Total	575,624

2.

Classification of operating, investing and financing activities in the cash-flow statement

Operating activities comprise the core activities of the Group, as specified in the Articles of Association, which generate income on transactions and other events associated with the main banking activities, such as:

- maintenance of bank accounts,
- granting cash loans and advances,
- accepting savings deposits and term deposits,
- monetary settlements in all forms accepted in domestic and international banking relationships,
- accepting and placing deposits in domestic and foreign banks,
- issuing and servicing of payment card operations,
- trading in securities and provision of intermediary services related to trading in securities,
- proprietary trading in State Treasury bonds and on behalf of third parties.

The operating activities also include: purchase of securities held for trade/including debt securities/, corporate income tax paid and income on overpaid corporate income tax, and all non-monetary adjustments to the net profit/ (loss) associated with the investing or financing activities.

The investing activities of the Group involve the purchase and sale of long-term assets held for the generation of future profits. The cash flows from investing activities include:

- purchase/sale of tangible and intangible fixed assets,
- purchase/sale of shares in other companies (other than shares held for trading),
- purchase/sale of debt securities held for investment purposes.

The financing activities of the Group involve activities resulting in changes to the level of equity and long term borrowings, and in particular:

- obtaining/repayment of long-term loans and advances with banks and other financial institutions,
- payments to shareholders on acquisition or redemption of the bank's shares,
- proceeds from the redemption of restructuring bonds,
- proceeds from share issues,
- payment of dividends to shareholders.

3.

Explanation of the differences between changes in balance sheet amounts for selected items and the changes in these items disclosed in the cash- flow statement

Due to the lack of comparative data in the consolidated financial statements of the Group differences between changes in balance-sheet amounts and the changes in these items disclosed in the cash-flow statement are not presented.

4.

Other adjustments, inflows and outflows whose amounts exceed 5% of the total adjustments, inflows or outflows from a given activity

4.1

Operating activities

	2000
Overpaid corporate income tax	18,634
Provisions for diminution in value of other shares and interests	(1,128)
Interest accrued on investment portfolio debt securities	(37,148)
Unpaid interest on restructuring debt securities receivable from the State	(5,133)
Appropriation of profit to the employee bonus fund	-
Reclassification of LEN shares from associated to subsidiary undertakings	-
Other assets	(96,374)
Other	2,522
Total	(118,627)

4.2

Investing activities

	2000
Interest income on investment portfolio debt securities	243,968
Interest accrued on investment portfolio debt securities	(37,148)
Unpaid interest on restructuring debt securities receivable from the State	(5,133)
Other	13,455
Total	215,142

4.3

Financing activities

	2000
Interest expense on loan granted by the Bank Guarantee Fund	(3,741)
Other	(9,655)
Total	(13,396)

Additional Explanatory Notes – Bank Zachodni S.A. Group

Information on the concentration of exposures to individual entities, groups, and sectors, and an assessment of the risks connected with these exposures

The concentration of the exposures of the Bank Zachodni S.A. Group to individual groups and entities are within the limits set out in Art. 71 of the Banking Law of 29 August 1997.

The Bank Zachodni S.A. Group constantly monitors the concentration of exposures to individual entities and groups as required by relevant legislation. Bank Zachodni S.A. has a policy of limiting credit risk arising from the concentration of exposures to individual entities, groups, and sectors.

At the end of December 2000, the exposure to the 50 largest customers accounted for 36.7% of the Group's balance-sheet receivables. The exposure to eight groups represented 21.5% of the Group's balance-sheet receivables.

According to the Group's estimates, 56% of total receivables were characterised by low sector risk, and 20% by medium sector risk. The credit risk resulting from these concentrations is continually decreasing as a result of a policy that aims to find attractive areas for the expansion of lending activities and limiting the exposure in sectors with high credit risk. The Bank Zachodni S.A. Group constantly monitors the economic and financial standing of borrowers and evaluates the credit risk associated with the financing of entities in a given sector.

The Group's credit exposure to individual borrowers who have received loans exceeding 1% of total loans is presented below.

Borrower	Loan principal PLN '000	Credit exposure %*	Off balance liabilities PLN '000	Total exposure PLN '000	Total Exposure %**
					PLN '000
Public Administration	179,518	3.5	12,001	191,519	3.2
Mine	160,000	3.1	30,000	190,000	3.2
Paper production	154,179	3.0	-	154,179	2.6
Production of vehicles and civil engineering	116,434	2.3	6,126	122,560	2.1
Retail Trade	82,786	1.6	78	82,864	1.4
Electricity generator	72,757	1.4	397	73,154	1.2
Production of wood products	58,915	1.2	-	58,915	1.0
Financial intermediary and producer of soft drinks	58,747	1.2	-	58,747	1.0
Producer of white goods	57,773	1.1	430	58,203	1.0
Rental of transport equipment	50,840	1.0	23,283	74,123	1.2
Telecommunications and retail trade	49,513	1.0	-	49,513	0.8
Aircraft manufacturer	49,318	1.0	-	49,318	0.8
Financial Center	46,198	0.9	-	46,198	0.8
Total ***	5,101,373	22.3	859,089	5,960,462	20.3

* Credit exposure is presented as the ratio of gross loans granted to a given entity to the total gross loan portfolio of the Group.

** Total exposure is presented as the ratio of total gross loans and off-balance-sheet liabilities granted to a given entity to the total gross loans (items IV and V of the Group's Balance Sheet) and off-balance-sheet liabilities of the Group.

*** amounts due from customers, the public sector (gross loans as disclosed in items IV and V of the Group's balance sheet and off-balance-sheet items).

The Group's exposure to particular industries as at 31 December 2000 is as follows:

Sector	PLN '000	Share %
Wholesale Trade	519,689	10.2
Agriculture	357,890	7.0
Construction	291,532	5.7
Retail Trade	268,909	5.3
Energy	256,822	5.0
Public Administration	253,875	5.0
Foodstuffs	201,216	3.9
Mining	169,538	3.3
Financial Services	149,502	2.9
Machinery	141,671	2.8
Pulp & Paper	128,391	2.5
Transportation	101,095	2.0
Total loans where credit exposure exceeds 2% of the Group's gross loans	2,840,130	55.6

The concentration of exposure to individual borrowers and industry sectors does not give rise to increased risk.

The Group's loan portfolio is highly diversified, both in terms of exposure to individual sectors and in terms of exposure to individual customers.

Credit exposure to groups:

List of 10 major borrowers of Bank Zachodni S.A.

As at 31 December 2000

No. CUSTOMER	PLN '000	Total exposure * % share in the total loan portfolio of the Bank
1. CUSTOMER 1	190,000	3.2%
2. CUSTOMER 2	138,097	2.4%
3. CUSTOMER 3	74,122	1.3%
4. CUSTOMER 4	73,630	1.3%
5. CUSTOMER 5	73,154	1.2%
6. CUSTOMER 6	72,842	1.2%
7. CUSTOMER 7	71,000	1.2%
8. CUSTOMER 8	68,251	1.2%
9. CUSTOMER 9	65,295	1.1%
10. CUSTOMER 10	58,915	1.0%
TOTAL	885,306	15.1%

No. GROUP	PLN '000	Total exposure * % share in the total loan portfolio of the Bank
1. GROUP 1	205,054	4.05%
2. GROUP 2	159,541	3.15%
3. GROUP 3	116,433	2.30%
4. GROUP 4	82,864	1.64%
5. GROUP 5	71,512	1.41%
TOTAL	635,404	12.55%

* Loans utilised, receivables, guarantees and unutilised credit facilities.

Financial Instruments

Information on securities referred to in Art. 3.3 of the Act on Public Trading of Securities dated 21 August 1997 (Dz.U. No. 118, item 754, as amended) and other derivative transactions is presented in the table below.

	PLN Interest Rate SWAPS	PLN Future Rate Agreement (sale)	PLN Future Rate Agreement (purchase)	FX Swap	FX Forward
Nominal Value (PLN '000)	310,000	100,000	50,000	1,448,369	74,675
Purpose	Hedging	Trading	Trading	Trading	Hedging
Maturity/Date Range	11.06.2003-22.07.2004	09.04.01-23.04.01	17.04.01	02.01.01-20.08.01	02.01.01-23.03.01
Possibility of early settlement	N/A	N/A	N/A	N/A	N/A
Price/Range of Prices	From 8.5%	From 15.85% to 17.30 %	15.45%	From 0,0006 to 0.5200	From 1.9684 to 4.7075
Ability to exchange for other asset/liability	N/A	N/A	N/A	N/A	N/A
Expected Cash Flows	Variable	Variable	Variable	Variable	Variable
Additional collaterals	N/A	N/A	N/A	N/A	N/A
Other terms	N/A	N/A	N/A	N/A	N/A
Risk type	Interest rate, credit	Interest rate, credit	Interest rate, credit	Interest rate, credit	Interest rate, credit

Off-balance-sheet contingent liabilities

As at 31.12.2000, contingent liabilities totalled PLN 969,423 thousand including:

granted liabilities: PLN 859,089 thousand

accepted liabilities: PLN 110,334 thousand

Liabilities granted include:

financing commitments: PLN 681,846 thousand

guarantees: PLN 177,243 thousand

Liabilities due to purchase/sale transactions in the amount of PLN 2,447,198 thousand include:

liabilities resulting from currency transactions of PLN 1,643,132 thousand, of which:

– foreign currencies purchased: PLN 162,683 thousand;

– foreign currencies sold: PLN 1,488,682 thousand;

– differences on SWAP transactions: PLN (8,233) thousand;

– Commitments resulting from transactions in securities in the amount of PLN 800,739 thousand comprise:

securities to be received PLN 419,149 thousand

securities to be delivered PLN 381,590 thousand

– liabilities connected with sale/purchase transactions in DM BZ S.A. amount to PLN 3,327 thousand

– assets taken over amount to PLN 441,153 thousand.

As at 31 December 2000 there were no contingent liabilities to subsidiaries or associated entities.

All guarantees and sureties were granted to non-financial entities, of which 17% were granted to the public sector.

Liabilities to the State or local authorities relating to ownership title of buildings and premises.

As at 31 December 2000, the Group did not have any liabilities to the State or local authorities arising from ownership title of buildings and premises.

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

In 2000 no activity of material importance was discontinued. The Bank does not intend to discontinue any of its activities.

Costs of internally generated assets under construction, tangible fixed assets and development work

As at 31 December 2000, assets under construction amounted to PLN 71,935 thousand. Assets under construction related to the adaptation and modernisation of property amounted to PLN 50,194 thousand.

In 2000, capital expenditure on the purchase of software was PLN 16,673 thousand and on IT equipment and other equipment was PLN 5,068 thousand.

Incurred and planned capital expenditure

Capital expenditure incurred in 2000 amounted to PLN 114,400 thousand, of which PLN 68,232 thousand was spent on the modernisation and construction of buildings/facilities. Expenditure on IT and telecommunications amounted to PLN 43,206 thousand.

The capital expenditure planned by the Group for 2001 amounts to PLN 341,192 thousand comprising:

- construction and modernisation projects – PLN 100,259 thousand
- information technology and telecommunications – PLN 240,933 thousand

Significant transactions with related parties

The table below presents major transactions with non-consolidated related companies:

Entity	Scope of activities	% share in total number of votes	Loans / Receivables		Liabilities 31.12.2000 PLN '000	Expenses 31.12.2000 PLN '000	Income 31.12.2000 PLN '000
			31.12.2000 PLN '000	31.12.2000 PLN '000			
FORUM ZTFI	Fund management	51.0	-	13	20	187	
G.R. Niepruszewo Sp. z o.o.	Agriculture	100.0	1,444	-	-	-	
G.R. Cisy Sp. z o.o. (in liquidation)	Agriculture	100.0	-	-	-	-	
Len S.A.	Production	50.1	5,534	-	-	-	
Zachodnie Systemy Teleinformatyczne	Services						
Sp. z o. o.		100.0	-	973	5,557	375	
WESTFUND Ltd.	Management services	33.7	-	-	-	-	
Kanwig Trading Żurawica	Running a bonded	-	-	-	-	-	
Sp. z o. o. (in liquidation)	warehouse	45.6	-	-	-	-	
Kanwig Agencja Celna	Running	-	-	-	-	-	
Sp. z o. o. (in liquidation)	a customs agency	49.0	-	-	-	-	
Sudety CW Sp. z o.o.	Production	48.5	-	-	-	-	
Total		-	6,978	986	5,577	562	

As at 31 December 2000 the total value of balances eliminated from the consolidated financial statements resulting from transactions of Bank Zachodni S.A. with its wholly owned subsidiary Dom Maklerski BZ S.A., which is consolidated under the acquisition accounting method, were as follows:

Balance-sheet	PLN '000
Amounts due to the financial sector	242,695
Shares in consolidated subsidiary undertakings	24,040
Other assets – clearing accounts	13

Profit and loss account	PLN '000
Interest expense	12,052
Commission income	386
Other operating income	3,001

Major transactions with non-consolidated subsidiary undertakings include an increase in the share capital of BZ Finance & Leasing amounting to PLN 69,192 thousand and the subsequent sale of that company as described in Note 40. The funds obtained by BZ Finance & Leasing as a result of the increase in share capital were allocated for the repayment of loans received from the Bank as well as of certain purchased receivables.

Information on non-consolidated joint ventures

On 25 May 2000, WBK S.A. concluded an agreement with Bank Zachodni S.A., concerning the purchase of ICBS software license from Fiserv (Europe) Limited, in connection with the implementation of the system at both banks. Under the licence agreement, each of the banks holds a separate license and also covers the costs of the license and equipment.

Average staffing levels in the Group

	Bank Zachodni S.A.	Dom Maklerski S.A.
– Management Board	5 persons	2 persons
– Management personnel	528 persons	6 persons
– Team managers	370 persons	13 persons
– Other employees	5,606 persons	177 persons
TOTAL	6,509 persons	198 persons

Information on remuneration paid to the members of the Management Board and Bank Council of the parent company

In 2000 the following amounts were paid to the members of the Management Board and Bank Council:
Gross remuneration for 2000 – Management Board of BZ S.A. PLN 1,451 thousand

Gross remuneration for 2000 – Bank Council PLN 189 thousand

One of the members of the Management Board of Bank Zachodni S.A. acted as the Chairman of the Supervisory Board in the subsidiary Zachodnie Systemy Teleinformatyczne Sp. z o.o., without receiving any remuneration.

Information on loans, advances and guarantees granted to members of the Management Board and the Bank Council

In 2000 members of the Bank's Management Board had a total credit limit of PLN 50,000. All loans were granted in compliance with the regulations on granting loans to individuals applicable in Bank Zachodni S.A.

Members of the Management Board did not receive any loans, advances or guarantees granted by associated or subsidiary undertakings.

Information on significant events related to previous years

No significant events occurred in previous years, which required inclusion in the 2000 financial statements.

Information on significant post balance sheet date events, which were not reflected in the 2000 financial statements

In February 2001 the shares in the following companies were sold:

	Book value	Sale value
FORUM ZTFI SA	PLN 2,800 thousand	PLN 2,915 thousand
Violetta S.A.	PLN 6,702 thousand	PLN 11,903 thousand
Sudety CW Sp. z o.o.	PLN 1,370 thousand	PLN 1,642 thousand

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

Bank Zachodni S.A. was created in 1989 as one of nine state-owned regional banks spun-off from the National Bank of Poland. In 1991 Bank Zachodni S.A. was transformed into a joint-stock company with the State Treasury being its sole shareholder. In 1999 the State Treasury privatised Bank Zachodni S.A. and AIB was selected to be the strategic investor in the Bank. Following additional increases in share capital during November 2000, AIB holds now holds approximately 83% of the share capital of Bank Zachodni S.A.

Adjustment of the financial statements to take account of the effects of inflation

The last few years of the Bank's operations have been characterised by a decreasing inflation rate – which has remained below 20% on an annual basis. Therefore the Bank has not adjusted the 2000 financial statements to take account of the effects of inflation.

Changes to adopted accounting policies and methods of preparation of the financial statements

In order to properly reflect the return achieved on bills of exchange issued by non-performing customers, since 2000 the discount on such bills of exchange has only been recognised in income after the bills of exchange were repaid. The change had no material effect on the net profit/(loss) or the structure of the Bank's balance sheet.

Income and expenses on transactions with financial instruments, interest on swap transactions and realised and unrealised expenses and income are now disclosed as separate items. The change had no material effect on the net profit/(loss) or the structure of the Bank's balance sheet.

In 2000 the Group changed its rules for creating specific provisions for credit risk to take account of the new, modified requirements included in Resolution No. 8/99 of the Banking Supervision Commission. According to the resolution (Par. 6.3 and 6.4) the Bank reduces the required level of provisions for normal and watch category receivables by an amount representing 25% of the general banking risk provision.

As at 31 December 2000, provisions for loans and advances granted to retail customers (excluding housing loans) for purposes not associated with business activity, and for watch category loans/receivables were decreased by PLN 17,000 as a result of the above.

Provisions for loans/receivables denominated in foreign currencies are translated according to the principles specified in Resolution No. 1/98 of the Banking Supervision Commission. Foreign exchange gains and losses on the translation of provisions are included in the foreign exchange result. Previously, these items were charged to provision costs or credited to income as release of provisions. The change had no material effect on the net profit/ (loss) or the structure of the Bank's balance sheet.

Differences between the comparative data disclosed in these financial statements and previously published comparative financial data

No consolidated financial statements have been prepared for previous years.

Reconciliation of consolidated net profit and net assets stated in accordance with International Accounting Standards (IAS) and consolidated net profit and net assets stated in accordance with Polish Accounting Standards (PAS)

	Net profit for 2000 PLN '000	Net assets 31.12.2000 PLN '000
In accordance with PAS	(85,138)	952,359
Difference in deferred tax provision	(5,104)	9,714
Provisions for long service awards and one off retirement payments to employees	13,145	(14,999)
Difference in amortisation of intangible fixed assets	(1,698)	(1,280)
In accordance with IAS	(78,795)	945,794

Exclusion of subsidiary or associated undertakings from consolidation pursuant to separate regulations

In 2000 Bank Zachodni S.A. has taken advantage of the provisions of Art. 56.2 of the Accounting Act dated 29 September 1994 and Par. 3.3 of Resolution No. 2/98 of the Banking Supervision Commission, dated 3 June 1998 to exclude subsidiary and associated undertakings from consolidation.

Further information regarding subsidiary and associated undertakings that have been excluded from consolidation is presented in the following table:

Entity	% of share capital held	% share in the total number of votes at an AGM	Total assets of the entity PLN '000	Total assets as a % of those of Bank Zachodni S.A.	Net revenues on sales and financial income PLN '000	Total net revenues on sales and financial income as a % of those of Bank Zachodni S.A.	
						Bank	Zachodni S.A.
Subsidiaries							
FORUM ZTFI S.A.	51.0	51.0	6,300	0.07	1,121	0.09	
G.R. Niepruszewo Sp. z o.o.	100.0	100.0	10,804	0.12	10,086	0.84	
G.R. Cisy Sp. z o.o. (in liquidation)	100.0	100.0	no data	-	no data	-	
Len S.A.	39.4	50.1	18,486	0.20	30,313	2.53	
Zachodnie Systemy Teleinformatyczne	100.0	100.0	1,856	0.02	5,668	0.47	
Associated companies							
SUDETY C.W. Sp. z o.o.	48.5	48.5	11,374	0.12	33,985	2.84	
WESTFUND Ltd.	33.7	33.7	11,486	0.12	973	0.08	
Kanwig-Trading Żurawica Sp. z o.o. (in liquidation)	77.0	45.6	no data	no data	no data	-	
Kanwig Agencja Celna Sp. z o.o. (in liquidation)	49.0	49.0	no data	no data	no data	-	

The percentage share of the total assets of non-consolidated subsidiaries and associated undertakings was 3.30%.

The percentage share of the total revenues of non-consolidated subsidiaries and associated undertakings was 8.46%.

Dom Maklerski BZ S.A. was consolidated despite it meeting the criteria permitting its exemption from consolidation. This is because Dom Maklerski BZ S.A. had been an organisational unit in the Bank's structure (Brokerage Office) until August 1999. Therefore the 1998 and 1999 entity financial statements of the Bank presented in this Prospectus include the financial result, assets and liabilities of the Brokerage Office of Bank Zachodni S.A. for the period until August 1999.

Legal basis for not preparing consolidated financial statements for 1999 and 1998

The Bank did not prepare consolidated financial statements for 1999 and 1998 in accordance with Art. 56.2 of the Accounting Act dated 29 September 1994 and Par. 3.3 of Resolution No. 2/98 of the Banking Supervision Commission dated 3 June 1998.

Relevant financial information justifying the decision not to prepare consolidated financial statements is presented in the following tables:

Company	1999			
	Total assets PLN '000	% share in total assets of BZ S.A.	Net revenues on sales and financial income PLN '000	% share in interest income of BZ S.A.
Subsidiary companies				
FORUM ZTFI S.A.	6,105	0.08	996	0.10
G.R. Niepruszewo Sp. z o.o.	12,082	0.15	9,489	0.93
G.R. Cisy Sp. z o.o. in liquidation	N/A	-	N/A	-
Len S.A.	20,808	0.26	29,249	2.88
Zachodni Leasing S.A.	58,637	0.73	28,864	2.84
Huta Szkła Violetta S.A.	37,876	0.47	67,512	6.64
Dom Maklerski BZ S.A.	69,318	0.87	6,762	0.66
Zachodnie Systemy Teleinformatyczne	1,000	0.01	3,311	0.33
Associated companies				
Sudety C.W. Sp. z o.o.	12,253	0.15	30,748	3.02
WESTFUND Ltd.	10,175	0.13	2,706	0.27
Wrocławski Park Technologiczny S.A.	286	-	13	-
Granitex Sp. z o.o.	7,514	0.09	9,918	0.98
Prolhan Sp. z o.o. in bankruptcy	N/A	-	N/A	-
Kanwig-Trading Żurawica Sp. z o.o. (in liquidation)	N/A	-	N/A	-
Kanwig Agencja Celna Sp. z o.o. (in liquidation)	N/A	-	N/A	-

The total assets of the above subsidiary and associated companies as at 31 December 1999 represented 2.03% of the total assets of the BZ SA Group.

The total income of the above subsidiary and associated companies in 1999 represent 15.00% of the total income of the BZ SA Group.

The Bank acquired its shareholding in Huta Szkła Violetta S.A. through a debt for equity swap. At 31 December 1999 the intention of the Bank further to Resolution No. 11 of the Management Board passed on 30 April 1999 was to dispose of its shareholding. Therefore in accordance with paragraph 3.3.1 of Resolution No. 2/98 of the Banking Supervision Commission dated 3 June 1998 the Bank elected not to consolidate this company. An agreement to sell this shareholding was concluded on 27 November 2000 with the final transfer of ownership taking place on 22 February 2001.

Company	1998			
	Total assets PLN '000	% share in total assets of BZ S.A.	Net revenues on sales and financial income PLN '000	% share in interest income of BZ S.A.
Subsidiary companies				
FORUM ZTFI S.A.	6,427	0.08	1,219	0.10
G.R. Niepruszewo Sp. z o.o.	11,748	0.15	9,700	0.83
G.R. Cisy Sp. z o.o. in liquidation	922	0.01	848	0.07
Len S.A.	25,535	0.32	34,734	2.97
Zachodni Leasing S.A.	96,964	1.20	25,634	2.19
Huta Szkla Violetta S.A.	34,955	0.43	58,461	4.99
Associated companies				
Sudety C. W. Sp. z o.o.	11,399	0.14	25,892	2.21
WESTFUND Ltd.	9,600	0.12	14,709	1.26
Wrocawski Park Technologiczny S.A.	277	-	1	-
Granitex Sp. z o.o.	7,830	0.10	9,611	0.82
Prolhan Sp. z o.o. in bankruptcy	N/A	-	N/A	-
Kanwig-Trading Żurawica Sp. z o.o. (in liquidation)	N/A	-	N/A	-
Kanwig Agencja Celna Sp. z o.o. (in liquidation)	N/A	-	N/A	-

The total assets of the above subsidiary and associated companies as at 31 December 1998 represented 2.49% of the total assets of the BZ S.A. Group.

The total income of the above subsidiary and associated companies in 1998 represent 13.38% of the total income of the BZ S.A. Group.

Other information

On 20 December 2000, an Extraordinary General Meeting of Shareholders of Bank Zachodni S.A. approved the merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. The merger of the Banks will be take place through the transfer of the assets and liabilities of WBK S.A. to Bank Zachodni S.A. in exchange for new BZ SA shares that will be issued to the shareholders of WBK S.A. As a result of these decisions, in 2001 the share capital of Bank Zachodni S.A. will be increased by PLN 400,093,020 through the issue of 40,009,302 G series ordinary bearer shares with a nominal value of PLN 10 each. As a result of this the share capital of Bank Zachodni S.A. will be increased by PLN 400,093,020 to PLN 729,602,840.

The approved share exchange ratio is one G series (Merger Issue) share for 1.72 WBK S.A. shares.

A consequence of the process of merging Bank Zachodni S.A. and WBK S.A. has been the decision to merge the brokerage houses operating as part of the AIB Group in Poland.

On 21 December 2000, an Extraordinary General Meeting of Shareholders of Dom Maklerski BZ S.A. (DM BZ S.A.) approved the merger of DM BZ S.A. with Dom Maklerski WBK S.A. (DM WBK S.A.). The merger will be take place through the transfer of the assets and liabilities of DM BZ S.A. to DM WBK S.A. in exchange for new DM WBK S.A. shares that will be issued to the shareholders of DM BZ S.A.

The merger will be performed on the basis of the balance sheets of DM BZ SA and DM WBK S.A. prepared as at 31 December 2000. The activities related to the merger are to be completed by the end of 2001.

CHAPTER VIII – PART II

Opinion of the auditor on the pro forma summary consolidated financial statements

1. We have reviewed the pro forma summary consolidated financial statements prepared for the 12 months ended 31 December 1999 and 31 December 2000.
2. The pro forma consolidated financial statements comprise:
 - the pro forma consolidated balance sheet as at 31 December 1999 and 31 December 2000 showing total assets and total liabilities and equity of PLN 18,550,605 thousand and PLN 22,615,028 thousand respectively;
 - the pro forma consolidated profit and loss accounts for the 12 months ended 31 December 1999 and 31 December 2000, showing net profits of PLN 188,144 thousand and PLN 134,086 thousand respectively;
 - the pro forma consolidated cash flow statements for the 12 months ended 31 December 1999 and 31 December 2000 showing net changes in cash and cash equivalents of PLN 154,174 thousand and PLN 676,682 thousand respectively;
 - the pro forma statements of changes in consolidated shareholders funds for the 12 months ended 31 December 1999 and 31 December 2000 showing changes in consolidated shareholders funds of PLN 287,761 thousand and PLN 292,737 thousand respectively;
 - the pro forma statement of off balance items as at 31 December 1999 and 31 December 2000 showing total off balance sheet items of PLN 11,069,391 thousand and PLN 18,513,706 thousand respectively.
3. The Management Board of Bank Zachodni S.A. is responsible for the preparation of the pro forma summary consolidated financial statements. Our responsibility is to express an opinion in accordance with the requirements of § 17.4.3 of the Decree of the Council of Ministers of 22 December 1998 on the detailed conditions which must be fulfilled by share issue prospectuses, abbreviated share issue prospectuses, information memoranda and abbreviated information memoranda. (Dz.U. 98.163.1162 of 30.12.98), on these pro forma summary financial statements on the basis of the review performed by us.
4. The pro forma summary consolidated financial statements have been prepared on the basis of the assumptions specified in the introduction to the pro forma consolidated financial statements.
5. The pro forma summary consolidated financial statements have been prepared on the basis of:
 - the audited entity financial statements of Bank Zachodni S.A. for the 12 months ended 31 December 2000, on which an unqualified audit opinion was issued on 19 February 2001 by PricewaterhouseCoopers Sp. z o.o.;
 - the audited entity financial statements of Bank Zachodni S.A. for the 12 months ended 31 December 1999, on which an unqualified audit opinion was issued on 11 February 2000 by another registered auditor;
 - the audited entity financial statements of Wielkopolski Bank Kredytowy S.A. for the 12 months ended 31 December 1999 and 31 December 2000 on which unqualified audit opinions were issued on 15 March 2000 and 19 February 2001 respectively by PricewaterhouseCoopers Sp. z o.o.
6. The pro forma summary consolidated financial statements were prepared in order to provide an indication as to the possible results and financial position of the merged entity, had the merger taken place on 1 January 1999. The pro forma summary consolidated financial statements should not be deemed to represent any future financial position or results of the merged banks.
7. During the review of the pro forma consolidated financial statements we confirmed that:
 - a) the financial statements referred to in paragraph 5, above have been accurately included in the pro forma summary consolidated financial statements and that the pro forma summary consolidated financial statements are arithmetically correct;
 - b) the pro forma summary consolidated financial statements have been prepared in accordance with the assumptions referred to in the introduction to the pro forma summary consolidated financial statements.
8. In accordance with the requirements of § 17.4.3 of the Decree of the Council of Ministers of 22 December 1998, on the detailed conditions which must be fulfilled by share issue prospectuses, abbreviated share issue prospectuses, information memoranda and abbreviated information memoranda, a share

issue prospectus should contain the opinion of a registered auditor concerning the compliance of the accounting policies used by the issuer when preparing the summary pro forma consolidated financial statements with accounting regulations and domestic accounting standards. In the absence of such regulations or accounting standards a share issue prospectus should contain the opinion of a registered auditor concerning the compliance of the accounting policies applied by the issuer with other specified accounting standards including International Accounting Standards (IAS). In our opinion Polish accounting regulations do not give guidance on the combination of 2 commonly – controlled entities such as the planned merger of Wielkopolski Bank Kredytowy S.A. and Bank Zachodni S.A. In this instance the Management Board of Bank Zachodni S.A. in agreement with the Management Board of Wielkopolski Bank Kredytowy S.A. has referred to IAS 22 (Business Combinations). IAS 22 which governs accounting for both acquisitions and mergers does not deal directly with transactions involving companies under common control. Therefore in our view IAS 22 gives interested parties the freedom to select detailed accounting policies for such transactions. The Management Board of Bank Zachodni S.A. in agreement with the Management Board of Wielkopolski Bank Kredytowy S.A. has therefore sought guidance from the accounting policies used by the ultimate parent company of both Banks (Allied Irish Banks p.l.c.) for reporting its financial performance to the capital markets and in particular have considered the application of the British accounting standard FRS6. FRS6 permits the use of both acquisition and merger accounting subject to compliance with detailed criteria. As explained in the introduction to the summary consolidated pro forma financial statements the planned combination of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. complies with the criteria for the application of merger accounting. Appendix 2 to FRS6 contains a statement of the United Kingdom Accounting Standards Board that FRS6 complies with IAS. Therefore in our view the application of FRS6 is appropriate and within the framework of the Decree. In our view the accounting policies applied in preparing the summary consolidated pro forma financial statements are in accordance with FRS6.

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

Adam Celiński
Registered Auditor
No. C-33/7039

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

Registered Audit Company
No. 144

Warsaw, February 28, 2001

Introduction to summary consolidated pro forma financial statements

Basis of preparation

The summary consolidated pro forma financial statements were prepared on the basis of the audited entity financial statements of Bank Zachodni S.A. (BZ S.A.) and Wielkopolski Bank Kredytowy S.A. (WBK S.A.) for 1999 and 2000 in accordance with the requirements of the Decree of the Council of Ministers dated 22 December 1998 concerning prospectuses, mini prospectuses, information memorandum and mini information memorandum.

Accounting treatment of the planned combination

The combination of BZ S.A. and WBK S.A. will take place in accordance with article 492 of the commercial code (Kodeks Spółek Handlowych) and will involve:

- The issue of new BZ shares to the existing shareholders of WBK S.A.;
- The transfer of the assets and liabilities of WBK S.A. to BZ S.A.;
- The deletion of WBK S.A. from the commercial register.

The Management Boards of BZ S.A. and WBK S.A. have reviewed the accounting treatment of the planned combination of BZ S.A. and WBK S.A. As part of this process reference has been made to:

- The Polish Accounting Law of 29 September 1994;
- International Accounting Standards (IAS);
- Financial Reporting Standards (FRS) in the UK/Republic of Ireland.

(1) The Polish Accounting Law dated 29 September 1994 (“accounting law”)

The planned combination of BZ S.A. and WBK S.A. represents a transaction involving entities that are and will be at the time of the combination under common control. The accounting law refers to business combinations only in the context of an acquisition. In addition the rules governing acquisition accounting contained in Chapter 6 of the accounting law only refer to the acquisition of the shares of a third party and the establishment of a parent – subsidiary relationship. There are no explicit rules concerning the legal and operational combination of two companies under common control.

Reference has also been made to separate regulations regarding consolidation accounting by banks issued by the Banking Supervision Commission (KNB). These regulations do not contain any explicitly relevant guidance in relation to combinations such as the planned combination of BZ S.A. and WBK S.A.

It is the opinion of the Management Boards of BZ S.A. and WBK S.A. that the planned combination of the two banks is not covered by the scope of the Polish accounting law or other applicable regulations. As a consequence of this guidance has been sought from International Accounting Standards.

(2) International Accounting Standards

IAS 22 (Business Combinations) regulates the accounting treatment of business combinations which are defined as the bringing together of separate enterprises into one economic entity as a result of one enterprise uniting with or obtaining control over the net assets and operations of another enterprise.

In accordance with IAS 22 business combinations are accounted for using the acquisition method or uniting of interests method.

The Management Boards of BZ S.A. and WBK S.A. have examined IAS 22 in detail and are of the opinion that the planned combination of BZ S.A. and WBK S.A. does not fall within its scope due to Paragraph 8 which excludes transactions involving companies under common control. In addition the Management Boards of BZ S.A. and WBK S.A. believe there to be no official published guidance issued by the IASC (the International Accounting Standards Committee) as to the definition and accounting treatment of transactions involving companies under common control.

It is the opinion of the Management Boards of BZ S.A. and WBK S.A. that the combination of WBK S.A. and BZ S.A., in which AIB holds 60.14% and 83% respectively, is a transaction involving companies under common control and that therefore the provisions of IAS 22 are not applicable.

In this situation reference has been made to other widely recognised accounting standards and in particular UK GAAP (United Kingdom Generally Accepted Accounting Principles). Financial Reporting Standard 6 (“FRS 6”) governs the accounting treatment of mergers and acquisitions under UK and Irish accounting standards.

(3) Financial Reporting Standards (FRS) in the UK/Republic of Ireland

The Management Boards of BZ S.A. and WBK S.A. believe that UK GAAP and in particular FRS 6, is an appropriate standard to use because:

- The UK as the second largest capital market in the World has robust accounting standards, particularly governing business combinations;
- The UK/Republic of Ireland have a well organised framework for the development and enforcement of accounting standards;
- The use of these standards are reviewed on an on-going basis by the UK Take-Over Panel, Stock Exchange and the Accounting Standards Board to ensure appropriate application;
- FRS rules have been used extensively for combination transactions in the UK (merger of CGU and Norwich Union) and Ireland (merger of Irish Life and Irish Permanent);
- FRS 6 (Appendix II) contains a statement confirming that it is consistent with IAS;
- FRS are the accounting standards applied by AIB for reporting its financial performance.

FRS 6 contains guidance concerning the treatment of business combinations including combinations of entities other than those establishing a parent – subsidiary relationship and in particular concerning so called merger accounting. In accordance with FRS 6 a merger is “a business combination that results in the creation of a new reporting entity formed from the combining parties, in which the shareholders of the combining entities come together in a partnership for the mutual sharing of the risks and benefits of the combined entity, and in which no party to the combination in substance obtains control over any other, or is otherwise seen to be dominant, whether by virtue of the proportion of its shareholders’ rights in the combined entity, the influence of its directors, or otherwise”.

FRS 6 contains specific guidance as the circumstances in which merger accounting should be applied and these are set out in five criteria which must be met for merger accounting to be held to be appropriate.

The Management Boards of BZ S.A. and WBK S.A. have reviewed whether the proposed combination meets the 5 criteria necessary for the application of merger accounting to other business combinations. The results of this review are:

- *Criterion 1 – No party to the combination is portrayed as either acquirer or acquired, either by its own board or management or by that of another party to the combination.*

From the commencement of the discussions over the combination of the two banks the transaction has been viewed and publicised by the Management Boards of BZ S.A. and WBK S.A. as a merger of equals, each party bringing a particular set of assets and attributes which will form a new financial institution quite distinct from the predecessor banks.

- *Criterion 2 – All parties to the combination, as represented by the boards of directors or their appointees, participate in establishing the management structure for the combined entity and in selecting the management personnel, and such decisions are made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights.*

The Management Boards and Supervisory Boards of both BZ S.A. and WBK S.A. have participated fully in determining and agreeing the detailed terms of the combination.

Key members of both legacy Management Boards will participate in the proposed composition of the Management Board of the combined bank. All senior management positions will be filled on merit based on discussions and agreement by a committee comprised of representatives from both banks including the involvement of experienced HR management.

- *Criterion 3 – The relative sizes of the combining entities are not so disparate that one party dominates the combined entity by virtue of its relative size.*

The net asset values of BZ S.A. and WBK S.A. at 31 December 2000 were PLN 947,463 thousand and PLN 1,105,376 thousand respectively representing relative proportions of BZ S.A. 46.2%/WBK S.A. 53.8%.

This proportion is acceptable under the terms of FRS 6 where in practise the maximum permitted difference in relative size is 40%/60%.

- *Criterion 4 – Under the terms of the combination or related arrangements, the consideration received by equity shareholders of each party to the combination, in relation to their equity shareholding, comprises primarily equity shares in the combined entity; and any non-equity consideration, or equity shares carrying substantially reduced voting or distribution rights, represents an immaterial proportion of the fair value of the consideration received by the equity shareholders of that party.*

The new shares to be issued by BZ S.A. will have the same rights as the existing shares of BZ S.A.

Under the terms of the merger resolutions passed by the shareholders of both banks at extraordinary general meetings held on 20 December 2000 cash payments will be made to existing shareholders of WBK S.A. where the application of the 1/1.72 share exchange ratio gives rise to an entitlement to fractional amounts of new BZ S.A. shares.

It is the expectation of the Management Boards of BZ S.A. and WBK S.A. that the total value of such payments will not exceed PLN 100,000 and that this amount is immaterial in comparison to the scale of this planned combination.

- *Criterion 5 – No equity shareholders of any of the combining entities retain any material interest in the future performance of only part of the combined entity.*

No shareholder will receive any specific (or privileged) interest in any part of the combined bank.

After taking account of the above matters it is the opinion of the Management Boards of BZ S.A. and WBK S.A. that it is appropriate to treat this combination as a merger in accordance with FRS 6.

Preparation of summary consolidated pro forma financial statements

The summary consolidated pro forma financial statements for 1999 and 2000 have been prepared by the summation of individual items in the entity financial statements of WBK S.A. and BZ S.A. for 1999 and 2000 as adjusted to eliminate mutual balances and income and costs arising from transactions between BZ S.A. and WBK S.A. during 1999 and 2000.

An adjustment has also been made to the summary consolidated pro forma financial statements for 2000 to ensure the application of a uniform accounting policy in relation to foreign currency swaps. In the opinion of the Management Boards of both BZ S.A. and WBK S.A. there were no other material differences in the accounting policies applied by the Banks.

Consolidated pro forma shareholders' funds have been adjusted to take account of the planned new issue of shares by BZ S.A. and the cancellation of the existing share capital of WBK S.A. in connection with the merger. The difference of PLN 314,073 thousand between the total nominal value (PLN 400,093 thousand) of new BZ S.A. shares to be issued and the total nominal value of the share capital (PLN 86,020 thousand) of WBK S.A. that is to be cancelled has been charged against consolidated pro forma reserve capital.

The summary consolidated pro forma financial statements have been prepared assuming that the planned merger took place on 1 January 1999.

CONSOLIDATED PRO FORMA BALANCE SHEET

No. as at	Bank		WBK	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments	Bank	WBK	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments	
	Zachodni	31.12.2000												
I. Cash and balances with the Central Bank	567,234	331,259	898,493				898,493	703,825	846,449	1,550,274				1,550,274
II. Debt securities eligible for rediscounting at the Central Bank	-	-	-				-	-	-	-				-
III. Amount due from the financial sector	1,468,853	3,975,927	5,444,780	6	(68,825)	5,375,955	385,141	1,817,487	2,202,628	2	(429)	2,202,199		
1. Current	23,386	23,810	47,196			47,196	19,571	42,974	62,545			62,545		
2. Term	1,445,467	3,952,117	5,397,584	6	(68,825)	5,328,759	365,570	1,774,513	2,140,083	2	(429)	2,139,654		
IV. Amounts due from non-financial and public sector	4,455,640	5,408,994	9,864,634			9,864,634	4,654,159	4,756,124	9,410,283			9,410,283		
1. Current	764,194	1,036,089	1,800,283			1,800,283	541,496	820,924	1,362,420			1,362,420		
2. Term	3,691,446	4,372,905	8,064,351			8,064,351	4,112,663	3,935,200	8,047,863			8,047,863		
V. Amounts receivable from reverse repo transactions	98,779	99,462	198,241	7	(198,241)	-	-	-	-					
VI. Debt securities	1,911,564	2,700,078	4,611,642			4,611,642	1,697,111	2,482,353	4,179,464			4,179,464		
VII. Shares in subsidiary companies	33,587	72,004	105,591			105,591	40,030	68,899	108,929			108,929		
VIII. Shares in associated companies	1,535	8,355	9,890			9,890	2,658	6,755	9,413			9,413		
IX. Shares in other entities	23,866	129,799	153,665			153,665	15,060	112,916	127,976			127,976		
X. Other securities	100,000	128,558	228,558			228,558	5,800	7,474	13,274			13,274		
XI. Intangible assets	26,974	50,984	77,958			77,958	47,115	53,665	100,780			100,780		
XII. Tangible fixed assets	433,065	319,418	752,483			752,483	375,741	269,791	645,532			645,532		
XIII. Own shares for sale	-	-	-			-	-	-	-					
XIV. Other assets	146,971	147,899	293,970	8	(133)	293,837	49,819	109,112	158,931			158,931		
1. Assets taken over – for sale	816	83	899			899	4,535	256	4,791			4,791		
2. Other	145,235	147,816	293,071	8	(133)	292,938	45,284	108,856	154,140			154,140		
XV. Prepayment	44,613	197,709	242,322			242,322	7,165	36,385	43,550			43,550		
1. Deferred taxation	-	-	-			-	-	-	-					
2. Other prepayment	44,613	197,709	242,322			242,322	7,165	36,385	43,550			43,550		
Total assets	9,311,781	13,570,446	22,882,227	(267,199)	22,615,028	7,983,624	10,567,410	18,551,034	(429)	43,550	(429)	43,550	(429)	18,550,605

CONSOLIDATED PRO FORMA BALANCE SHEET

No. as at	Bank Zachodni 31.12.2000	WBK	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments 31.12.2000	Bank Zachodni 31.12.1999	WBK	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments 31.12.1999
I. Amounts due to the Central Bank	-	-	-	-	-	-	-	-	-	-	-	-
II. Amounts due to the financial sector	553,701	1,654,135	2,207,836	6	(68,825)	2,139,011	405,243	2,086,032	2,491,275	2	(429)	2,490,846
1. Current	62,267	41,688	103,955	6	(68,825)	103,955	73,821	66,496	140,317	2	(429)	140,317
2. Term	49,434	1,612,447	2,103,881	6	(68,825)	2,035,056	331,422	2,019,536	2,350,958	2	(429)	2,350,529
III. Amounts due to the non-financial and public sectors	9,975,290	17,194,189	2	2	2	17,194,189	6,331,639	7,004,576	13,336,215	2	2	13,336,215
1. Savings deposits, of which:	-	-	-	-	-	-	-	-	-	-	-	-
a) current	-	-	-	-	-	-	-	-	-	-	-	-
b) term	2	2	2	2	2	17,194,187	6,331,637	7,004,576	13,336,213	2	2	13,336,213
2. Other, of which:	-	-	-	-	-	4,334,187	2,168,383	2,401,884	4,570,267	4,570,267	-	4,570,267
a) current	7,218,897	9,975,290	17,194,187	8	(133)	4,334,187	2,168,383	2,401,884	4,570,267	8,765,946	-	8,765,946
b) term	1,968,699	2,365,488	4,334,187	8	(133)	12,860,000	4,163,254	4,602,692	8,765,946	-	-	-
IV. Amounts payable under repo transactions	-	-	-	-	-	-	-	-	-	-	-	-
V. Other borrowed funds	99,508	98,733	198,241	7	(198,241)	-	-	-	-	-	-	-
VI. Special funds and other liabilities	1,642	-	1,642	1,642	1,642	-	-	-	-	-	-	-
VII. Accruals, deferred and suspended income	106,363	470,608	576,971	8	(133)	576,838	25,982	312,854	338,836	-	-	-
VIII. Provisions	300,645	153,590	454,235	8	(133)	454,235	286,614	126,416	413,030	-	-	-
1. Deferred tax provision	83,560	102,666	186,226	8	(133)	186,226	94,253	104,825	199,078	-	-	-
2. Other provisions	28,120	5,053	33,173	8	(133)	33,173	20,588	27,478	48,066	-	-	-
IX. Subordinated liabilities	55,440	97,613	153,053	8	(133)	153,053	73,665	77,347	151,012	-	-	-
X. Share capital	-	10,048	10,048	5	(314,073)	10,048	-	10,048	10,048	1	(314,073)	10,048
XI. Unpaid share capital (negative value)	329,510	86,020	415,530	5	314,073	729,603	294,706	86,020	380,726	1	314,073	694,799
XII. Supplementary capital	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Revaluation reserve	412,004	51,347	463,351	5	(314,073)	263,351	246,724	51,347	298,071	-	-	-
XIV. Other reserve capital	20,688	50,316	71,004	5	(314,073)	71,004	20,772	51,427	72,199	-	-	-
XV. Foreign exchange gains and losses on translation of foreign branches	275,241	693,627	968,868	5	(314,073)	654,795	272,070	548,892	820,962	1	(314,073)	506,869
XVI. Retained profit or uncovered loss from previous year	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit (loss)	(89,980)	224,066	134,086	5	(267,199)	134,086	3,171	184,973	188,144	1	(429)	188,144
Total liabilities and equity	9,311,781	13,570,446	22,882,227	(267,199)	22,615,028	7,983,624	10,567,410	18,551,034	(429)	18,550,605	(429)	18,550,605
Capital adequacy ratio	17,05	10,24	-	-	-	13,09	16,63	10,79	-	-	-	-
Net book value	947,463	1,105,376	-	-	-	2,052,839	837,443	922,659	-	-	-	-
Number of shares	32,951	68,816	-	-	-	72,960	29,471	68,816	-	-	-	-
Net book value per share (in PLN)	28,75	16,06	-	-	-	28,14	28,42	13,41	-	-	-	-

CONSOLIDATED PRO FORMA OFF-BALANCE-SHEET ITEMS

No. as at	Bank Zachodni	WBK 31.12.2000	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments 31.12.2000	Bank Zachodni	WBK 31.12.1999	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments 31.12.1999
I.	Off balance-sheet contingent liabilities											
1.	Committed:	969,423	2,582,107	3,551,530	3,551,530	980,096	1,906,965	2,887,061	2,887,061	2,329,928	2,329,928	2,329,928
	a) in relation to financing	859,089	2,019,565	2,878,654	2,878,654	790,214	1,539,714	2,329,928	2,329,928	1,856,997	1,856,997	1,856,997
	b) guarantees	681,846	1,609,012	2,290,858	2,290,858	598,046	1,258,951	1,856,997	1,856,997	472,931	472,931	472,931
2.	Received:	177,243	410,553	587,796	587,796	192,168	280,763	472,931	472,931	557,133	557,133	557,133
	a) in relation to financing	110,334	562,542	672,876	672,876	189,882	367,251	557,133	557,133	4,135	4,135	4,135
	b) guarantees	224	30,835	31,059	31,059	4,135	-	-	-	552,998	552,998	552,998
		110,110	531,707	641,817	641,817	185,747	367,251	552,998	552,998	6,702,062	6,702,062	6,702,062
		2,443,871	11,441,581	13,885,452	13,885,452	394,942	6,307,120	6,307,120	6,307,120	1,480,268	1,480,268	1,480,268
II.	Liabilities arising out of sale/purchase transactions	1,076,724	-	1,076,724	1,076,724	1,480,268	-	-	-	11,069,391	11,069,391	11,069,391
III.	Other contingent liabilities	4,490,018	14,023,688	18,513,706	18,513,706	2,855,306	8,214,085	11,069,391	11,069,391			
	TOTAL OFF-BALANCE-SHEET ITEMS											

CONSOLIDATED PRO FORMA PROFIT AND LOSS ACCOUNT

No. for period	Bank Zachodni 2000	WBK 2000	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments	Bank Zachodni 1999	WBK 1999	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments
I. Interest income	1,197,257	1,547,626	2,744,883	9	(4,821)	2,740,062	1,017,162	1,052,396	2,069,558	3	(1,874)	2,067,684
II. Interest expense	(753,837)	(1,154,864)	(1,908,701)	9	4,821	(1,903,880)	(571,492)	(653,481)	(1,224,973)	3	1,874	(1,223,099)
III. Net interest income (I-II)	443,420	392,762	836,182				445,670	398,915	844,585			844,585
IV. Commission income	159,271	226,908	386,179				386,179	158,265	179,883	338,148		338,148
V. Commission expense	(14,363)	(37,218)	(51,581)				(51,581)	(7,654)	(22,407)	(30,061)		(30,061)
VI. Net commission income (IV-V)	144,908	189,690	334,598				334,598	150,611	157,476	308,087		308,087
VII. Income on shares and other securities	1,232	336	1,568				1,568	677	(674)	3	3	3
VIII. Profit on financial operations	64,981	206,442	271,423				271,423	722	128,942	129,664		129,664
IX. Foreign exchange profit	48,920	78,055	126,975				126,975	28,769	53,447	82,216		82,216
X. Profit on banking operations	703,461	867,285	1,570,746				1,570,746	626,449	738,106	1,364,555		1,364,555
XI. Other operating income	48,902	51,494	100,396	10	(581)	99,815	(135,063)	(13,716)	81,997	102,034		102,033
XII. Other operating expenses	(96,318)	(39,328)	(135,646)	10	581	(135,063)	(13,716)	(55,810)	(69,526)			(69,526)
XIII. Overhead costs of the Bank	(434,211)	(462,313)	(896,524)				(896,524)	(348,374)	(365,115)	(713,489)		(713,489)
XIV. Depreciation and amortisation	(65,875)	(73,007)	(138,882)				(138,882)	(63,826)	(63,242)	(127,068)		(127,068)
XV. Provisions	(679,805)	(165,468)	(845,273)				(845,273)	(446,176)	(126,458)	(572,634)		(572,634)
XVI. Release of provisions	442,944	121,629	564,573				564,573	267,680	67,064	334,744		334,744
XVII. Net provisions (XV-XVI)	(236,861)	(43,839)	(280,700)				(280,700)	(178,496)	(59,394)	(237,890)		(237,890)
XVIII. Profit on operating activities	(80,902)	300,292	219,390				219,390	42,074	276,542	318,616		318,616
XIX. Net extraordinary gains and losses	(211)	195	(16)				(16)	(33)	(179)	(512)		(512)
1. Extraordinary gains	36	283	319				319	118	144	262		262
2. Extraordinary losses	(247)	(88)	(335)				(335)	(451)	(323)	(774)		(774)
XX. Gross profit (loss)	(81,113)	300,487	219,374				219,374	41,741	276,363	318,104		318,104
XXI. Corporate income tax	(8,867)	(76,421)	(85,288)				(85,288)	(38,570)	(91,390)	(129,960)		(129,960)
XXII. Other charges against profit			-				-	-	-	-		-
XXIII. Net profit (loss)	(89,980)	224,066	134,086				134,086	3,171	184,973	188,144		188,144
Net profit (loss)	(89,980)	224,066					134,086	3,171	184,973	188,144		188,144
Weighted average number of ordinary shares (in thousands)	30,419	68,816	3.26				72,960	28,310	68,816	69,480		69,480
Net earnings (loss) per ordinary share (in PLN)	(2.96)						1.84	0.11	2.69	2.70		2.70

MOVEMENTS IN PRO FORMA CONSOLIDATED SHAREHOLDERS' FUNDS

No. for period	Bank Zachodni 2000	WBK 2000	TOTAL of adjustment	No. of adjustment	Total after adjustments 2000	Bank Zachodni 1999	WBK 1999	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments 1999
1. Shareholders' funds at the beginning of the period	837,443	922,659	1,760,102		1,760,102	695,282	777,059	1,472,341			1,472,341
a) changes in adopted accounting policies	-	-	-		-	-	-	-			-
b) correction of fundamental errors	-	-	-		-	-	-	-			-
1.a. Adjusted shareholders' funds at the beginning of the period	837,443	922,659	1,760,102		1,760,102	695,282	777,059	1,472,341			1,472,341
1. Share capital at the beginning of period	294,706	86,020	380,726		380,726	280,000	86,020	366,020			366,020
1.1. Movements in share capital	34,804	-	34,804		34,804	14,706	-	14,706			14,706
a) increase (due to)	34,804	-	34,804		34,804	14,706	-	14,706			14,706
- issue of shares	34,804	-	34,804		348,877	14,706	-	14,706			328,779
- increase in nominal value	-		-		-	-	-	-			-
b) decrease (due to)	-		-		-	-	-	-			-
- redemption	-		-		-	-	-	-			-
1.2. Share capital at the end of the period	329,510	86,020	415,530	5	314,073	729,603	294,706	86,020	380,726	1	314,073
2. Unpaid share capital at the beginning of the period											694,799
2.1. Movements in unpaid share capital											-
a) increase	-		-		-	-	-	-			-
b) decrease	-		-		-	-	-	-			-
2.2. Unpaid share capital at the end of the period											-
3. Supplementary capital at the beginning of the period	246,724		298,071		298,071	95,401		51,347	146,748		146,748
3.1. Movements in supplementary capital	165,280	-	165,280		165,280	151,323	-	151,323			151,323
a) increase (as a result of)	165,280	-	165,280		165,280	151,323	-	151,323			151,323
- share premium	165,196	-	165,196		165,196	135,294	-	135,294			135,294
- profit allocation (as required by law)	-		-		-	15,535	-	15,535			15,535
- profit allocation (in an amount higher than required by law)	-		-		-	-	-	-			-
- disposal and liquidation of fixed assets	84	-	84		84	494	-	494			494
b) decrease (as a result of)	-		-		-	-	-	-			-
- covering of losses	-		-		-	-	-	-			-
3.2. Supplementary capital at the end of the period	51,347		463,351		463,351	246,724		51,347	298,071		298,071
4. Revaluation reserve at the beginning of the period	20,772	51,427	72,199		72,199	21,266		51,427	72,693		72,693
4.1. Movements in revaluation reserve	(84)	(1,111)	(1,195)		(1,195)	(494)		(494)			(494)
a) increase (due to)	-		-		-	-	-	-			-
b) decrease (due to)	(84)	(1,111)	(1,195)		(1,195)	(494)		(494)			(494)
- disposal and liquidation of fixed assets	(84)	(1,111)	(1,195)		(1,195)	(494)		(494)			(494)
4.2. Revaluation reserve at the end of the period	20,688		50,316		71,004	20,772		51,427	72,199		72,199

No. for period	Bank Zachodni 2000	WBK 2000	TOTAL of adjustment	No. Adjustments	Total after adjustments	Bank Zachodni 2000	WBK 1999	TOTAL of adjustment	No. Adjustments	Total after adjustments	Bank Zachodni 1999
5. General banking risk fund at the beginning of the period	59,810	90,000	149,810			149,810	59,810	35,000	94,810		94,810
5.1. Movements in the general banking risk fund	-	-	-			55,000	55,000	-	55,000	55,000	-
a) increase (due to)	-	55,000	55,000			55,000	-	55,000	-	55,000	-
- profit allocation	-	55,000	55,000			55,000	-	55,000	-	55,000	-
b) decrease (due to)	-	-	-			-	-	-	-	-	-
- transfer to reserve capital	-	-	-			-	-	-	-	-	-
- transfer to corporate income tax liability	-	-	-			-	-	-	-	-	-
5.2. General banking risk fund at the end of the period	59,810	145,000	204,810			204,810	59,810	90,000	149,810		149,810
6. Brokerage activity fund at the beginning of the period	17,000	-	17,000			17,000	17,000	15,000	32,000		32,000
6.1. Movements in brokerage activity fund	-	-	-			-	-	-	-	-	-
a) Increase (due to)	-	-	-			-	-	-	-	-	-
- reclassification from other reserve capital	-	(17,000)	(17,000)			(17,000)	-	(15,000)	(15,000)	(15,000)	-
b) decrease (due to)	-	(17,000)	(17,000)			(17,000)	-	(15,000)	(15,000)	(15,000)	-
- reclassification to other reserve capital in connection with the disposal of WBK SA Brokerage House	-	-	-			-	-	(15,000)	(15,000)	(15,000)	-
- reclassification to other reserve capital in connection with the separation of BZ Brokerage House	-	(17,000)	(17,000)			(17,000)	-	-	-	-	-
6.2. Brokerage activity fund at the end of the period	-	-	-			-	17,000	-	-	17,000	-
7. Other components of reserve capital at the beginning of the period	195,260	458,892	654,152			654,152	195,260	356,431	551,691		551,691
7.1. Movements in other components of reserve capital	-	-	-			109,906	91,795	1,111	-	102,461	102,461
a) Increase (due to)	20,171	89,735	109,906			91,795	-	1,111	-	87,461	87,461
- profit allocation	3,171	88,624	91,795			-	-	-	-	-	-
- transfer from revaluation reserve	-	1,111	1,111			-	-	-	-	-	-
b) decrease (due to)	-	-	-			-	-	-	-	-	-
- reclassification from brokerage activity fund in connection with the disposal of WBK Brokerage House	-	-	-			-	-	-	-	-	-
- reclassification from brokerage activity fund in connection with separation of BZ Brokerage House	-	17,000	-			17,000	-	-	-	-	-
- reclassification to brokerage activity fund	-	-	-			-	-	-	-	-	-
- pro forma adjustment	-	-	-			(314,073)	(314,073)	449,985	195,260	458,892	654,152
7.2. Other reserves at the end of the period	215,431	548,627	764,058	5	5	(314,073)	(314,073)	1	1	(314,073)	(314,073)
8. Foreign exchange gains and losses on translation of foreign branches	-	-	-			-	-	-	-	-	-

No.	for period	Bank Zachodni 2000	WBK 2000	TOTAL of adjustment	No.	Adjustments	Total after adjustments	Bank Zachodni 2000	WBK 1999	TOTAL of adjustment	No.	Adjustments	Total after adjustments	1999
	9. Retained profit or loss brought forward													
	at the beginning of the period	3,171	184,973	188,144		188,144	26,545	181,834	208,379					
	9.1. Retained profit at the beginning of the period	3,171	184,973	188,144		188,144	26,545	181,834	208,379					
	a) changes in adopted accounting policy	-	-	-		-	-	-	-					
	b) correction of fundamental errors	-	-	-		-	-	-	-					
	9.2. Adjusted retained profit at the beginning of the period	3,171	184,973	188,144		188,144	26,545	181,834	208,379					
	a) increase (due to)	-	-	-		-	-	-	-					
	- profit allocation	-	-	-		-	-	-	-					
	b) decrease (due to)	(3,171)	(184,973)	(188,144)		(188,144)	(26,545)	(181,834)	(208,379)					
	- allocation to reserve capital	(3,171)	(88,624)	(91,795)		(91,795)	(87,461)	(87,461)	(87,461)					
	- allocation to supplementary capital	-	-	-		-	(15,535)	-	(15,535)					
	- allocation to general banking risk fund	-	(55,000)	(55,000)		(55,000)	-	(55,000)	(55,000)					
	- allocation to dividend	-	(37,849)	(37,849)		(37,849)	-	(36,473)	(36,473)					
	- charitable donations	-	(1,500)	(1,500)		(1,500)	-	(900)	(900)					
	- allocation to Employee Social Fund	-	(2,000)	(2,000)		(2,000)	(11,010)	(2,000)	(13,010)					
	9.3. Retained profit at the end of the period	-	-	-		-	-	-	-					
	9.4. Retained loss brought forward from previous years													
	at the beginning of the period	-	-	-		-	-	-	-					
	a) changes in adopted accounting policy	-	-	-		-	-	-	-					
	b) correction of fundamental errors	-	-	-		-	-	-	-					
	9.5. Adjusted retained loss from previous years													
	at the beginning of the period	-	-	-		-	-	-	-					
	a) increase (due to)	-	-	-		-	-	-	-					
	- transfer to loss brought forward	-	-	-		-	-	-	-					
	b) decrease (due to)	-	-	-		-	-	-	-					
	9.6. Retained loss from previous years													
	at the end of the period	-	-	-		-	-	-	-					
	9.7. Retained profit or loss brought forward													
	at the end of the period	-	-	-		-	-	-	-					
	10. Net profit/loss	(89,980)	224,066	134,086		134,086	3,171	184,973	188,144					
	a) net profit	-	224,066	224,066		224,066	3,171	184,973	188,144					
	b) net loss	(89,980)	-	(89,980)		(89,980)	-	-	-					
	II. Shareholders' funds at the end of the period	947,463	1,105,376	2,052,839		2,052,839	837,443	922,659	1,760,102					

CONSOLIDATED PRO FORMA CASH FLOW STATEMENT

No. for period	Bank Zachodni 2000	WBK 2000	TOTAL of adjustment	No. of adjustment	Total after adjustments	Bank Zachodni 1999	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments
					2000		1999			1999
A. NET CASH FLOWS FROM OPERATING ACTIVITIES (I+I-II)										
- indirect method*										
1. Net profit	93,988 (89,980)	224,066 (867,442)	134,086 (683,474)		(549,388) (683,474)	75,270 72,099	484,623 299,650	559,893 371,749	188,144 127,068	559,893 371,749
II. Adjusted for:										
1. Depreciation and amortization	65,875	73,007	138,882		11	11	63,826	63,242	127,068	127,068
2. Foreign exchange gains and losses	-	11	11		-	-	-	-	(3)	(3)
3. Interest and dividends	(204,440)	(191,932)	(396,372)		(396,372)	(193,089)	68,823	(124,266)	(124,266)	(124,266)
4. (Profit) loss on investing activities	55,831 196,120	(3,972) 20,211	51,859 216,331		51,859 216,331	399 171,235	(52,626) 34,888	(52,227) 206,123	(52,227) 206,123	(52,227) 206,123
5. Changes in the balance of other provisions	8,867	76,421	85,288		85,288	38,569	91,390	129,959	129,959	129,959
6. Corporate income tax charge	(19,969)	(98,309)	(118,278)		(118,278)	(83,367)	(58,783)	(142,150)	(142,150)	(142,150)
7. Corporate income tax paid	528,284	(165,557)	362,727		362,727	318,691	(8,957)	309,734	309,734	309,734
8. Change in debt securities	(1,143,953)	(330,978)	(1,474,931)	6	68,825	(1,406,106)	158,360	(740,851)	2	429
9. Change in amounts due from the financial sector										(740,422)
10. Change in amounts due from non-financial and public sectors	(283,503)	(594,477)	(877,980)		(877,980)	(271,403)	(1,170,950)	(1,442,353)		(1,442,353)
11. Change in amounts receivable from reverse repo transactions	(98,779)	(99,462)	(198,241)	7	198,241	-	-	-		
12. Change in shares and other variable income securities	(6,702)	11,523	4,821		4,821	1,523	(3,108)	(1,585)		(1,585)
13. Change in amounts due to the financial sector	167,890	(431,732)	(263,842)	6	(68,825)	(332,667)	(52,563)	1,177,770	1,124,778	1,124,778
14. Change in amounts due to the non-financial and public sectors	887,260	836,478	1,723,738		1,723,738	146,226	1,129,646	1,275,872		1,275,872
15. Change in amounts payable on repo transactions	99,508	98,733	198,241		(808)	(808)	(5,298)	-	(5,298)	(5,298)
16. Change in other borrowed funds	(808)	-	(808)		-	161,778	(191,175)	(11,860)	(203,335)	(203,335)
17. Change in other liabilities	74,687	87,091	161,778			(145,583)	5,040	(5,204)	(164)	(164)
18. Change in prepayments and accruals	(5,244)	(140,339)	(145,583)			(27,445)	(30,159)	(61,100)	(91,259)	(91,259)
19. Change in deferred income	(18,173)	(9,272)	(27,445)			(123,670)	(4,716)	5,693	977	977
20. Other items	(118,783)	(4,887)	(123,670)							

No.	for period	Bank	WBK	TOTAL	No.	Adjustments	Total after	No.	Adjustments	Total after
		Zachodni	2000	of adjustment	adjustment	adjustments	adjustments	Zachodni	WBK	adjustments
										1999
B. NET CASH FLOWS										
I.	FROM INVESTING ACTIVITIES (I-II)	(411,006)	147,639	(263,367)				(263,367)	(445,453)	(514,275)
	Inflows from investing activities	15,881,957	19,115,734	34,997,691				34,997,691	43,973,035	70,915,284
1.	1. Sale of intangible assets	180	15,317	15,497	15,497			15,497	43	46
2.	2. Sale of tangible fixed assets	20,171	7,887	28,058	28,058			2,122	316	2,438
3.	3. Sale of shares in subsidiary companies	4,961	1,622	6,583	6,583			-	4,478	4,478
4.	4. Sale of shares in associated companies	2,310	-	2,310	2,310			-	1,450	1,450
5.	5. Sale of shares in parent company	-	-	-	-			-	-	-
6.	6. Sale of shares in other entities (also those held for trading) and other securities	15,639,197	19,076,650	34,715,847	34,715,847			43,773,914	26,889,073	70,662,987
7.	7. Other inflows	215,138	14,238	229,396	229,396			196,956	46,929	243,885
II.	II. Outflows related to investing activities	(16,292,963)	(18,968,095)	(35,261,058)				(35,261,058)	(44,418,488)	(71,429,559)
1.	1. Purchase of intangible assets	(8,678)	(16,854)	(25,532)	(25,532)			(25,532)	(7,704)	(26,992)
2.	2. Purchase of tangible fixed assets	(97,981)	(100,366)	(198,347)	(198,347)			(198,347)	(72,130)	(146,915)
3.	3. Purchase of shares in subsidiary companies	(70,209)	(2,071)	(72,280)	(72,280)			(72,280)	(6,214)	(53,180)
4.	4. Purchase of shares in associated companies	-	(1,600)	(1,600)	(1,600)			(1,600)	(5,473)	(5,473)
5.	5. Purchase of shares in parent company	-	-	-	-			-	-	-
6.	6. Purchase of shares in other entities (also held for trading) and other securities	(16,115,794)	(18,846,904)	(34,962,698)	(34,962,698)			(44,331,960)	(26,832,412)	(71,164,372)
7.	7. Purchase of own shares for sale	(301)	(300)	(601)	(601)			(480)	(32,147)	(32,627)
8.	8. Other	-	-	-	-			-	-	-
C. NET CASH FLOWS										
FROM FINANCING ACTIVITIES (I-III)										
I.	Inflows from financing activities	176,604	(40,531)	136,073				136,073	146,252	108,556
	1. Raising long-term loans with banks	200,000	-	200,000				200,000	150,000	150,000
2.	2. Raising long-term loans with other financial institutions	-	-	-	-			-	-	-
3.	3. Issue of bonds or other debt securities to other financial institutions	-	-	-	-			-	-	-
4.	4. Increase in subordinated liabilities	-	-	-	-			-	-	-
5.	5. Proceeds from share issues	200,000	-	200,000	200,000			150,000	-	150,000
6.	6. Contributions to capital	-	-	-	-			-	-	-
7.	7. Other	-	-	-	-			-	-	-

No. for period	Bank Zachodni 2000	WBK 2000	TOTAL of adjustment	No. Adjustments	Total after adjustments 2000	Bank Zachodni 1999	WBK 1999	TOTAL of adjustment	No. Adjustments	Total after adjustments 1999
II. Outflows related to financing activities	(23,396)	(40,531)	(63,927)		(63,927)	(3,748)	(37,696)	(41,444)		(41,444)
1. Repayment of long-term loans from banks	(10,000)	-	(10,000)		(10,000)	-	-	-		-
2. Repayment of long-term loans from other financial institutions	-	-	-		-	-	-	-		-
3. Redemption of bonds and other securities issued to other financial institutions	-	-	-		-	-	-	-		-
4. Decrease in subordinated liabilities	-	-	-		-	-	-	-		-
5. Share issue costs	-	-	-		-	-	-	-		-
6. Redemption of own shares	-	-	-		-	-	-	-		-
7. Dividends and other payments to shareholders	(37,849)	(37,849)	(37,849)		(37,849)	-	(36,473)	(36,473)		(36,473)
8. Payments from profit to members of management and supervisory boards	-	(1,267)	(1,267)		(1,267)	-	-	-		-
9. Donations made	-	-	-		-	-	-	-		-
10. Payments under finance lease agreements	-	-	-		-	-	-	-		-
11. Other	(13,396)	(1,415)	(14,811)		(14,811)	(3,749)	(560)	(4,308)		(4,308)
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	(140,414)	(536,268)	(676,682)		(676,682)	(223,931)	378,105	154,174		154,174
E. Change in CASH AND CASH EQUIVALENTS	(140,414)	(536,268)	(676,682)		(676,682)	(223,931)	378,105	154,174		154,174
- including foreign exchange differences										-
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	716,038	888,623	1,604,661		1,604,661	939,969	510,518	1,450,487		1,450,487
G. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F+/-D)	575,624	352,355	927,979		927,979	716,038	888,623	1,469,661		1,469,661

NOTES TO CONSOLIDATED PRO FORMA BALANCE SHEET

AMOUNTS DUE FROM THE FINANCIAL SECTOR (BY CATEGORY)		Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments	Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments
As at		31.12.2000				31.12.2000				31.12.1999			
1.	Current accounts	16,752	21,402	38,154			38,154	15,965	41,393	57,358			57,358
2.	Loans and placements	1,517,214	3,911,273	5,428,487	6	(68,777)	5,359,710	387,817	1,766,410	2,154,227	2	(428)	2,153,799
3.	Purchased debts	4,212	-	4,212			4,212	6,538	-	6,538			6,538
4.	Realized guarantees	-	-	-			-	-	-	-			-
5.	Other amounts due	6,655	2,605	9,260			9,260	3,613	1,279	4,892			4,892
6.	Interest: accrued	16,202	46,649	62,851	6	(48)	62,803	6,972	8,763	15,735	2	(1)	15,734
	due, not received	4,960	45,817	50,777			50,777	3,590	8,713	12,303			12,303
7.	Total amounts due from the financial sector (gross)	11,242	832	12,074	6	(48)	12,026	3,382	50	3,432	2	(1)	3,431
	Total amounts due from the financial sector (gross)	1,561,035	3,981,929	5,542,964	6	(68,825)	5,474,139	420,905	1,817,845	2,238,750	2	(429)	2,238,321
	Provisions	(92,182)	(6,002)	(98,184)			(98,184)	(35,764)	(38)	(36,122)			(36,122)
	Total amounts due from the financial sector (net)	1,468,853	3,975,927	5,444,780	6	(68,825)	5,375,955	385,141	1,817,487	2,202,628	2	(429)	2,202,199
AMOUNTS RECEIVABLE FROM REVERSE REPO TRANSACTIONS		Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments	Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments
As at		31.12.2000				31.12.2000				31.12.1999			
a)	from the financial sector	98,779	99,369	198,148	7	(198,148)	-	-	-	-	-	-	-
b)	from the non-financial and public sectors	-	-	-			-	-	-	-	-	-	-
c)	interest	-	93	93	7	(93)	-	-	-	-	-	-	-
	Total amounts receivable on reverse repo transactions	98,779	99,462	198,241	7	(198,241)	-	-	-	-	-	-	-
OTHER ASSETS		Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments	Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments
As at		31.12.2000				31.12.2000				31.12.1999			
1.	Assets taken over – for sale	816	83	899			899	4,535	256	4,791			4,791
2.	Other	145,255	147,816	293,071	8	(133)	292,938	45,284	108,856	154,140			154,140
	Total other assets	146,971	147,899	293,970	8	(133)	293,837	49,819	109,112	158,931			158,931

AMOUNTS DUE TO THE FINANCIAL SECTOR (BY CATEGORY)		Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments	Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments
As at		31.12.2000					31.12.2000	Zachodnii					31.12.1999
1.	Current accounts and deposits	472,767	1,568,800	2,041,567	6	(68,777)	1,972,790	327,072	2,063,399	2,390,471	2	(428)	2,390,043
2.	Loans and advances received	51,878	64,134	116,012			116,012	71,307	8,600	79,907			79,907
3.	Other liabilities	21,170	6,339	27,509			27,509	4,608	3,676	8,284			8,284
4.	Interest	7,886	14,862	22,748	6	(48)	22,700	2,256	10,357	12,613	2	(1)	12,612
Total amounts due to the financial sector		553,701	1,654,135	2,207,836	6	(68,825)	2,139,011	405,243	2,086,032	2,491,275	2	(429)	2,490,846
OTHER RESERVE CAPITAL (BY PURPOSE)		Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments	Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments
As at		31.12.2000					31.12.2000	Zachodnii					31.12.1999
- General banking risk fund		59,810	145,000	204,810			204,810	59,810	90,000	149,810			149,810
- Brokerage activity fund		-	-	-			-	17,000	-	17,000			17,000
- Reserve capital		215,431	548,627	764,058	5	(314,073)	449,985	195,260	458,892	654,152	1	(314,073)	340,079
Total other reserve capital		275,241	693,627	968,868	5	(314,073)	654,795	272,070	548,892	820,962	1	(314,073)	506,889
SPECIAL FUNDS AND OTHER LIABILITIES		Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments	Bank	WBK	TOTAL	No.	Adjustments	Total after adjustments
As at		31.12.2000					31.12.2000	Zachodnii					31.12.1999
1. Special funds		8,891	17,608	26,499			26,499	8,030	12,930	20,960			20,960
- Employee Social Fund		7,223	17,608	24,831			24,831	6,361	12,930	19,291			19,291
- Employee Fund		1,668		1,668			1,668	1,669		1,669			1,669
2. Other liabilities		97,472	453,000	550,472	8	(133)	550,347	17,952	299,924	317,876			317,876
- Sundry creditors		19,480	60,674	80,154			80,154	12,823	31,208	44,031			44,031
- Interbank settlements		77,992	392,326	470,318	8	(133)	470,193	5,129	268,716	273,845			273,845
Total special funds and other liabilities		106,363	470,608	576,971	8	(133)	576,846	25,982	312,854	338,836	2	(429)	338,836

AMOUNTS PAYABLE UNDER REPO TRANSACTIONS		Bank Zachodni	WBK	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments	Bank Zachodni	WBK	TOTAL of adjustment	No. of adjustment	Adjustments	Total after adjustments
as at		31.12.2000						31.12.2000					31.12.1999
a)	to financial sector	99,508	98,640	198,148	7	(198,148)	-	-	-	-	-	-	-
b)	to non financial and public sectors	-	-	-	-	-	-	-	-	-	-	-	-
c)	interest	-	93	93	7	(93)	-	-	-	-	-	-	-
AMOUNTS PAYABLE UNDER REPO TRANSACTIONS		99,508	98,733	198,241	7	(198,241)	-	-	-	-	-	-	-

SHARE CAPITAL OF BANK ZACHODNI S.A. 2000						Nominal value of 1 share = 10 PLN		
Series/ issue	Type of shares	Type of preference	No. of shares	Total nominal of issue '000 PLN		Paid up as	Registration date	Right to dividend
Series A from No. 0000001 to No. 5120000	Registered ordinary shares	None	5,120,000	51,200		Cash	8.11.1991	from 8.11.1991
Series B from No. 000001 to No. 724073	Registered ordinary shares	None	724,073	7,241	Contribution in kind – real estate in Wrocław, ul. Ofiar Oświęcimskich 38/40, lot No. 36/1		21.12.1996	from 1.01.1997
Series C from No. 00000001 to No. 22155927	Registered ordinary shares	None	22,155,927	221,559	Transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69) and risk fund established from 1991 net profit (PLN 14,522,258.31)		31.12.1996	from 1.01.1997
Series D from No. 0000001 to No. 1470589	Registered ordinary shares	None	1,470,589	14,706		Cash	25.10.1999	from 1.01.1999
Series E from No. 000001 to No. 980393	Registered ordinary shares	None	980,393	9,804		Cash	17.05.2000	from 1.01.2000
Series F from No. 0000001 to No. 2500000	Registered ordinary shares	None	2,500,000	25,000		Cash	30.11.2000	from 1.01.2001
Series G “New shares”			40,009,302	400,093				2002
Total shares			72,960,284					
Total share capital (PLN '000)			729,603					

SHARE CAPITAL OF BANK ZACHODNI S.A. 1999						Nominal value of 1 share = 10 PLN		
Series/ issue	Type of shares	Type of preference	No. of shares	Total nominal of issue '000 PLN		Paid up as	Registration date	Right to dividend
Series A from No. 0000001 to No. 5120000	Registered ordinary shares	None	5,120,000	51,200		Cash	8.11.1991	from 8.11.1991
Series B from No. 000001 to No. 724073	Registered ordinary shares	None	724,073	7,241	Contribution in kind – real estate in Wrocław, ul. Ofiar Oświęcimskich 38/40, lot No. 36/1		21.12.1996	from 1.01.1997
Series C from No. 00000001 to No. 22155927	Registered ordinary shares	None	22,155,927	221,559	Transfer from reserve capital (PLN 170,000,000), from supplementary capital (PLN 37,037,011.69) and risk fund established from 1991 net profit (PLN 14,522,258.31)		31.12.1996	from 1.01.1997
Series D from No. 0000001 to No. 1470589	Registered ordinary shares	None	1,470,589	14,706		Cash	25.10.1999	from 1.01.1999
Series G “New shares”			40,009,302	400,093				2002
Total shares			69,479,891					
Total share capital (PLN '000)			694,799					

NOTES TO CONSOLIDATED PRO FORMA PROFIT AND LOSS ACCOUNT

INTEREST INCOME	Bank	WBK	TOTAL	No.	Adjustments	Total after	Bank	WBK	TOTAL	No.	Adjustments	Total after	
	Zachodni		2000	of adjustment		adjustments	Zachodni		of adjustment			adjustments	
1. From financial institutions	115,613	222,987	338,600	9	(4,821)	333,779	67,685	91,634	159,319	3	(1,874)	157,445	
2. From non-financial and public sectors	816,615	844,074	1,660,689		1,660,689	730,711	596,808	1,327,519				1,327,519	
3. On securities	244,902	410,351	655,253		655,253	198,862	324,285	523,147				523,147	
a) with a fixed yield	167,766	410,351	578,117		578,117	188,334	324,285	512,619				512,619	
b) with a variable yield	77,136	-	77,136		77,136	10,528	-	10,528				10,528	
4. Other	20,127	70,214	90,341		90,341	19,904	39,669	59,573				59,573	
Total interest income	1,197,257	1,547,626	2,744,883		(4,821)	2,740,062	1,017,162	1,052,396	2,069,558			(1,874)	2,067,684

INTEREST EXPENSE	Bank	WBK	TOTAL	No.	Adjustments	Total after	Bank	WBK	TOTAL	No.	Adjustments	Total after	
	Zachodni		2000	of adjustment		adjustments	Zachodni		of adjustment			adjustments	
1. On transactions with financial institutions	(56,414)	(40,1329)	(457,743)	9	4,821	(452,922)	(37,512)	(170,856)	(208,368)	3	1,874	(206,494)	
2. On transactions with non-financial and public sectors	(696,365)	(75,832)	(1,448,197)		(1,448,197)	(531,833)	(480,747)	(1,012,580)				(1,012,580)	
3. Other	(1,058)	(1,703)	(2,761)		(2,761)	(2,147)	(1,878)	(4,025)				(4,025)	
Total interest expense	(753,837)	(1,154,864)	(1,908,701)		4,821	(1,903,880)	(571,492)	(653,481)	(1,224,973)			1,874	(1,223,099)

OTHER OPERATING INCOME		Bank	WBK	TOTAL	No.	Adjustments	Total after	Bank	WBK	TOTAL	No.	Adjustments	Total after
	Zachodni	2000		of adjustment			adjustments	Zachodni	1999				adjustments
a) on management of third party assets	-	8,533	8,533		8,533					3,546			3,546
b) on disposal or liquidation of fixed assets or assets for sale	33,088	24,962	58,050		58,050			6,226		397			6,623
c) on recovery of bad debts	4,940	-	4,940		4,940			353		-			353
d) damages, penalties and fines received	116	74	190		190			79		37			116
e) donations received	-	1	1		1			110		105			215
f) other	10,758	17,924	28,682	10	(581)	28,101	13,269	77,912	91,181	4	(1)		91,180
-sundry income	8,068	5,193	13,261		(265)	12,996			3,263				3,262
-purchase of receivables	-	-	-		-			48,724					48,724
-return of Bank Guarantee Fund contributions	798	798			798			129					129
-income from sale of pension fund policies	3,233	3,233			3,233			9,291					9,291
-return of debt recovery costs	828	828			828			664					664
-income from sale of brokerage house	-	-	-		-			13,103					13,103
-release of provision for costs to be incurred	6,866	6,866			6,866			1,145					1,145
-other	2,690	1,006	3,696		(316)	3,380		1,593					1,593
Total other operating income	48,902	51,494	100,396	(581)	99,815	20,037	81,997	102,034	(1)	102,033			
OTHER OPERATING EXPENSES		Bank	WBK	TOTAL	No.	Adjustments	Total after	Bank	WBK	TOTAL	No.	Adjustments	Total after
	Zachodni	2000		of adjustment			adjustments	Zachodni	1999				adjustments
a) management of third party assets	-	(5,251)	(5,251)		(5,251)					(1,373)			(1,373)
b) disposal or liquidation of fixed assets or assets for sale	(89,223)	(19,925)	(109,148)		(109,148)			(6,512)		(995)			(7,507)
c) recovery of bad debts	(92)	(38)	(130)		(130)			(156)		(16)			(172)
d) compensation, penalties and fines paid	(547)	(92)	(639)		(639)			(130)		(172)			(724)
e) donations granted	(669)	(1,688)	(2,357)		(2,357)			(659)		(65)			(642)
f) unplanned depreciation charges	-	-	-		-			(499)		(143)			(642)
g) other	(5,787)	(12,334)	(18,121)	10	581	(17,540)		(5,890)		(53,218)			(59,108)
-sundry costs	(9)	(488)	(497)		265	(232)		-		(436)			(435)
-sale of receivables	-	-	-		-			-		(48,744)			(48,744)
-non obligatory membership costs	(534)	(534)			(534)			-		(445)			(445)
-court costs	(324)	(324)			(324)			-		(229)			(229)
-cost of goods sold	(1,712)	(1,712)			(1,712)			(1,712)		(1)			(1)
-provision for costs to be incurred	(8,694)	(8,694)			(8,694)			-		(2,610)			(2,610)
-other	(5,778)	(582)	(6,360)		316	(6,044)		(5,890)		(753)			(6,643)
Total other operating expenses	(96,318)	(39,328)	(135,646)	581	(135,065)	(13,716)	(55,810)	(69,526)	1	1	(69,525)		

Adjustment	Amounts	Description: 1999
1.	(86,020)	Cancellation of share capital of WBK S.A.
	400,093	Increase in share capital of BZ
	<u>314,073</u>	Net difference in share capital charged to reserve capital
		Presentation of adjustment
	<u>314,073</u>	Decrease in reserve capital
2.	429	Elimination of mutual receivables/payables balances
3.	1,874	Elimination of interest income and expense arising on mutual transactions
4.	1	Elimination of other operating income and costs arising from mutual transactions
		Description: 2000
5.	(86,020)	Cancellation of share capital of WBK S.A.
	400,093	Increase in share capital of BZ
	<u>314,073</u>	Net difference in share capital charged to reserve capital
		Presentation of adjustment
	<u>314,073</u>	Decrease in reserve capital
6.	68,825	Elimination of mutual balances arising from interbank placements
7.	198,241	Elimination of mutual balances arising from repo/reverse repo transactions
8.	133	Elimination of other accounts receivable/payable
	<u>267,199</u>	Elimination of mutual balances
9.	4,821	Elimination of other operating income and costs arising from mutual transactions
10.	581	Elimination of other operating income and costs arising from mutual transactions

CHAPTER IX

DESCRIPTION OF THE IMMEDIATE DOMINANT ENTITY AND THE AIB GROUP

Both BZ S.A. and WKB S.A. are members of the AIB Group. The immediate dominant entity with respect to BZ S.A. is AIB EI.

1. AIB EI

Allied Irish Banks, p.l.c. holds approximately 83% of the shares in BZ S.A. through AIB EI.

AIB EI is an Irish incorporated company with its registered office at Bankcentre, Ballsbridge, Dublin 4, Ireland. It is a wholly-owned direct subsidiary of Allied Irish Banks, p.l.c. and was established as a vehicle to hold investments in European companies on behalf of its parent company. This form of corporate structure follows general corporate practice in Ireland.

AIB EI's Board consists of seven directors, Mr. William Andrews, Mr. Michael Buckley, Mr. Kevin J. Kelly, Mr. Gary Kennedy, Mr. Gerry Byrne, Mr. David McCrossan and Mr. Declan McSweeney, who are all senior executives of Allied Irish Banks, p.l.c. Three of these directors, Mr. Gerry Byrne, Mr. David McCrossan and Mr. Gary Kennedy, are members of the Supervisory Board of BZ S.A. and the Bank Council of WKB S.A. In addition, two of these directors, Mr. Michael Buckley and Mr. Gary Kennedy are executive directors of Allied Irish Banks, p.l.c.

Polish translations of the annual report of the AIB Group which includes the consolidated financial statements of the AIB Group as at and for the years ended December 31, 1999 and 2000, in which the assets and liabilities of AIB EI are reflected are available from the Head Office of BZ S.A. on request.

2. AIB GROUP

The summary description of the AIB Group set out below is extracted from publicly available information.

2.1. GENERAL

AIB Group provides a diverse range of banking, financial and related services, principally in Ireland, the United States ("US"), the United Kingdom ("UK") and Poland. At December 31, 2000 AIB Group was the largest Irish banking group in terms of income before taxes (on the basis of the latest published financial statements). AIB has over 300 branches and outlets in Ireland, where the directors estimate its share of the total market for both Euro loans and deposits to be in excess of 20%.

In Northern Ireland, through its wholly-owned subsidiary AIB Group (UK) p.l.c., which trades there as First Trust Bank, AIB Group operates from some 60 branches and outlets. In Britain, AIB Group (UK) p.l.c., which trades there as Allied Irish Bank (GB), provides a range of banking services through 36 branches and outlets. In the US, through its subsidiary Allfirst Financial, Inc. ("Allfirst"), the AIB Group operates from 261 full service branch offices in Maryland, adjoining states and the District of Columbia. In Poland, the AIB Group operates from 405 branches and outlets through its 60% owned subsidiary WKB S.A., together with its 83% owned subsidiary BZ S.A.

AIB Group's activities are conducted through four major operating divisions – AIB Bank, USA Division, Capital Markets and Poland Division. At December 31, 2000 AIB Group had assets of Euro 79.7 billion and employed approximately 31,800 people on a full time equivalent basis. At December 31, 2000 the distribution of assets and the number of employees between those major operating divisions was as follows:

Assets	Employees			
Division	(Euros in millions)	%	%	
AIB Bank	29,607	37	11,669	37
USA	20,458	26	5,738	18
Capital Markets	23,218	29	2,341	7
Poland	6,054	8	11,798	37
Group	351	-	232	1
Total	79,688	100	31,778	100

The business of AIB Group is conducted through four major operating divisions consisting of AIB and its principal subsidiaries as follows:

AIB BANK DIVISION	USA DIVISION	CAPITAL MARKETS DIVISION
Allied Irish Banks, p.l.c. General retail and commercial banking through almost 300 branches and outlets in the Republic of Ireland.	Allfirst Financial, Inc. Bank holding company.	Allied Irish Banks, p.l.c. Management of liquidity and funding needs; interest and exchange rate exposures; financial market trading activities; provision of lending; trade and commercial treasury services and custodial and trustee services.
AIB Group (UK) p.l.c. 36 branches and outlets in Britain, focused primarily on small and medium sized enterprises, and trading as <i>Allied Irish Bank (GB)</i> . 60 branches and outlets in Northern Ireland, trading as <i>First Trust Bank</i> , banking on general retail and commercial banking and also asset finance and leasing.	Allfirst Bank General commercial and retail banking, through 261 full service offices in Maryland, Pennsylvania, Northern Virginia and the District of Columbia, as well as treasury and trust services.	AIB Capital Markets p.l.c. Merchant banking operations including corporate advisory services, provision of venture capital and corporate finance.
AIB Finance Ltd. Asset financing company providing instalment/variable rate loans and deposit products in Ireland.	Allfirst Financial Center, N.A. Cash management services.	AIB Corporate Finance Ltd. Provision of advice to companies wishing to raise capital through public or private offerings and placements.
AIB Leasing Ltd. Asset financing company providing leasing products in Ireland.	Allfirst Leasing Corporation Equipment finance company.	Allied Irish Capital Management Ltd. Acts as a commodity trading advisor and is engaged in advising clients in the purchase/sale of equities, foreign exchange and futures commodities.
Ark Life Assurance Company Ltd. Provider of life assurance services principally in Ireland, Britain and Northern Ireland, and pension and investment services in Ireland. These services are delivered primarily through the branch networks.	Allfirst Mortgage Corporation Commercial mortgage banking.	Goodbody Holdings Ltd. Provision of a broad range of stockbroking services, through its subsidiary, Goodbody Stockbrokers.
AIB Insurance Services Ltd. Insurance broking.	2.1.1. POLAND DIVISION Wielkopolski Bank Kredytowy S.A. A commercial and retail bank which operates as of January 31, 2001 through 197 branches and outlets in western Poland.	AIB International Financial Services Ltd. Specialises in international financial services activities, including tax efficient cross-border investments, management of investment companies, advisory services and the provision of back office services.
AIB Bank (CI) Ltd. Jersey (Channel Islands) based banking company; provides financial services and trust services through subsidiary companies.	Bank Zachodni S.A. A commercial and retail bank, which operates as of January 31, 2001 through 208 branches and outlets, mainly in south western Poland.	AIB Asset Management Holdings Ltd. Asset management and funds management for institutional and retail clients principally through offices in Dublin, London, Singapore, Jersey and San Francisco.
AIB Bank (Isle of Man) Ltd. Isle of Man based banking company; provides trust and corporate services through subsidiary companies.		

2.2. HISTORY

AIB, originally named Allied Irish Banks Limited, was incorporated in Ireland in September 1966 in connection with the amalgamation of three long established banks (the “constituent banks”) with assets aggregating EURO 324 million. The Munster and Leinster Bank Limited (established 1885), the Provincial Bank of Ireland Limited (established 1825) and The Royal Bank of Ireland Limited (established 1836), the shares of which were acquired by and were transferred to AIB as a holding company. In 1972, AIB became the sole banking entity in place of the three constituent banks, other than with regard to the currency note issue of the Provincial Bank of Ireland Limited in Northern Ireland, which was transferred to AIB in 1982. This power to issue bank notes in Northern Ireland was transferred to AIB Group (UK) p.l.c. with effect from January 10, 1994.

In December 1970, AIB commenced the expansion of its network of branches in Britain. Since 1972, AIB has opened overseas branches in New York, the Cayman Islands and Singapore. Subsidiary companies have been set up in the Isle of Man and Jersey (Channel Islands). Representative offices have been established in Frankfurt, Pennsylvania, California and Philadelphia.

In December 1983, AIB acquired 43% of the outstanding shares of First Maryland Bancorp (“FMB”), now Allfirst Financial, Inc. (“Allfirst”). On March 21, 1989, AIB completed the acquisition of 100% of the outstanding shares of common stock of Allfirst, thereby furthering its strategic objective of increasing the geographic diversification of its investments and operations.

Ark Life Assurance Company Limited (“Ark Life”), the AIB Group’s wholly-owned life assurance subsidiary, commenced trading on May 22, 1991.

In July 1991, AIB acquired TSB Bank Northern Ireland p.l.c. (“TSB NI”), a bank with 56 branches in Northern Ireland. The AIB and TSB NI businesses in Northern Ireland were integrated with the passage of enabling legislation, which came into effect on January 10, 1994 and the combined operations trade under the service mark “First Trust Bank”.

In February 1995, AIB acquired its initial minority shareholding of 16.3% of the outstanding shares of WBK S.A. and in June 1996 acquired a further shareholding of 20%. On May 13, 1997, the AIB Group increased its shareholding in WBK S.A. to 60.14%.

On December 29, 1995, AIB acquired the John Govett Group, a UK investment management business operating principally from offices in London, Singapore, San Francisco and Jersey. In December 1996, the asset management operations of AIB, excluding those conducted by FMB, were merged under a single holding company.

On July 8, 1997, Dauphin Deposit Bank and Trust Company (“Dauphin”) a Pennsylvania chartered commercial bank was acquired by FMB and all banking operations have been merged into Allfirst Bank since September 1999.

On June 2, 1999 AIB signed an in-principle agreement with Singapore based Keppel Tatlee Bank Limited (“KTL”), which gives AIB the right to acquire up to a 24.9% equity stake in the bank. In October 1999, AIB’s private banking and treasury operations in Singapore were sold to KTL.

On September 16, 1999 AIB completed the acquisition of an 80% shareholding in BZ S.A. from the State Treasury of the Republic of Poland. In accordance with the privatisation agreement AIB invested in additional shares of BZ S.A. on October 15, 1999, bringing the total shareholding to 81% at December 31, 1999. Further investments in 2000 have brought the total shareholding to 83% at December 31, 2000.

On October 10, 2000 AIB announced a proposed merger of WBK S.A. and BZ S.A. The proposal was ratified by the shareholders of both banks at extraordinary general meetings held on December 20, 2000. The merger, which is subject to regulatory approvals, is planned to take effect in June 2001 and it is proposed that the new entity will adopt the name Bank Zachodni WBK S.A.

2.3. AIB BANK DIVISION

The AIB Bank division, with total assets of EURO 29.6 billion at December 31, 2000, comprises the Group’s retail and commercial banking operations in Ireland, Northern Ireland, Britain, Channel Islands and Isle of Man; AIB Finance & Leasing; Card Services and AIB’s life and pensions subsidiary, Ark Life Assurance Company Limited.

AIB Bank in the Republic of Ireland and First Trust Bank in Northern Ireland, provide branch banking services through their distribution network of almost 360 branches and outlets, and in excess of 580 automatic teller machines. AIB/First Trust ATM card holders also have access to over 29,000 LINK ATMs in Britain and Northern Ireland as well as 500,000 Visa Plus serviced ATMs world-wide. A debit card "Laser" is operated jointly with other financial institutions in the Republic of Ireland.

In addition, the Bank offers a 24 hour telephone access service for the routine transactions of personal customers in both Ireland and Northern Ireland. There is also 24 hour account access for personal customers via the internet through the AIB "24-hour-online" service through which AIB customers can pay bills, transfer money between accounts, search for cheques and view and order statements.

In Ireland and Northern Ireland, branch banking services are provided across the range of customer segments, including individuals, small and medium sized commercial customers, farmers and the corporate sector. Through the branch network, the Bank provides a variety of savings and deposit accounts and investment products, loans and overdrafts, home loans, home improvement loans, foreign exchange facilities and issues Visa® and Mastercard® credit cards.

AIB Finance & Leasing is AIB's asset financing arm in Ireland. It markets its services through the AIB branch network and through intermediaries with whom it has established relationships, such as motor dealers, equipment suppliers, brokers and other professionals, including solicitors, accountants and estate agents. It also lends directly to customers. Its lending services include vehicle, equipment and fleet leasing, retail and investment property loans, vehicle and equipment hire purchase, insurance premium financing and personal loans.

AIB's life assurance subsidiary, Ark Life Assurance Company Limited, provides a wide range of financial planning services including life assurance, savings and investment instruments, pensions and inheritance tax planning. In Ireland, general insurance products are sold in the branch network through alliances with partners in the insurance industry. In addition, First Trust Insurance Services Limited provides insurance services utilising the First Trust branch network in Northern Ireland.

Allied Irish Bank (GB) operates from 36 branches and outlets throughout Britain, 16 of which are in the greater London area. It provides a core range of banking services including current accounts, overdraft and loan facilities, mortgage, lending, deposit and investment services and specialist corporate banking services to small to medium sized businesses and to the professional sector. Its pricing strategy is to be 'at or below the level of the clearers'. It continues to reinforce its sectoral approach of concentrating on the business and professional markets, rather than the mass market, and grows year upon year as a result of this focused approach. For the fourth, and unprecedented time, it has won the title of Britain's Best Bank awarded by its customers via the Forum of Private Business research.

2.4. USA DIVISION

The USA Division, with total assets of EURO 20.5 billion at December 31, 2000, comprises the operations of Allfirst and of AIB's New York and Cayman Islands branches. Allfirst and its subsidiaries serve customers through a network of 261 branches and more than 580 automated teller machines in Maryland, adjoining states and the District of Columbia.

Allfirst is a bank holding company with its registered seat in Baltimore, Maryland, with total stockholders' equity at December 31, 2000 of US\$2.0 billion. At that date its total assets were US\$18.4 billion and for the year ended December 31, 2000 its income before taxes was US\$280 million and its net income was US\$185 million. Since March 21, 1984, AIB has controlled 100% of the voting power of Allfirst's outstanding capital stock.

Allfirst, through its principal subsidiary Allfirst Bank, is engaged in general commercial and retail banking and treasury and trust business serving individuals, businesses and governmental units. Allfirst Bank operates throughout Maryland and adjoining states. Allfirst also engages in cash management services through Allfirst Financial Center N.A. Other subsidiaries of Allfirst are engaged primarily in equipment financing, and commercial real estate lending.

A range of banking services is also provided through the New York branch of AIB to corporate and retail customers. In addition, the branch provides treasury services and manages AIB's Cayman Islands branch. The New York branch also manages representative offices in both California and Pennsylvania.

2.5. CAPITAL MARKETS DIVISION

AIB Capital Markets with total assets of EURO 23.2 billion provides the treasury, international, investment and corporate banking services of the AIB Group (with the exception of Allfirst, WBK S.A. and BZ S.A.) through three main business units: Treasury and International; Investment Banking; and AIB Corporate Banking.

Treasury & International through its treasury operations manages, on a global basis, the liquidity and funding requirements and the interest and exchange rate exposure of the AIB Group (with the exception of Allfirst, WBK S.A. and BZ S.A.). In addition, it is responsible for proprietary trading activities, and provides a wide range of treasury and risk management services to the corporate, commercial and retail customers of the AIB Group (with the exception of Allfirst, WBK S.A. and BZ S.A.). International banking activities include import and export financial services.

Investment Banking provides a comprehensive range of services including discretionary investment management, corporate finance, stockbroking, international cross-border finance and custodial, trustee and fund administration services. AIB Investment Managers Limited and AIB Govett manage assets for institutional and retail clients principally from offices in Dublin, London, Singapore, Jersey and San Francisco. The combined operations have EURO 15.9 billion of funds under management. The AIB/Bank of New York joint venture, AIB/BNY Fund Management (Ireland) Ltd., has EURO 49.2 billion of funds under administration.

AIB Corporate Banking provides a fully integrated, relationship-based banking service to top-tier companies, both domestic and international, financial institutions and Irish commercial state companies. While AIB Corporate Banking operates primarily in Ireland, it also has teams based in the UK and USA.

In addition to its main base at Dublin's International Financial Services Centre, AIB Capital Markets division operates AIB's treasury operations in London and New York, its representative office in Frankfurt and offices of AIB International Financial Services Limited in Budapest and (pending regulatory approval) in Zurich.

2.6. POLAND DIVISION

Poland Division, with total assets of EURO 6.1 billion, comprises WBK S.A., in which AIB has a 60% shareholding, together with its subsidiaries and associates, and BZ S.A., in which AIB has an 83% shareholding, together with its subsidiaries and associates.

WBK S.A. is based in Poznan in western Poland. At December 31, 2000 WBK S.A. had total assets of PLN 12.7 billion, 197 branches and outlets and over 4,650 staff. It is engaged in general and commercial retail banking, treasury and the provision of brokerage services. Asset management operations are carried out through WBK AIB Asset Management S.A. WBK S.A. operates mainly in Wielkopolska (the central western part of Poland) which is one of the most prosperous parts of the country.

BZ S.A., based in Wrocław in south western Poland, is engaged in general and commercial retail banking and brokerage services. At December 31, 2000 BZ S.A. had total assets of PLN 9.3 billion, 208 branches and outlets and over 6,550 staff.

2.7. ANNOUNCEMENT OF NEW DIVISION

AIB Group has recently announced the establishment of a new division called AIB Group Technology and eBusiness. This division will have responsibility for Groupwide IT and eBusiness investment and the development and implementation of AIB Group's IT and eBusiness strategy. Mr Gary Kennedy currently AIB Group Financial Director has been appointed Managing Director of this new division. This appointment will take effect from June 1, 2000.

CHAPTER X**ADDITIONAL INFORMATION**

The financial statements of WBK S.A. as at and for the years ended December 31, 1999 and 2000 are set out in Chapter X of the Prospectus but are not contained in this Information Memorandum. English translations of these financial statements are available from the Head Office of BZ S.A. on request.

CHAPTER XI

APPENDICES (INCLUDING DEFINITIONS)

The following appendices were included in the Prospectus:

- Appendix 1 Current excerpt from the commercial register relating to BZ S.A.
- Appendix 2 Statutes of BZ S.A.
- Appendix 3 Auditors opinion concerning contribution in kind made to share capital of BZ S.A.
- Appendix 4 Preliminary Merger Agreement
- Appendix 5 Final Merger Agreement
- Appendix 6 Resolution of extraordinary general shareholders meeting of WBK S.A. dated December 20,2000
- Appendix 7 Resolution of EGSM dated December 20, 2000 amending the Statutes
- Appendix 8 Money Transfer Order
- Appendix 9 Definitions

Appendix 1 to 8 are included in Chapter XI of the Prospectus but are not included in this Information Memorandum. English translations of these documents are available from the Head Office of BZ S.A. on request.

Set out below is an abbreviated version of the English translation of Appendix 9 of the Prospectus.

APPENDIX 8

DEFINITIONS

Accounting Act

the Accounting Act of September 29, 1994 (Dz.U. No. 121, 1994, item 591, as amended)

Acquisition of Real Estate by Foreign Persons Act

the Act of March 24, 1920 on the Acquisition of Real Estate by Foreign Persons (Dz.U. No. 54,1996, item 245, as amended)

Act on Companies with Foreign Interest

the Act on Companies with Foreign Interest of June 14, 1991 (consolidated version, Dz.U. No. 26, 1997, item 1431, as amended)

Act on Public Trade in Securities

the Act on Public Trade in Securities of August 21, 1997 (Dz.U. No. 118, 1997, item 754, as amended)

AIB

Allied Irish Banks, p.l.c., a company with its registered office in Dublin, Ireland

AIB EI

AIB European Investments Limited, a company with its registered office in Dublin, Ireland and the dominant entity with regard to the Issuer

AIB Group

Allied Irish Banks p.l.c., a company with its registered office in Dublin, Ireland, and its subsidiary and associated entities

Act on Counteracting Monopolistic Practices

the Act on Counteracting Monopolistic Practices of February 24, 1990 (consolidated version, Dz.U. No. 52, 1999, item 547)

Auditor, Chartered Auditor

PriceWaterhouseCoopers Sp. z o.o., a limited liability company with its registered office in Warsaw, a company of chartered auditors entered on the list of entities authorised to audit financial statements, registered under No. 144 by the National Chamber of Chartered Auditors

Bank Guarantee Fund Act

the Act on the Bank Guarantee Fund of December 14, 1994 (Dz.U. No. 4, 1995, item 18, as amended)

Bank Merger Act

the Act on the Merger and Consolidation of Certain Banks Organised as Joint-Stock Companies of June 14, 1996 (consolidated version Dz.U. No. 9, 2000, item 131)

Bank, BZ S.A. or the Issuer

Bank Zachodni S.A with its registered office in Wrocław

Banking Law

the Banking Law Act of August 29, 1997 (Dz.U. No. 140, 1997, item 939), effective as of January 1, 1998, as amended

BGF

the Bank Guarantee Fund established pursuant to the Bank Guarantee Fund Act

Bonds Act

the Bonds Act of June 29, 1995 (Dz.U. No. 83, 1995, item 420, as amended)

Brokerage House or DM BZ S.A.

the Brokerage House of BZ S.A., being a subsidiary of the Issuer

Brokers, CAIB or Offeror

CAIB Financial Advisers Sp. z o.o. with its registered office in Warsaw, the entity offering the Shares for public trading

BSC

Banking Supervision Commission, (Komisja Nadzoru Bankowego) operating under the Banking Act and the NBP Act

BZ WBK S.A.

Bank Zachodni WBK Spółka Akcyjna, the bank to be established following the Merger

CAD

the Canadian dollar, legal tender in the territory of Canada

CHF

the Swiss franc, legal tender in the territory of the Swiss Confederation

Civil Code

the Civil Code Act of April 23, 1964 (Dz.U. No. 16, 1964, item 93, as amended)

Commercial Code

the Commercial Code Ordinance issued by the President of the Republic of Poland on June 27, 1934 (Dz.U. No. 57, 1934, item 502, as amended)

Commercial Companies Code

the Act of the Commercial Companies Code of September 15 (Dz.U. No. 94, item 1037)

Commercialisation Act

the Act on Commercialisation and Privatisation of State Enterprises of August 30, 1996 (Dz.U. No. 118, 1996, item 561, as amended)

Corporate Income Tax Act

the Corporate Income Tax Act of February 15, 1992 (Dz.U. No. 106, 1993, item 482, as amended)

Criminal Code

The Criminal Code Act of June 6, 1997 (Dz. U. No. 88, 1997, item 553, as amended)

CZK

the Czech koruna, legal tender in the territory of the Czech Republic

DEM

the German mark, legal tender in the territory of the Federal Republic of Germany

DKK

the Danish krone, legal tender in the territory of the Kingdom of Denmark

Dz.U.

Dziennik Ustaw Rzeczypospolitej Polskiej, the journal of laws of the Republic of Poland

Dz.Urz. KPWiG

Dziennik Urzędowy Komisji Papierów Wartościowych i Gield, the official journal of the Polish Securities and Exchange Commission

Dz.Urz. NBP

Dziennik Urzędowy Narodowego Banku Polskiego, the official journal of the National Bank of Poland

EURO or EUR

the currency of member states the European Union, in force since January 1, 1999

Extraordinary General Shareholders Meeting, or EGSM

an Extraordinary General Shareholders Meeting of BZ S.A.

Final Merger Agreement

the Final Merger Agreement of November 13, 2000, concluded by and between BZ S.A. and WBK S.A.

Foreign Exchange Law

the Foreign Exchange Act of December 18, 1998 (Dz.U. No. 160, 1998, item 1063, as amended)

FRF

the French franc, the legal tender in the territory of the French Republic

G Series Shares, Merger Shares or Offered Shares

40,009,302 G series ordinary bearer shares, each with a nominal value of PLN 10, introduced for public trading and offered under the Prospectus

GBP

the pound sterling, the legal tender in the territory of the United Kingdom of Great Britain and Northern Ireland

GDP

the Gross Domestic Product

General Shareholders Meeting or GSM

A General Shareholders Meeting of Bank Zachodni S.A.

GINB

The General Inspectorate of Banking Supervision of the National Bank of Poland

GPW, Stock Exchange or WSE

Giełda Papierów Wartościowych w Warszawie S.A., the Warsaw stock exchange

IEP

the Irish pound, legal tender in the Republic of Ireland

ITL

the Italian lira, legal tender in the territory of the Italian Republic

JPY

the Japanese yen, legal tender in the territory of Japan

KPA

the Administrative Procedure Code (consolidated text in: Dz.U. No. 98/2000, item 1071)

KPWiG or PSEC

the Polish Securities and Exchange Commission

Labor Code

the Act of the Labor Code of June 26, 1974 (consolidated text in: Dz.U. No. 21, 1998, item 94, as amended)

LIBOR

London Inter – Bank Offered Rate

Management or the Bank's Management

the management of Bank Zachodni S.A.

Management Board

the Management board of Bank Zachodni S.A.

Merger

the process of merging WBK S.A. and BZ S.A., which is completed by the deletion of WBK S.A. from the relevant court register

Merger Resolution

Resolution of EGSM of December 20, 2000 regarding the Merger

Merger Resolutions

The Merger Resolution and the resolution of the extraordinary general shareholders meeting of WBK S.A. regarding the Merger

Monetary Policy Council

Monetary Policy Council, an organ of the National Bank of Poland

MIAA

the Ministry of Internal Affairs and Administration

NBP

the National Bank of Poland

NBP Act

the National Bank of Poland Act of August 29, 1997 (Dz.U. No. 140, 1997, item 9381, as amended), effective as of January 1, 1998

NDS

National Depository of Securities S.A.

New Antimonopoly Act

the Act for the Protection of Competition and Consumers of December 15, 2000 (Dz.U. No. 122, 2000, item 1319), effective as of April 1, 2001

NOK

the Norwegian krona, legal tender in the Kingdom of Norway

PAS

the Polish Accounting Standards, being the principles set forth in the Accounting Act, Regulation No. 1/95 issued by the President of the National Bank of Poland on February 16, 1995 concerning the special accounting standards for banks and the preparation of additional information (Dz.Urz. NBP No. 4, 1995, item 8, as amended, and other regulations in place in Poland)

Personal Income Tax Act

the Personal Income Tax Act of July 26, 1991 (Dz.U., No. 14, 2000, item 176, as amended)

PKO BP

Powszechna Kasa Oszczędności Bank Polski S.A.

PLN

the Polish złoty, legal tender in the Republic of Poland, introduced as of January 1, 1995, in accordance with the Polish Złoty Re-denomination Act of July 7, 1994 (Dz.U. No. 84, 1994, item 386), the value of PLN 1 being equal to PLZ 10,000

PLZ, ZŁ

the Polish złoty, the legal tender in the Republic of Poland until December 31, 1996

Polish Securities Act

Act of Public Trading in Securities of August 21, 1997 (Dz.U. No 118, 1997, item 754)

Preliminary Merger Agreement

the Preliminary Merger Agreement of October 9, 2000, concluded by and between BZ S.A. and WBK S.A.

Primary Market

the market described in § 34 of the Warsaw Stock Exchange Rules

Privatisation Act

the Act on Privatisation of State Enterprises of July 13, 1990 (Dz.U. No. 51, 1990, item 298, as amended, repealed under the provisions of the Commercialisation Act)

Privatisation Agreement

the agreement regarding the sale of the BZ S.A. shares of June 24, 1999, concluded by AIB EI and the State Treasury

Prospectus

the prospectus issued by BZ S.A. in connection with the Shares Being Introduced to Public Trade drawn up in Wrocław on February 28, 2001 and updated up to February 28, 2001

Prospectus Ordinance

the Ordinance issued by the Council of Ministers on December 22, 1998 concerning the specific requirements for the issue of prospectuses, summary issue prospectuses, offering circulars and summary offering circulars (Dz.U. No. 163, 1998, item 1162, as amended)

Public Offering

the offering of G Series Shares addressed to WBK S.A. shareholders

Reference Day

the day on which the allocation of Merger Shares will be allotted to WBK S.A. shareholders is determined based on rules and regulations of the NDS

Registered Pledge Act

Registered Pledge and Register of Pledges Act of December 6, 1996 (Dz.U. No. 149, 1996, item 703, as amended)

Registry Court

the registry court for the Issuer being the District Court for Wrocław Fabryczna, VI Commercial Division of the National Court Register, ul. Grabiszyńska 269, 53-235 Wrocław

Repealed Banking Law

the Act of January 31, 1989 – the Banking Law (Dz.U. No. 72, 1992, item 359, as amended), which was repealed as of January 1, 1998

Restructuring Act

the Act on Financial Restructuring of Enterprises and Banks, and Amendments to Certain Other Acts of February 3, 1993 (Dz.U. No. 18, 1993, item 82, as amended)

SKR

Swedish krona, legal tender in the Kingdom of Sweden

Share Exchange Ratio

the share exchange ratio determined by the Merger Resolution, amounting to 1 BZ S.A. share to 1.72 WBK S.A. shares

Shares Being Introduced to Public Trade or the Shares

- (i) 5,120,000 A Series Shares, with a nominal value of PLN 10 each,
- (ii) 724,073 B Series Shares with a nominal value of PLN 10 each,
- (iii) 22,155,927 C Series Shares with a nominal value of PLN 10 each,
- (iv) 1,470,589 D Series Shares with a nominal value of PLN 10 each,
- (v) 980,393 E Series Shares with a nominal value of PLN 10 each,
- (vi) 2,500,000 F Series Shares with a nominal value of PLN 10 each,
- (vii) 40,009,302 G Series Shares,

which are being introduced to public trading pursuant to the Prospectus

Statutes

the Statutes of BZ S.A.

Supervisory Board

the Supervisory Board of BZ S.A.

USD

the United States dollar, legal tender in the territory of the United States of America

WBK S.A.

Wielkopolski Bank Kredytowy S.A. with its registered office in Poznań

WIBOR

Warsaw Inter-Bank Offered Rate

WIG

the Warsaw Stock Exchange Index

When analysing the financial data contained in this Information Memorandum or the Prospectus, the following should be taken into account:

- the number 0.0 in the tables means a fraction rounded up to 0, and the symbol “-” means the absence of a given item;
- the figures provided in the tables have been calculated based on the data prior to their rounding-up, and therefore they may differ slightly from figures calculated on the basis of rounded-up data;
- the figures expressed in percentage points may not add up to 100% due to their being rounded up to one decimal point.

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