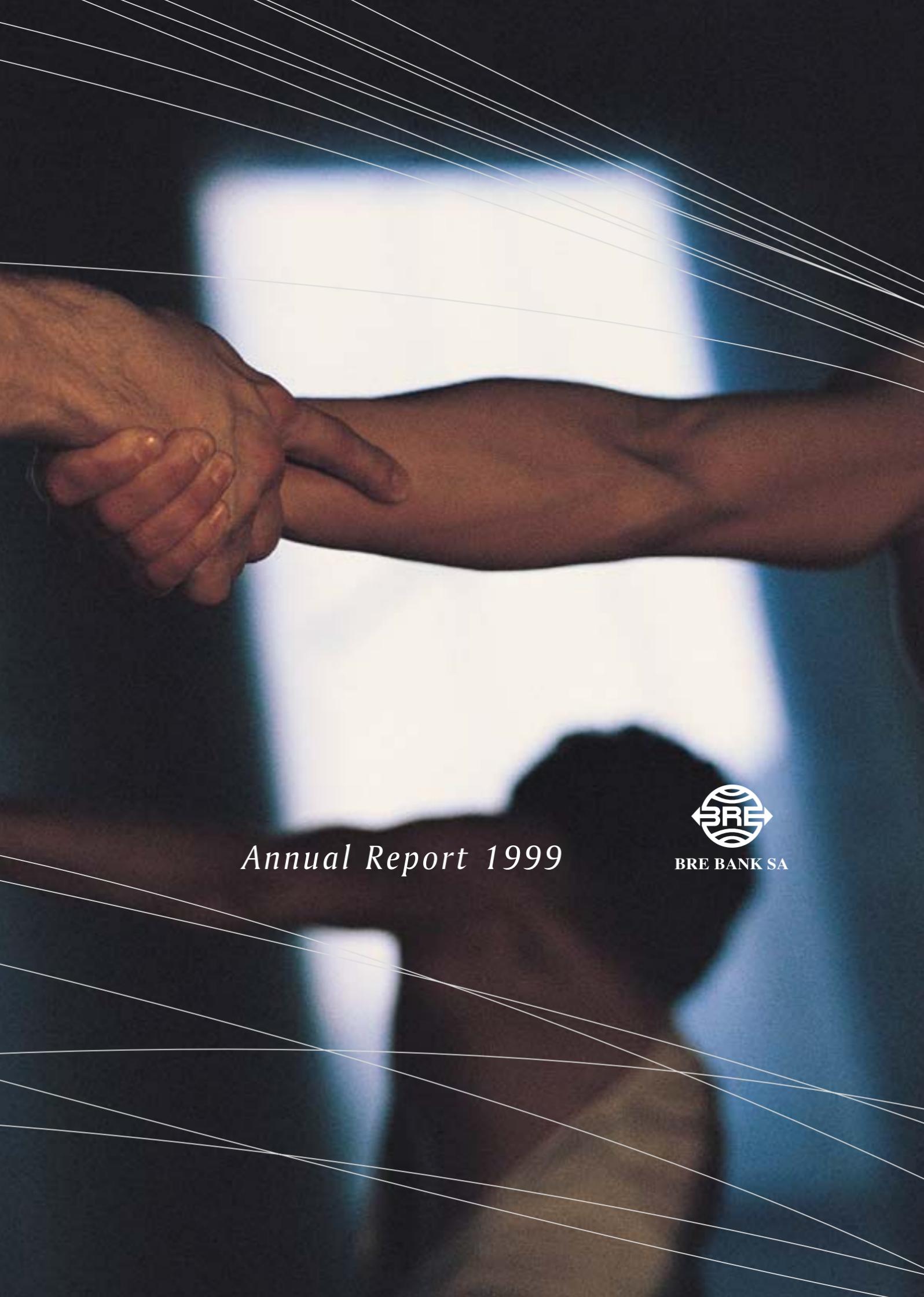




Annual Report 1999



BRE BANK SA



Annual Report 1999



BRE BANK SA

Key figures of BRE Bank

	1995	1996	1997	1998	1999
Total assets (PLN m)	2 586	4 081	6 142	11 045	14 549
Own funds (PLN m)	317	395	816	1 230	1 365
Solvency ratio	16.4%	12.0%	15.6%	12.1%	11.2%
ROE	35.6%	29.9%	26.2%	20.7%	50.4%
Cost/income ratio	34.3%	42.3%	47.3%	36.7%	26.7%
Net interest margin	10.2%	6.9%	5.3%	4.2%	2.1%
Branches	12	17	19	23	24
Staff	1 084	1 301	1 694	2 153	2 154

Earning figures of BRE Bank in PLN '000

	1995	1996	1997	1998	1999
Net interest income	199 179	222 899	286 747	361 769	291 970
Profit on commission	40 393	59 953	94 762	133 782	439 669
Profit (loss) on shares, associated interests and other income securities	462	1 204	5 040	4 779	8 478
Profit on financial operations	(5 056)	12 972	(3 312)	162 690	751 610
General expenses	(86 931)	(120 575)	(187 157)	(283 437)	(397 861)
Gross profit before tax	173 066	197 162	197 419	345 124	1 028 083
Net profit	105 361	114 715	146 275	205 087	665 047

Key ratios

	1995	1996	1997	1998	1999
Number of shares (m)	14.5	14.5	19.0	22.8	22.8
Book value	422.6	509.6	961.9	1 435.5	2 030.4
Per share					
Earnings per share (PLN)	7.3	7.9	9.4	10.1	29.2
Book value per share (PLN)	29.1	35.1	50.6	63.0	89.1
Dividend per share (PLN)	1.5	3.0	3.0	3.0	8.0
Ratios					
Price/Earnings	5.2	10.9	7.7	8.0	4.5
Price/Book value	1.3	2.5	1.4	1.3	1.5
Dividend yield	4.0%	3.5%	4.1%	3.7%	6.1%

Contents

Letter by the Chairman of the Supervisory Board	6
Letter from the President of the Management Board	9
Poland's Economy in 1999	13
Changes in the Banking System	21
Management Board's Annual Report for 1999	25



Results of Operations	49
BRE Bank's Supervisory Board and Board of Management	97
Addresses and Telephones	100

Letter by the Chairman of the Supervisory Board

Dear Shareholders!

The year 1999 will certainly be remembered in the history of our Bank as exceptional. The primary reason is the highest ever profit generated by the Bank at PLN 665 million, the second reason is that this past year was focused on the merger with Bank Handlowy w Warszawie SA, a merger that in the end did not come into effect.



The high profit resulted from the implementation of the Bank's strategic guidelines regarding the development of investment banking and a focus on this area for a growing share of earnings. In 1999, this strategy produced unusually good results thanks to the high return achieved from portfolio investments, especially the stocks of Polska Telefonia Cyfrowa and BIG Bank Gdański. This strategy will be continued in the future, though its effects might not be equally spectacular.

Last year, the Management Board of BRE Bank, its Supervisory Board and Shareholders gave their approval for a merger with Bank Handlowy w Warszawie SA. The management of both banks and a large number of employees made a great effort to lay the organisational foundations for the merger. However, for reasons beyond BRE Bank's control, the process was not finalised.

The practice in foreign, well-developed markets proves that about 40% of planned mergers are not carried out. I believe the Polish financial market has also achieved the maturity phase where unsuccessful mergers or unfriendly acquisitions are becoming a natural occurrence.

In this new situation, the Bank's most important task is to prepare its own program targeting retail clients in order to expand its client deposit base. This program has to be customer-focused and based on the state-of-the-art technology so as to ensure the Bank a competitive edge and a substantial market share.

The BRE Bank Capital Group achieved significant growth last year. The pension fund company PTE Skarbiec-Emerytura was launched successfully, enlisting 380,000 participants by the end of the year. Considering that a total of 10 million people joined the 21 open-ended pension funds operating in the market, this ranked Skarbiec-Emerytura seventh in terms of the number of participants.

The investment fund company TFI Skarbiec has achieved a growing market share and offers new investment funds, including Skarbiec III Filar. The assets under the company's management grew in the past year over 2.5 times to PLN 603.4 million while its market share doubled to reach 20%.

In December 1999, with necessary permits of the Banking Supervision Commission, the mortgage bank RHEINHYP-BRE Bank Hipoteczny was established, the first bank in Poland to operate under the Law on Mortgage Bonds and Mortgage Banks. The bank will finance both housing construction and commercial real estate development. The first issue of mortgage bonds is planned for the first half of 2000 and will be carried out by BRE Bank.

Last year, not only the Bank's profit substantially increased and its Capital Group grew; the Bank also expanded its premises. After the Jabłonowski Palace, another reconstruction of a historical building was completed in Senatorska Street, Warsaw. The branches in Katowice and Bydgoszcz have moved into their own modern premises. The latter is considered one of the most beautiful contemporary buildings in Poland.

BRE Bank's considerable growth in market value since 1997 is partly attributable to the implementation of a special incentive scheme for its management, launched two years ago. The scheme offers stock options, granted to the management staff in 1997. The options will expire in 2000. Actual performance and the resultant considerable increase in the Bank's value prove that the deployed solutions have passed the test and should be continued in the future.

In 1999 BRE Bank once again received numerous awards. The President of the Bank's Management Board, Mr Wojciech Kostrzewa, was named the Best Banker of the Decade 1990-1999 and the Best Banker of 1999, while both the present and the previous Presidents were listed among the most eminent bankers of the decade in recognition of their achievements in the development of the Polish banking system. Polish and international experts have acknowledged BRE Bank as the best Polish bank of the past decade, which I personally and, I assume, you as well welcome with great satisfaction.

I hope our Shareholders will also be satisfied with the dividend for 1999, reflecting the high profits achieved during the year. The Supervisory Board will make a recommendation to the General Meeting of Shareholders to allocate PLN 182.4 million for dividend payment, which implies 8 zlotys per share, i.e. 2.5 times as much as in the previous year.

The Supervisory Board made personnel changes in the Bank's Management Board last year, recalling Vice President Mieczysław Groszek as of December 31, 1999 due to his appointment as President of the Management Board of Mitteleuropische Handelsbank in Frankfurt.

Last year was the second and final year of work of the present Supervisory Board, as its term expires on the approval of 1999 results by the General Meeting of Shareholders. I need to stress that the establishment of the four-member Executive Committee from among the twelve members of the Supervisory Board was a well-conceived move. It enhanced the efficiency of the Supervisory Board's work and facilitated its co-operation with the Management Board, helping to resolve many problems that demanded immediate, sometimes discreet decision-making. I hope the new Supervisory Board, whose composition will reflect the changes in the Polish economy, will make a significant contribution to the Bank's future growth.

In closing, I would like to thank all the previous members of the Supervisory Board for the good co-operation we had, all the Shareholders for their trust and support, and the Management Board for the very good financial results achieved by the Bank thanks to effective management. My special words of gratitude go to the employees of the Bank who, despite the larger workload and responsibilities connected with the planned merger, demonstrated their understanding and loyalty to the company. I hope they will continue to display these qualities in the future. I believe that thanks to our joint efforts we will be able to uphold BRE Bank's image as the best Polish bank.



Krzysztof Szwarc
Chairman of the Supervisory Board

Letter from the President of the Management Board

Dear Shareholders!

The year 1999 set a record in the financial performance of our Bank. The net profit amounted to PLN 665 million, the highest in the Bank's history. The high profit translated into high performance ratios, such as ROA of 4.8%, ROE at 50.4% in nominal terms and 40.6% in real terms; the Bank's strategic ob-



jective is to achieve ROE of 15%. Other ratios were also robust, with the cost/income ratio at 26.7% and the capital adequacy ratio at a safe 11.2%.

These results were achieved under difficult external circumstances: weaker market conditions in the economy, deteriorating financial standing of companies, falling interest margins, all against the background of growing competition in the market of financial services. Well aware of these difficulties, the Management Board decided to rely heavily on investment banking; sound investments made by the Bank produced high capital gains. Two transactions are especially noteworthy in this context: the sale of a packet of shares and rights in Polska Telefonia Cyfrowa and the sale of BIG Bank Gdański shares. Obviously, such profitable transactions can be effected only exceptionally and a similar level of profits is unlikely to recur in the nearest future.

At the end of 1999, the Bank's equity amounted to PLN 1,365.4 million, and, topped up with profits, reached PLN 2,030.4 million, ranking BRE Bank fifth among commercial banks operating in Poland.

The balance sheet total was PLN 14,549.1 million, a 31.7% increase compared to the end of 1998.

Total loans granted to clients stood at PLN 6,217.5 million at the end of 1999, a figure 14.3% higher than in the previous year. It should be stressed, however, that such a low growth rate, rather untypical of BRE Bank, results from the comparison of December-on-December figures and considerably lower lending at the very end of the year, affecting mainly overdrafts and working capital loans.

The comparison of the average values of the 1998 and 1999 loan portfolios suggests a growth of 40%.

On the liabilities side, clients' deposits showed a high growth. At PLN 7,356.7 million, deposits were 53.7% higher than at the end of 1998.

The Bank also raised funds in the interbank market. Given the high increase in client deposits, demand for interbank funding was lower than in previous years. Growing by 20.6%, it reached PLN 4,783.4 million. Among the highest loans drawn on foreign banks, the most significant to the Bank's liquidity was the 4-year EUR 180 million syndicated loan arranged by 22 banks.

Last year, the Bank significantly increased its investment in other companies: its stock holding grew to PLN 765.6 million, 2.5 times over the previous year. This was possible due to the capital strength of the BRE Bank Group: newly formed companies were equipped with opening capital while a number of existing businesses received additional capital injections.

From among the companies that launched or substantially expanded their operations in 1999, the most important are the pension fund company PTE Skarbiec-Emerytura, the mortgage bank RHEINHYP-BRE Bank Hipoteczny and the brokerage house BRE Bank Securities. The latter was formed by separating the brokerage business from the Bank's organisation: BRE Brokers was contributed in kind and equipped with additional capital. BRE Bank Securities is now one of the leading brokerage houses in the market. In 1999, it ranked first with regard to primary market offerings and third in terms of stock trading with a 6.8% market share.

The investment fund company Skarbiec TFI showed considerable growth, both in terms of the value of managed assets, as well as the growing number of funds on offer. Holding a 20% market share, the company ranked second in Poland.

Business Management & Finance (BMF), a subsidiary of BRE Bank, advised the State Treasury in the largest privatisation transactions of 1999, while the total value of the transactions conducted by BMF on behalf of clients reached PLN 4 billion. BMF was the number Polish advisory firm in M&A transactions executed in 1999.

One of the most significant developments in the Capital Group was the transformation of BRE/IB Austria Management, the company managing National Investment Funds, into BRE/Cresco Management. Apart from the previously managed NIF no. 1, the company also took over the management of NIF no. 5 and 13, gaining an important market position.

Following a public call for shares, the Bank became the holder of nearly 100% of stock of BEST. BEST had earlier bought from the Bank and incorporated the company FINOKO. Thereby, the instalment loan business has been consolidated in one institution. The Bank intends to use BEST as one of its distribution channels.

The Group has expanded to include BRE Hestia Service selling property insurance, life insurance linked with a pension fund scheme, participation units in Skarbiec investment funds, and financial products of the insurer Hestia.

As in previous years, the Bank pursued its investment banking activity.

An agreement was signed with four companies of Volkswagen Polska Group for a PLN 600 million Commercial Paper Issue Program. The Bank arranged syndicated loans worth PLN 741 million, including loans for TVN SA and EI-Net SA, and organised the first securitisation program in the Polish capital market for Urtica. The Bank continued to issue warrants on Warsaw Stock Exchange indices and the stocks of selected companies. The Bank was also the first institution to introduce foreign exchange warrants to WSE trading. In recognition of its innovative approach, the President of the WSE awarded BRE Bank for its "contribution to the development of derivatives market."

The Bank also continued with its proprietary investments and built up a substantial long-term portfolio of high growth sectors, such as telecommunications, the media, and the computer industry.

The Bank's strong position and positive market image were substantiated last year by many prestigious awards. The list of titles it already holds (e.g., Best Bank in Poland in Gazeta Bankowa rankings for 1996, 1998, 1999, the Best Bank in Poland in Euromoney rankings for 1994, 1995, 1998, 1999) now includes

the title of the Polish Bank of the Decade (Central European 1999) and the Best Bank of the Decade 1990-1999 in a ranking of Gazeta Bankowa and Prawo i Gospodarka. The Bank was also named an Entrepreneur-friendly Bank by the Polish Chamber of Commerce and the Polish-American Advisory Foundation for Small Enterprises. In a 1999 ranking of Parkiet, BRE Bank was recognised as the best-managed company listed on the WSE.

In view of the prevailing consolidation trend in the banking sector, noted both in Poland and abroad, BRE Bank intends to participate actively in this process. In 1998, BRE Bank successfully took over Polski Bank Rozwoju. In July 1999, the Management Boards of BRE Bank and Bank Handlowy w Warszawie announced their decision to merge the two institutions. Such a merger would have allowed both banks to expand considerably, and the new bank would have stood a realistic chance of becoming the leading universal bank not only in Poland, but the whole Central and Eastern European region. However, despite the good will of both Management Boards and the majority of shareholders, as well as the efforts of the staff in preparatory work, the merger was stopped.

Relying on the experience it has gained, BRE Bank will continue its organic growth in the nearest future. It has a solid base of considerable financial potential, state-of-the-art banking technologies, a very good market brand and image and, significantly, Commerzbank as the strategic shareholder now declaring even more intensive co-operation.

The most important task for the time being is to target retail clients and strengthen the Bank's deposit base with their funds. In this area too, we would like to be a leader in banking technology. We will also strive to strengthen the Bank's position in the fastest developing segment of banking services, i.e., asset management in investment and pension funds. The Bank will also pursue its policy of mid- and long-term portfolio investments, especially in companies of the "new economy."

The General Meeting of Shareholders marks the end of the Management Board' term of office. I would like to thank all members of the present board-including those who, like Messrs. Paul-Gerhard Hammer and Mieczysław Groszek, have assumed responsible posts in other banks-for the wonderful co-operation we had and for their contribution to the Bank's success.

I would also like to express my gratitude to the Supervisory Board of the present term, and especially its Chairman, Mr Krzysztof Szwarc, and members of the Executive Committee, for their personal involvement and support for the work of the Management Board.

In closing, I would like to thank you, the Bank's Shareholders, for your trust and support. The ultimate objective of our endeavours is to guarantee the Bank's continued growth and competitiveness, both of which will serve to strengthen its position in the Polish banking sector. I am convinced that the implication for clients is even better, more modern and comprehensive service, and for Shareholders-higher return from the capital invested in BRE Bank.



Wojciech Kostrzewa
President of the Management Board

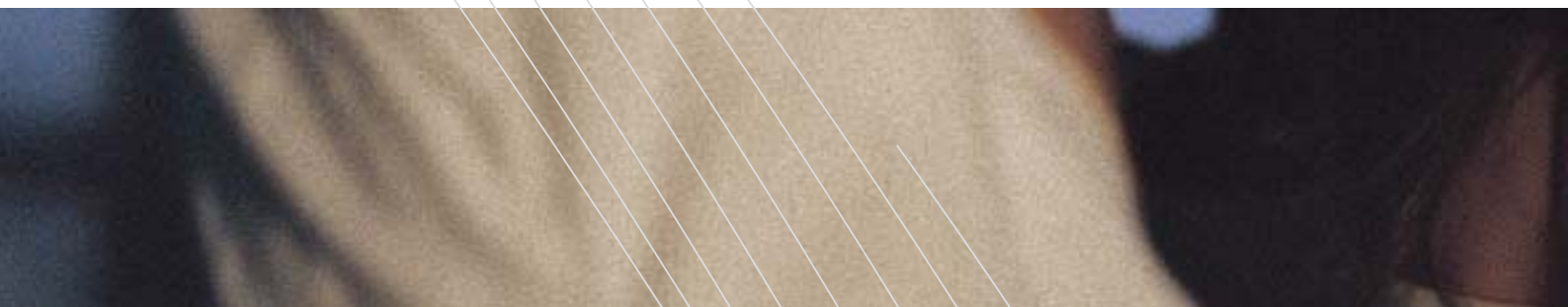
A photograph of a woman from the waist up, wearing a white, possibly silk, dress. She is looking down and to the right. Her right arm is raised, and her hand is near her head. The background is dark and out of focus. On the left side of the image, there are several thin, white, curved lines that sweep across the frame. The text "Poland's Economy in 1999" is centered in the middle of the image.

Poland's Economy in 1999

In 1999 Poland again noted a lower economic growth rate. The deep decline in the first half of the year came mainly as a result of disadvantageous external circumstances, such as deteriorating market conditions in the European Union and the impact of the Russian crisis. Nonetheless, Poland's 4.1% GDP growth in 1999 must be acknowledged a success compared to other European countries.

Given the decline in foreign demand, the primary factor driving economic growth was domestic consumption, stimulated by the high growth rate of consumer loans. Domestic demand grew by 4.9%, compared to 6.4% a year earlier. The lower rate was a result of weaker investment demand. Gross outlays for durable goods rose by 6.9%, compared to 14.2% in 1998. The total growth rate of consumption was 4.2%, similar to the previous year's figure (4.1%).

Following the strong economic decline in the first quarter, the economy started to show first signs of gradual improvement later in the year, especially in industry. However, in the labour market negative



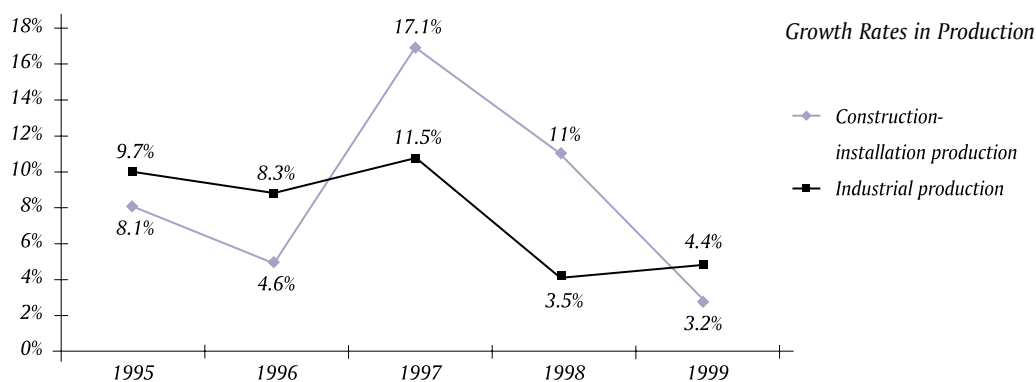
trends became more evident. There was a drop in average employment in the enterprise sector. At the end of December, the number of registered unemployed was 2.35 million, 28.3% more than in the previous year. The unemployment rate at the end of 1999 reached 13.0% (compared to 10.4% a year earlier), the highest figure in the past three years. Another disadvantageous phenomenon was the adverse situation in foreign trade and the fast growth of the trade deficit.

Still, investors perceived Poland as a stable and attractive market. The value of foreign direct investment in 1999 was approximately USD 9 million. The privatisation revenue was almost twice as high as that envisaged in the state budget. Apart from Treasury bills, this was the main source of financing the budget deficit, which reached PLN 12.6 billion, or approximately 3.3% of GDP.

Economic transformation in Poland was recognised by international rating agencies. Thomson Financial BankWatch and Standard & Poor's raised Poland's rating for foreign currency debt from BBB- to BBB, and Moody's Investors Service raised its rating from Baa3 to Baa1.

Slow Production Growth

In 1999, industrial production in companies employing over 5 people rose by 4.4%. Productivity improved by 9% with employment falling by 4.4%. The highest growth (up 5.3%) was noted in the processing industry, and the largest decline in mining (down 5.7%). There was a positive shift in the production profile, as evidenced by the falling share of energy- and material-intensive industries and the growing share of high-tech sectors.



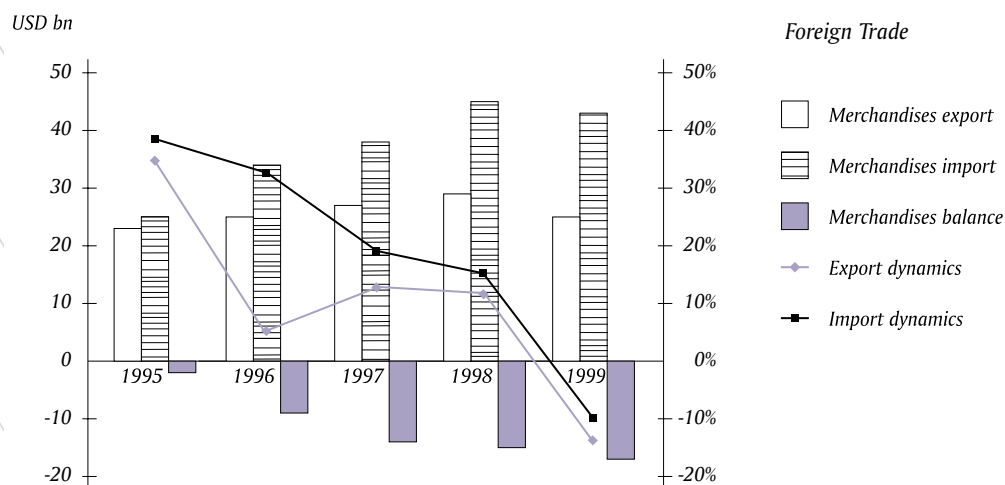
The construction sector in 1999 grew at a rate 3.2 % higher than in the previous year. However, the downturn in housing construction continued: 3.9% less apartments were completed than in 1998.



The economic performance and financial standing of companies deteriorated in 1999. Based on data for the first three quarters, the gross profitability of businesses decreased from 2.8% in 1998 to 1.5% in 1999, while their net profitability fell from 1.3% to 0.2%. The business activity of almost 40% of companies generated no profits or produced losses.

Deeper Trade Deficit

In payment terms, commodity exports in 1999 amounted to USD 26.4 billion and were 12.4% lower than in 1998, while imports reached USD 40.8 billion, down by 6.8% compared to the previous year. The foreign trade deficit totalled USD 14.5 billion, compared to USD 13.7 billion a year earlier. There were both domestic and external reasons for the high foreign trade deficit.



Domestic factors included insufficient competitiveness of Poland's trading offer, strengthening of the zloty in real terms against the German mark, inadequate support for exporters and large reliance of foreign direct investments on imports. Irrespective of these factors, there was also a decline in demand for imports among Poland's main trading partners.

Trade in services also noted a deficit (USD 1.6 billion compared to USD 508 million in 1998), similarly as proceeds from services (USD 800 million compared to USD 568 million a year earlier).

The current balance of unclassified trade, involving mainly revenues from cross-border trade, amounted to USD 3.6 billion. This was USD 2.4 million lower than in the previous year, and thus mitigated the foreign trade deficit to a lesser extent. As a result, the current account gap amounted to USD 11.7 billion, 70% more than in the previous year. The deficit was equal to 7.6% of GDP, compared to 4.4% in 1998.



Thanks to high foreign currency reserves and the profile of deficit financing-based primarily on the inflow of long-term capital-the high deficit did not result in higher debt repayment risk.

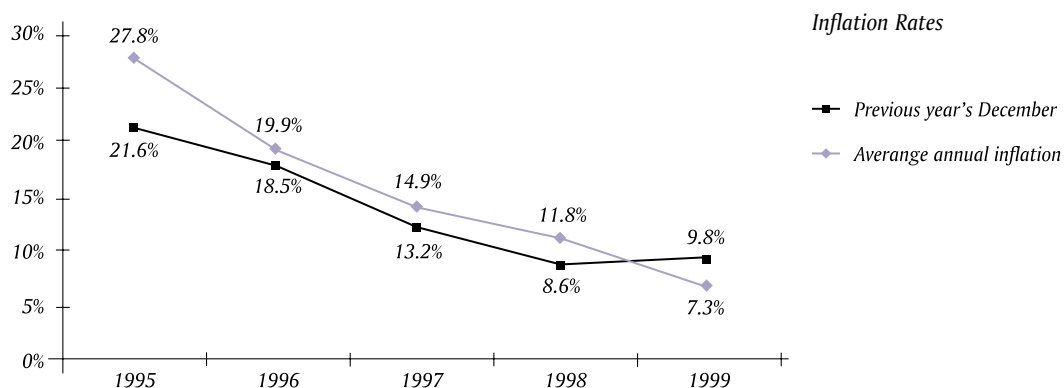
The state's foreign currency reserves in December 1999 totalled USD 25.5 billion, corresponding to approximately 6.4 months' average value of the imports of commodities and services. Since the beginning of the year, reserves decreased by nearly USD 2 billion. To some extent, this was due to the fact that a large portion of Poland's reserves is denominated in the euro which over the year lost about 14% against the US dollar.

Higher Inflation Is Back

YoY inflation was 9.8% in December 1999, compared to 8.6% in the previous year. The annual average CPI was 7.3%, less than the 1998 index of 11.8%.

There were three main reasons for inflation in 1999:

1. numerous fuel prices raises, which translated into higher prices of services, foodstuffs and durable goods;
2. weakening of the zloty, especially against the US dollar, the currency of 35% of Polish foreign trade settlements;
3. increase in food prices since September 1999 following the government's intervention in the agricultural market and the raising of customs duties for agricultural and food products; earlier, food prices had kept inflation in check.



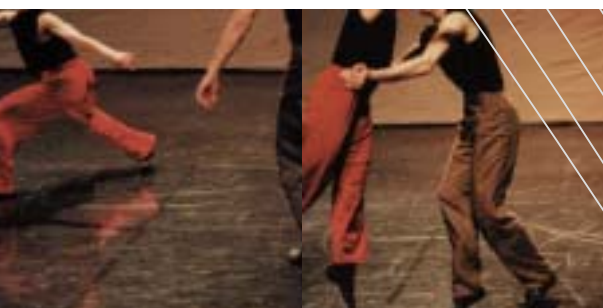
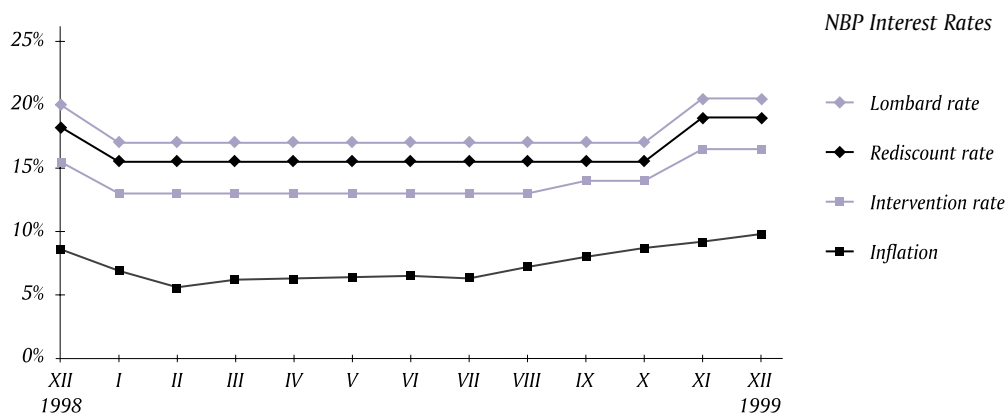
Interest Rates

The Monetary Policy Council (RPP) adjusted interest rates twice last year. In January 1999, the downward trend in inflation and signs of slower economic growth prompted the Council to reduce interest rates, and in result the lombard rate fell from 20% to 17%, the discount rate from 18.25% to 15.5%, and the intervention rate from 15% to 13%.

In the second half of the year, when it became obvious that the 1999 inflation target of 6.6%-7.8% was unattainable, the Council raised interest rates by 2.5 - 3.5 percentage points. The lombard rate went up to 20.5%, the discount rate up to 19% and the intervention rate to 16.5%.

High inflation was accompanied by higher money supply than anticipated by the National Bank of Poland (NBP). The substantial reduction of interest rates at the beginning of the year was an encouragement to take loans and did not encourage savings.

As a result, one of the main sources of increased money supply was higher lending, and in particular the 53% growth in consumer loans, whereas individual deposits grew by only 13.4%. The raising of interest rates to a higher level than at the end of 1998 was supposed to cool down domestic demand; however, this objective was not achieved.



Foreign Exchange Rates

NBP's 1999 foreign exchange policy focused on gradual elimination of administrative limitations: the crawling peg devaluation rate of the zloty was lowered from 0.5% to 0.3%, while the admissible range of fluctuations between the market and central exchange rates was expanded to $\pm 15\%$.

In an effort to promote the market option and boost FX trading, NBP stopped transactions with commercial banks at the fixing rate. In addition, the central bank left the shaping of the zloty exchange rate for market participants by restraining from intervention altogether.

Over the year, the zloty weakened against both currencies of the foreign currency basket, and the degree of its depreciation against the US dollar reflects the general trend prevailing in 1999 as the US currency strengthened against the euro.

The annual average exchange rate of the zloty against the US dollar was 3.9677 PLN/USD, 13.55% higher than in the previous year, while average 1999 inflation amounted to 7.3%. The average exchange rate of the German mark, calculated on the basis of its fixed relation to the euro, was 2,1615 PLN/DEM, 0.13% higher than in the previous year. The average exchange rate of the euro in the first year of its existence was 4,2277 PLN/EUR.

Stock Exchange Market

In view of Poland's deteriorating macroeconomic situation, following a period of growth on the Warsaw Stock Exchange in the first half of the year, from mid-July to October 1999 foreign investors started to gradually withdraw from the stock market, while the quotations of listed companies showed a falling trend.

The November interest rates hike which suggested that NBP was determined to keep control of negative economic developments reassured investors.

At the end of December, at its peak, the Warsaw Stock Exchange index (WIG) reached 18,370 points, 39% higher than at the first 1999 session on January 4.



At the end of 1999, there were 221 companies listed on the WSE (26 more than in 1998). The newcomers were mainly small and medium-sized companies, with the exception of Agora and Polski Koncern Naftowy which had a major impact on the substantial growth of the stock market capitalisation. The value of the companies quoted on the primary market, the OTC market, and National Investment Funds grew by over 66%.

On December 29, 1999, the total market value of the listed companies was PLN 122.1 billion, which-based on initial GDP estimates-equalled 20% of GDP, compared to 15% in 1998.

The background is a warm, brownish-gold gradient. In the upper left, there is a blurred, out-of-focus image of a person's shoulder and arm. Overlaid on the lower half of the image are several thin, white, abstract geometric lines that form a complex, overlapping pattern.

Changes in the Banking System

Financial Performance of Banks

Estimates indicate that the 1999 banks' profit from their core business was over 20% higher and their net profit almost twice as high as in 1998 (mainly due to PKO BP which reported large losses in 1998 and substantial earnings a year later). According to preliminary NBP data, at the end of 1999 banks' average interest rate margin was 4.02%, 0.9 percentage points lower than in 1998. The share of bad loans in the total loan portfolio was 13.23%, an increase of 10.9% compared to the previous year's figure. Return on assets (ROA) reached 1.03% and return on equity (ROE) 14.9%.

Legislative Changes

Last year featured several significant changes in legal regulations regarding banking operations. The most important of these are:

- Lowering of mandatory reserves to 5% (previously the reserve requirement was 20% of PLN funds in current accounts, 11% of PLN funds in term accounts, and 5% of FX accounts). Commercial banks agreed to use the released funds to purchase NBP-issued bonds. Their total nominal value was PLN 20 billion, divided into five equal series, with maturities of 6 to 10 years; the bonds yield variable interest and their interest rate equals the 12-month inflation rate.
- Introduction of mandatory reserves for regular loans of retail clients and a newly-introduced category of watch loans; the level of mandatory reserves for these two loan categories is 0.5% of their value beginning from July 1, 1999, followed by 1.0% from March 31 till December 31, 2000, up to the targeted 1.5% as of January 1, 2001.

Developments in Privatisation

The year 1999 was a time of intensive privatisation of banks. Privatisation was completed in four banks, three large and one small.

- The 36.7% share packet held by the State Treasury in Bank Przemysłowo-Handlowy SA was taken over by Bayerische Hypo- und Vereinsbank AG which became the majority shareholder in the Polish bank; during the year, the German investor gradually purchased stock from the remaining shareholders, and by the end of September it held 81.5% of the bank's equity, representing 66% of votes at the General Shareholders' Meeting.
- A consortium formed by Unicredito Italiano SA and Allianz AG took over 52.09% of the shares of Bank Polska Kasa Opieki SA; this privatisation transaction, worth PLN 4.24 billion, was the largest in the Polish banking system.

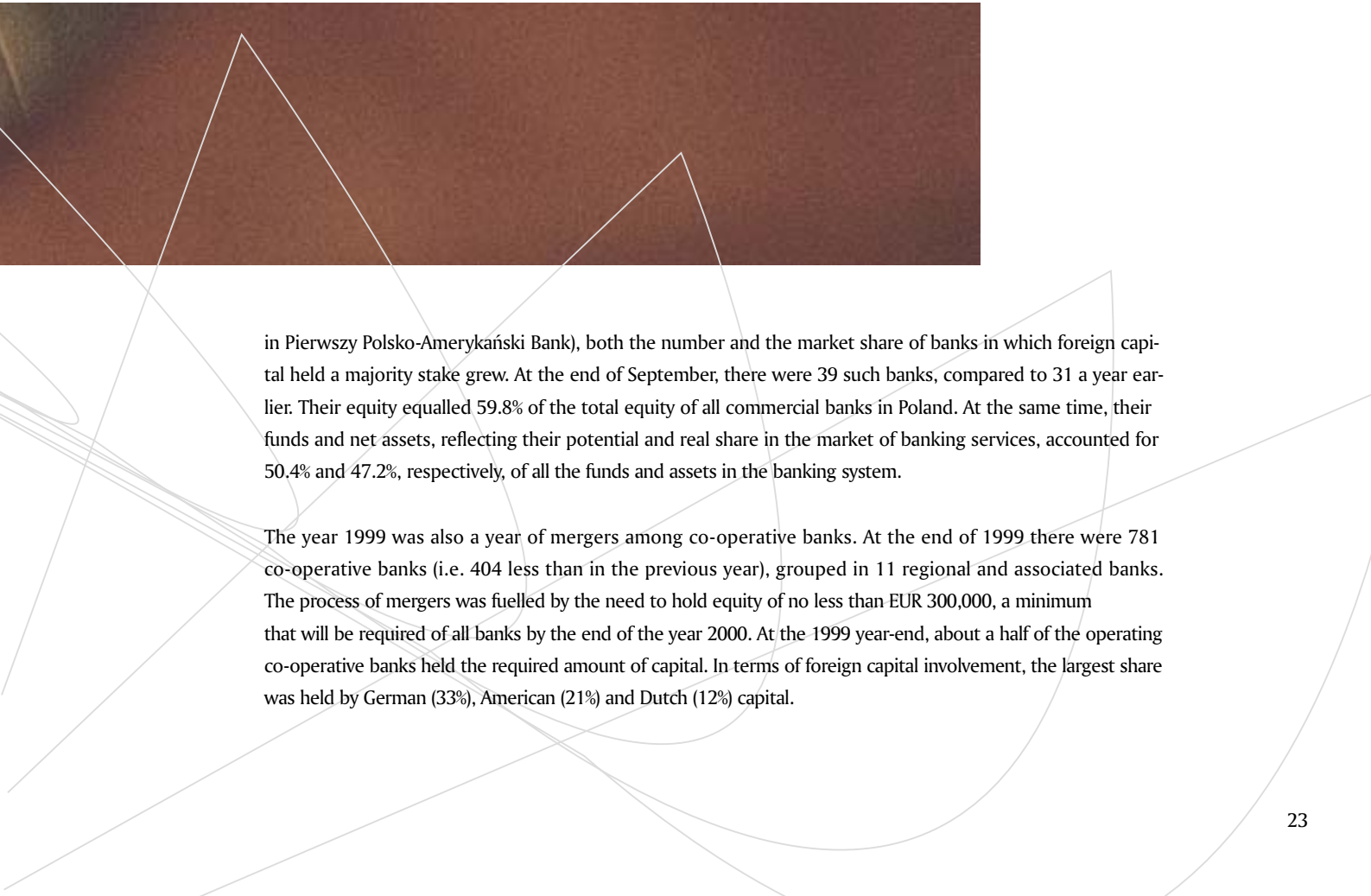
- Allied Irish Bank European Investments Limited took over 80% of the equity of Bank Zachodni SA for PLN 2.2 billion.
- Foreign investors, mainly the Danish Unibank, took over a majority stake (68.3%) in Bank Własności Pracowniczej SA, previously indirectly controlled by the State Treasury.

1999 - Year of Mergers and Acquisitions

In the Polish banking sector, 1999 was a year of mergers and acquisitions, the largest of which include:

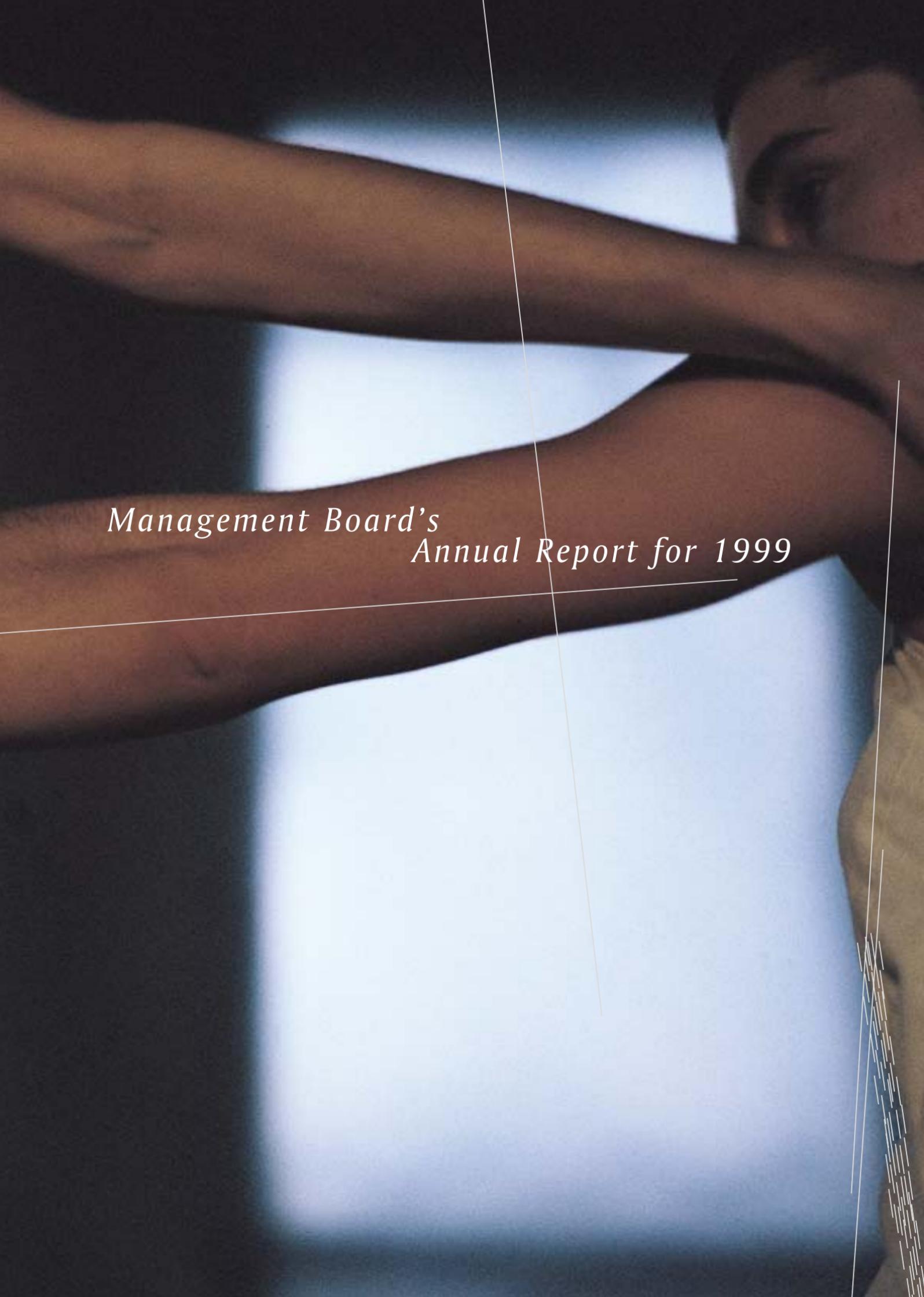
- The merger of four banks earlier forming the banking group Grupa Pekao SA (Bank Polska Kasa Opieki SA, Powszechny Bank Gospodarczy SA, Pomorski Bank Kredytowy SA, Bank Depozytowo-Kredytowy SA); Bank Pekao SA started operating as a single legal entity as of January 1, 1999; this was the largest merger in the Polish banking sector to date.
- The acquisition of Pierwszy Komercyjny Bank SA in Lublin by Powszechny Bank Kredytowy; Bank Austria Creditanstalt, the strategic shareholder of PBK, announced it would merge the two banks with its affiliate company in Poland, Bank Austria Creditanstalt Polska, along with its 12 outlets.
- The taking over of Bank Energetyki by Bank Inicjatyw Społeczno-Ekonomicznych.
- The consolidation of three banks belonging to Bayerische Hypo-und Vereinsbank AG; 100% of the shares of HYPO BANK Polska SA (transformed into a mortgage bank) were transferred to Bank Przemysłowo-Handlowy, and HypoVereinsbank was merged with Bank Przemysłowo-Handlowy and taken off the register of businesses.

As a result of these changes, as well as increased investment (e.g. of the German DG Bank in Bank Amerykański w Polsce Amerbank) or the entry of other foreign banks (e.g., the Belgian Fortis Bank acquired shares



in Pierwszy Polsko-Amerykański Bank), both the number and the market share of banks in which foreign capital held a majority stake grew. At the end of September, there were 39 such banks, compared to 31 a year earlier. Their equity equalled 59.8% of the total equity of all commercial banks in Poland. At the same time, their funds and net assets, reflecting their potential and real share in the market of banking services, accounted for 50.4% and 47.2%, respectively, of all the funds and assets in the banking system.

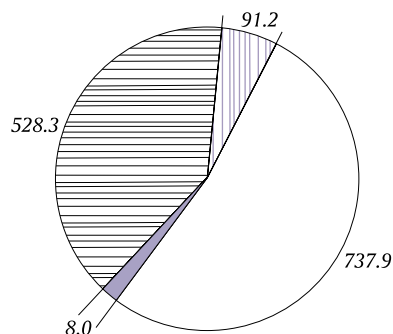
The year 1999 was also a year of mergers among co-operative banks. At the end of 1999 there were 781 co-operative banks (i.e. 404 less than in the previous year), grouped in 11 regional and associated banks. The process of mergers was fuelled by the need to hold equity of no less than EUR 300,000, a minimum that will be required of all banks by the end of the year 2000. At the 1999 year-end, about a half of the operating co-operative banks held the required amount of capital. In terms of foreign capital involvement, the largest share was held by German (33%), American (21%) and Dutch (12%) capital.







*Management Board's
Annual Report for 1999*

Shareholders and Equity

There were no significant changes in the shareholders' structure of BRE Bank in 1999. The only shareholder with a stake of more than 5% was Commerzbank AG which held 48.74% of BRE Bank's equity.



BRE Bank Own Funds at the End of 1999 (PLN m)

-  Share capital
-  Supplementary capital
-  Reserve capital of pricing revaluation
-  Other capitals



At the end of the year, the Bank's equity stood at PLN 1,365.4 million, an increase of PLN 135 million over the year as a result of the allocation of the previous year's profits.

Major Balance Sheet Items

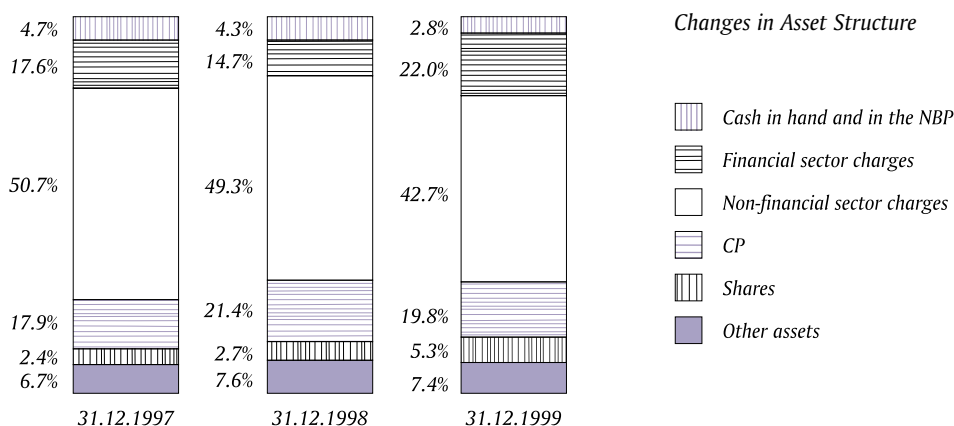
At the end of 1999, the Bank's balance sheet total stood at PLN 14,549.1 million, a 31.7% increase over the previous year.

In 1999, leasing firms, previously treated as non-financial entities, were classified as financial institutions (in accordance with changed European classification regulations and the resulting NBP requirements). Due to BRE Bank's loan exposure in this sector, the structure of assets changed in 1999. To ensure full comparability of respective figures, similar adjustments were made for 1998.

Taking account of the above changes, the structure of the Bank's assets as at December 31, 1999 was as follows:

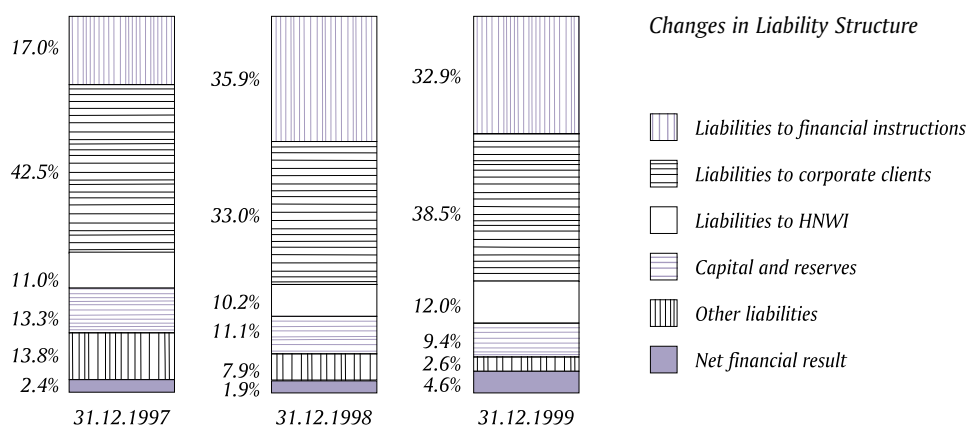
- On the assets side, the largest item, with a 42.7% share, was amounts due from clients, totalling PLN 6,217.5 million (by comparison, at the end of 1998, this accounted for 49.3% of the assets); compared to the end of December 1998, total loans were 14.3% higher; the decreasing share of loans in assets at the end of 1999 and their relatively low growth rate were the result of a decreasing portfolio at the end of the year.
- The second largest item on the assets side was amounts due from financial institutions, totalling PLN 3,195.9 million, equal to 22.0% of the Bank's assets (14.7% at the end of the previous year); this was 97.3% more than in December 1998.

- Another important item on the assets side was debt securities of PLN 2,875.4 million, a 19.8% share (21.4% at the end of 1998); compared to the end of 1998, when the value of this portfolio was PLN 2,371.0 million, there was a 21.2% increase, resulting mostly from the introduction of a new type of securities, i.e., long-term bonds issued by NBP following the lowering of mandatory reserves; BRE Bank purchased PLN 332.4 million worth of the bonds.
- Shares held in other companies stood at PLN 765.6 million, accounting for 5.3% of assets; compared to 1998 (PLN 301 million), this item grew by 154.4% due to new portfolio investments and the capital strengthening of the BRE Bank Group.



The structure of liabilities changed as discussed below:

- Amounts due to clients stood at PLN 7,356.7 million, accounting for 50.5% of total liabilities, compared to 43.3% at the end of 1998; clients deposits, as at December 31, 1999, were 53.7% higher than a year earlier.
- The Bank's dues to financial institutions stood at PLN 4,783.4 million, a 32.9% share in total liabilities, compared to 35.9% at the end of 1998. Borrowings from banks and financial institutions grew in 1999 by 20.6%; the majority, equalling PLN 3,337.2 million, were foreign currency loans from other banks, while current accounts and other deposits of banks and other financial institutions were mainly in Polish zlotys.
- The equity, including the net profit of 1999, was PLN 2,030.4 million, accounting for 14.0% of total liabilities, a significant source of financing of the Bank's activity.



Financial Performance

Net earnings from banking operations

Earnings from banking operations in 1999 stood at PLN 1,717.2 million, i.e., 101.1% more than in the previous year. Net interest income was PLN 292.0 million, a drop in this item's share in total earnings from banking operations to 17.0%, compared to 42.4% in the previous year. There were reasons for the slower growth of interest income, mainly the dramatic reduction of interest rates by NBP at the end of 1998 and the beginning of 1999, which resulted in lower bank interest rates and squeezed interest margins. At BRE Bank, the interest margin fell over the year from 4.2% to 2.1%. The growth in interest-yielding assets was slower than in cost-producing liabilities. The relatively low interest margin is also influenced by the fact that a large part of the Bank's operations, both in deposits and loans and investments, is denominated in foreign currencies which yield lower interest margins than zloty operations.



The Bank's investments in stocks of other companies generated major capital gains. In 1999, these amounted to PLN 751.6 million, 362% higher than in 1998. The exceptionally high capital gains were mainly a result of two transactions carried out as part of the Bank's investment business.

The most profitable was the sale of 15.8% of the shares and rights in Polska Telefonia Cyfrowa Sp. z o.o. to Elektrim for PLN 771.7 million (including a PLN 274.8 million commission for selling a major share package).

The second transaction was the sale of BIG Bank Gdański shares, which produced a profit of PLN 265.0 million. Total gains from these two transactions were PLN 1,036.7 million, partly used to set up additional provisions.

Fees and commissions income amounted to PLN 439.7 million, three times the 1998 figure. This was mainly due to the said high commission related to the PTC transaction.



Foreign exchange gains reached PLN 225.5 million, 18.1% higher than in 1998. This included the open FX position (80.3%) and the FX margin (19.7%).

In effect, the structure of income from banking operations at the end of 1999 differed considerably from that in 1998.

Costs

The cost of the Bank's business in 1999 was PLN 397.9 million, 40.4% higher than in the previous year. Personnel costs accounted for 51.3% of the total, while overheads (including payments to the Bank Guarantee Fund) had a 48.7% share. Overheads grew at a rate of 46.6%, compared to the 34.9% growth rate in personnel costs. The faster growth of the former was influenced by higher external costs, especially fees for advisory and legal service. The necessity of outsourcing stems from the growing sophistication of operations executed by the Bank, specifically in investment banking. Another important item was the cost of information and telecommunications technologies (including Y2K compliance - about PLN 30 million).

The growth of depreciation to PLN 61.3 million, as compared to PLN 36.6 million in 1998, was a result of the increase in the value of assets subject to depreciation, especially intangible assets, such as software and licenses for a new network platform, as well as buildings (e.g., the seats of branches in Katowice and Bydgoszcz, and the second headquarters building in Senatorska St., Warsaw).

In connection with the planned merger with Bank Handlowy w Warszawie, BRE Bank incurred costs that were partly (PLN 9.3 million) treated as appropriations of 1999 profit, while their remaining portion, incurred in the year 2000, was booked as specific provisions (PLN 16.5 million).

Reserves and provisions

The value of reserves and provisions set up by the Bank in 1999 was PLN 481.0 million. These were mainly specific provisions against irregular loans, as well as provisions against disputed claims, future losses and costs, and changes in the valuation of financial assets (securities, commercial papers, shares). Taking advantage of its exceptionally good results, the Bank set aside a substantial PLN 101.4 million for the general risk fund.

Concurrently, PLN 247.5 million of provisions were released in 1999, both against receivables at risk and changed value of commercial papers and stocks. The net value of provisions set up and released was negative and amounted to PLN -233.5 million. This was 14.5% more than in 1998, when there was the large burden of provisions set up against the Bank's exposure in Russia and the Commonwealth of Independent States. The Bank had created PLN 172 million worth of provisions to that end, by now partially released.

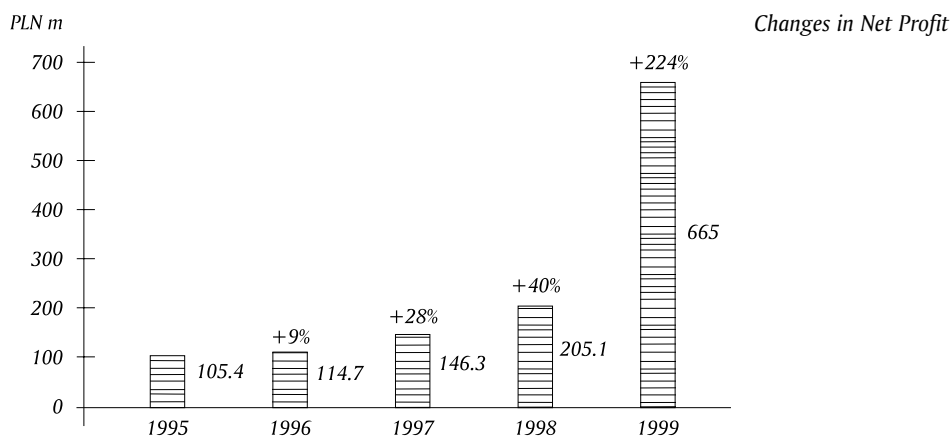
The Bank's record-setting profits



The Bank's gross profit at the end of 1999 amounted to PLN 1,028.1 million, almost three times that of 1998. Its net profit totalled PLN 665.0 million, 3.2 times more than in 1998. The corporate income tax paid by the Bank was PLN 363.0 million, which translates into a 35.3% tax rate.

Earnings per share stood at PLN 29.17, nearly three times higher than in 1998 (PLN 10.12).

1999 Performance ratios



	1996	1997	1998	1999
<i>Capital Adequacy Ratio</i> ¹	12.0%	15.6%	12.1%	11.2%
<i>Return on Assets (ROAA)</i> ²	3.5%	2.7%	2.4%	4.8%
<i>Return on Equity (ROAE)</i> ³	29.9%	26.2%	20.7%	50.4%
<i>Real Return on Equity (ROAE real)</i> ⁴	11.4%	13.0%	12.1%	40.6%
<i>Cost/Income ratio</i> ⁵	42.3%	47.5%	36.7%	26.7%
<i>Net interest margin</i> ⁶	6.9%	5.3%	4.2%	2.1%
Notes:				



¹ Equity to risk-weighted assets, calculated according to NBP methodology

² Net profit to average assets

³ Net profit to average equity

⁴ Nominal return on equity, adjusted with December-on-December inflation

⁵ Administrative costs, including depreciation, to net operating income

⁶ Net interest income to average assets

Growth of Client Base

BRE Bank clients are companies and institutional entities, as well as individuals from the high-income bracket. There are three groups of strategic clients:

- Large companies with annual sales of over USD 5 million;
- Medium-sized and small companies with annual sales of USD 1 to 5 million;
- Individuals from the high income bracket (High Net Worth Individuals - HNWI) who make a minimum deposit of PLN 100,000 or its foreign currency equivalent.

The total number of clients grew in 1999 by 15.9%. There was a 15.7% increase in the number of large corporate clients; this target group allowed the Bank to generate 77% of its client-related profits.

The number of small and medium-sized companies, which generated 16.7% of these profits, grew by 5.6%. This group grew at a slower rate as the Bank discontinued co-operation with those companies whose banking transactions provided the Bank with hardly any or no profitability. Other companies expanded their sales and were consequently served by the Large Corporates Line.

Private banking clients remained the fastest growing group. At the end of 1999, their number grew by 34.2% compared to the previous year. Their deposits accounted for 24% of the Bank's total clients' deposits.

The Bank's Lending Policy

BRE Bank grants PLN and FX loans to companies:

- To finance investment projects, including the purchase of production lines, plant and machinery, know-how, construction works, documentation, etc.; in principle, the loan should not exceed 60% of the total anticipated outlays, although in the case of especially profitable and well secured projects this share may amount to 75%;



- To finance investments in securities and other financial instruments;
- To finance companies' demand for working capital; funds can be made available to the client in the form of:
 1. a loan with specific drawing and repayment terms,
 2. a credit line,
 3. an overdraft facility.

In addition, the Bank offers:

- Overdraft up to a specified limit and period to cover day-to-day obligations;
- Discount loans through discounting domestic and foreign bills of exchange.

Private banking clients can take advantage of the following loans:

- Overdraft facility,
- Cash loans,
- Loans to purchase securities admitted to public trading at the WSE,
- Loans to purchase durable goods,
- Investment loans to purchase/construct a house or apartment.

The Bank also extends PLN and FX guarantees and opens risk-related import letters of credit at clients' orders.

On the other hand, the Bank does not extend loans in the following cases:

- For projects in agriculture, with the exception of food processing;
- To business entities that have been operating in the market for less than 18 months (the exception are companies whose shareholders include a well-established company);
- To business entities without book-keeping ledgers.

The Bank sets its basic loan interest rates on the basis of the WIBOR rate plus a margin. In 1999, its corporate clients were offered PLN loans at average annual rates of 15.1% to 19.1%. The average interest for PLN loans extended to companies by the 20 largest banks in Poland was 16.7%.



The Loan Portfolio

Annual average loans in 1999 compared to those in 1998 noted a growth of 40.8%.

Amounts due from clients stood at PLN 6,217.5 million at the end of December 1999, compared to PLN 5,440.0 million a year earlier (both figures take into account the changed classification of loans extended to BRE Leasing as loans to financial institutions), a growth of 14.3%. Lending in the whole banking sector grew at a higher rate of 27.3%, with lending to individuals up by as much as 53.2% and to businesses by 21.9%. In effect, BRE Bank's share in all loans extended to businesses fell from 4.6% in 1998 to 4.2% in 1999.

The relatively low growth in amounts due from clients between December 1998 and December 1999 was affected by several factors. First of all, after the systematic increase in the loan portfolio over subsequent months of 1999, December showed a clear drop.

The lower demand for loans at the end of the year was caused by the significant interest rates hike in November 1999. At BRE Bank, this was reflected mainly in the drop in overdrafts and working capital loans. The growth in lending was also less dynamic than in previous years due to the temporary slow-down of the economy in general and many individual businesses. Considering the increased credit risk, the Bank was especially cautious in extending loans, especially in sectors subject to the Russian exposure (e.g., the meat and food processing industries).

The previous year brought a deterioration in the quality of loans granted by banks. The share of irregular loans in the whole banking sector increased from 11.9% to 14%; at BRE Bank, the percentage of irregular loans given to clients grew from 4.7% at the end of 1998 to 7.2% in December 1999.

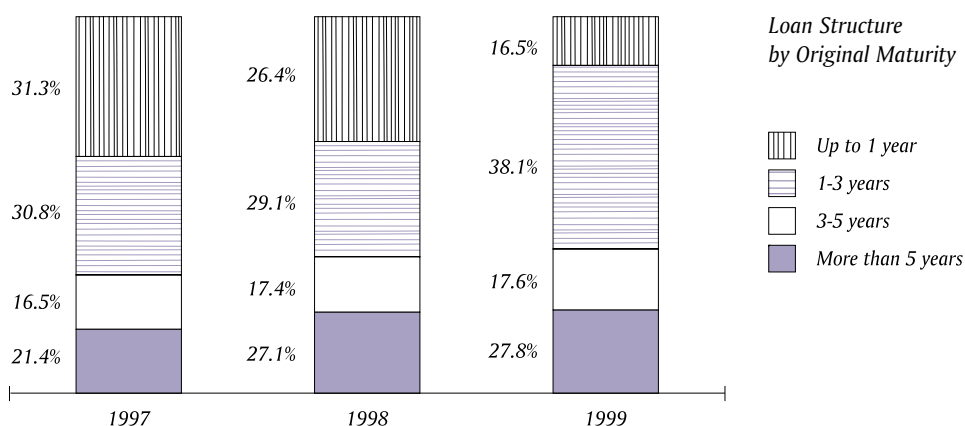
Of the 7.2% of non-performing loans, 2.3% were classified as sub-standard, 2.5% as doubtful, and 2.4% as lost. The Bank set up required provisions against its non-performing loans. The level of provisioning for these loans, including legal securities, was 79.8%.

In case a client does not fulfil the obligations set out in the loan contract, the Bank issues collection orders. In 1999, eight collection orders were issued at a total of PLN 10.6 million.

PLN loans prevailed in the Bank's portfolio with a 54.5% share of all amounts due from clients, while FX loans had a 45.5% share; there was a drop in the share of FX loans in comparison to the end of 1998, when they made up 50.0% of the portfolio.



The break-down of loans by type did not change much over the year: 42.6% were investment loans, 29.4% working capital loans, 17.8% overdrafts, and 10.2% other dues. Considering the primary maturity of loans, there was an increase in those extended for 1 to 3 years, at the expense of short-term loans.

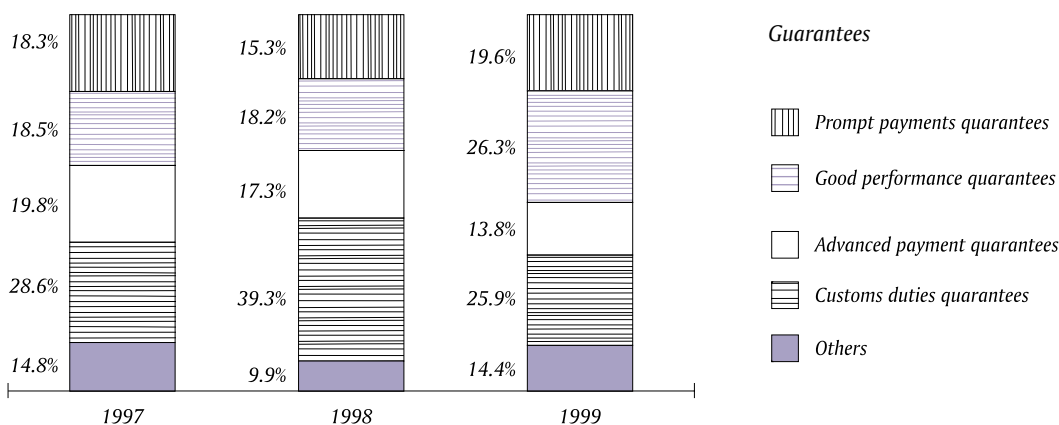


The Bank continued to increase its lending to the private sector, which represented 83.8% of its loan portfolio at the 1999 year-end, compared to 75.3% in the previous year. Broken down by sector, the majority of borrowers were wholesale and retail companies with a 20.4% share, followed by the food processing industry (7.4%), financial intermediaries (6.5%), the construction sector (4.7%), and the power industry (4.2%).

Guarantees

At the end of 1999, off-balance liabilities in respect of guarantees granted by the Bank was PLN 821.0 million (compared to PLN 825.7 million at the end of 1998). PLN guarantees prevailed with a 67.2% share in the portfolio.

The guarantees in the portfolio were of the following categories:



Among the industries represented in the Bank's guarantee portfolio, the leaders were: construction (a 30.2% share), trade companies (20.0%), and automotive and transport equipment producers (12.7%). The growing role of construction companies led to an increase in the share of good performance guarantees in the structure of the Bank's portfolio.

The break-down of guarantees by term differs somewhat from that of loans: guarantees for up to one year make up 22.7% of the portfolio, those for 1-3 years a major 52.8%, those for 3-5 years 19.6%, and those above 5 years 4.9%.

Increased Share of Clients' Deposits in Financing

Clients' deposits

The basic source of financing banking operations was amounts due to clients which at the year's end stood at PLN 7,356.7 million, 53.7% higher than in 1998. At the same time, deposits with commercial banks grew by 18.4%, including a 25.7% increase in corporate deposits and a 15.4% growth in retail deposits.

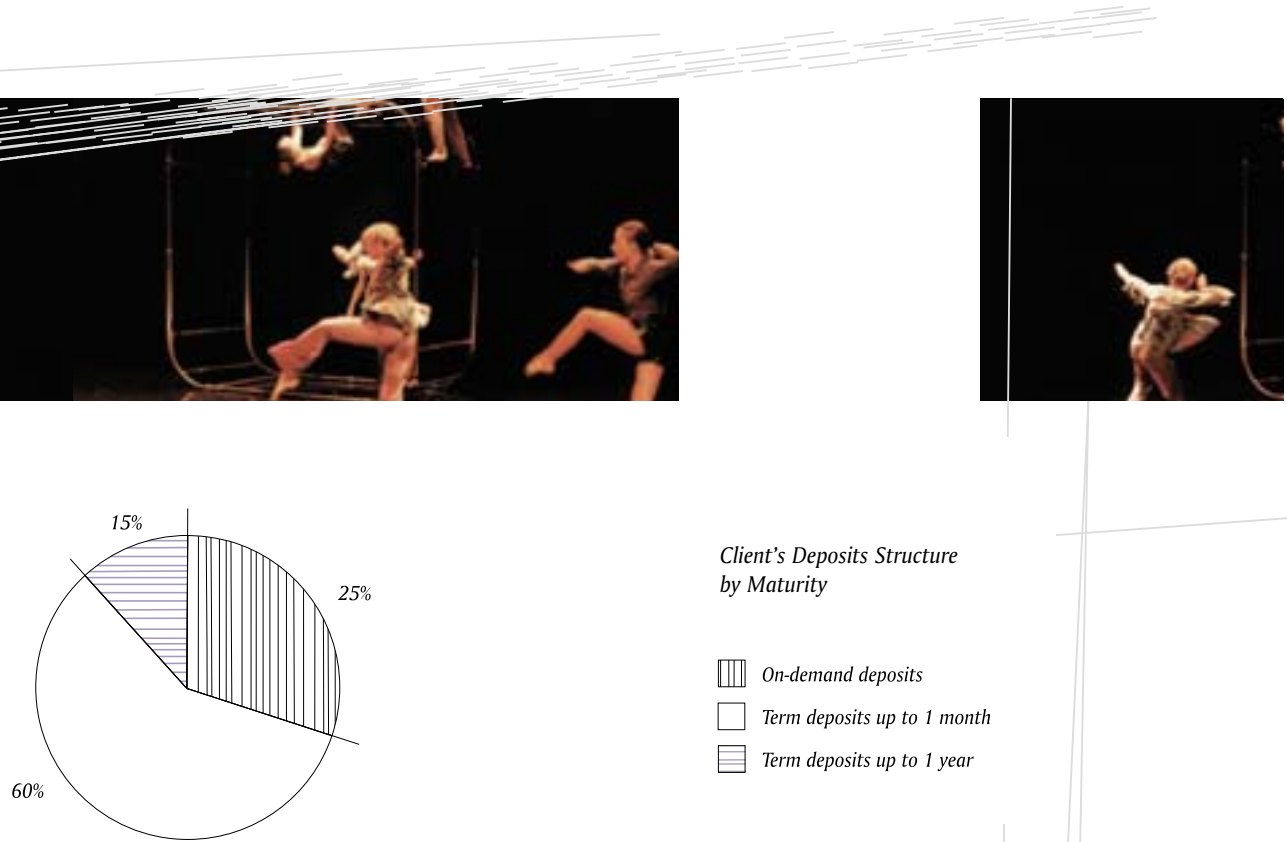
BRE Bank's share in total corporate deposits with commercial banks at the end of December 1999 was 7.9%, compared to 6.5% in December 1998.

Funds deposited by private banking clients made up 24.0% of total deposits with BRE Bank.

The majority of deposits (72.9%) were in zlotys, and 27.1% in foreign currencies. Given the depreciation of the zloty, the latter grew at a much higher rate and were nearly 2.3 times higher than at the end of 1998. PLN deposits grew over the year by 37.0%,

The high level of deposits at the end of the year led to an 84.5% loan/deposit ratio, including 63.2% in zlotys and 141.7% in foreign currencies.

Clients' deposits are of relatively short maturity. Their break-down by maturity as at December 31, 1999 was as follows:

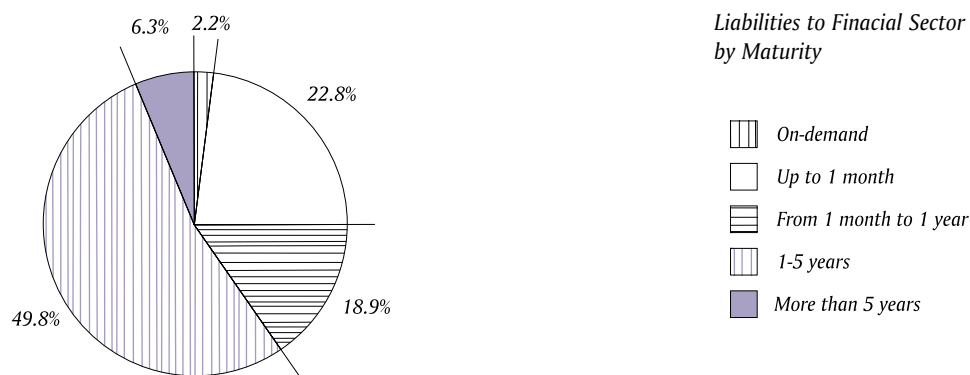


In 1999, companies' current accounts at BRE Bank yielded interest of 5.5%, whereas in the case of term deposits, depending on their maturity and type, the yield was 11%-16.9%. By comparison, the average interest paid by the largest 20 Polish banks for clients' deposits was about 11%.

Financing by banks and financial institutions

Another major source of the Bank's financing was amounts due to financial institutions. At the end of 1999, these totalled PLN 4,783.4 million. These were mainly loans and credits taken by BRE Bank domestically and abroad (69.8%), funds held with BRE Bank as on-demand and term deposits (29.3%), as well as other liabilities and interest payments (0.9%) .

These funds had much longer maturities than amounts due to clients. At the end of the year, their structure by maturity was the following:



At the end of December 1999, the Bank had at its disposal five credit lines extended by foreign banks within the framework of institutionally insured guarantee ceilings, as well as an EUR 13 million credit line from the European Investment Bank. The latter line was used in full in 1999.

The five new credit agreements signed by BRE Bank in 1999 were:

- with Banca Nazionale del Lavoro International from Luxembourg for EUR 8 million (repayment 30.04.2001),
- with Commerzbank International from Ireland for DEM 50 million (repayment 10.12.2001),
- with KfW - Kreditanstalt für Wiederaufbau of Germany for EUR 25 million to finance small and medium-sized companies (repayment 2014),
- with a consortium of 22 banks, with Deutsche Bank Luxembourg acting as the agent, for EUR 180 million (repayment 2003),
- with the European Investment Bank for USD 50 million to finance investment projects (repayment 2004).

In total, at the end of 1999, BRE Bank had at its disposal (apart from the five credit lines guaranteed by insurance companies and mentioned earlier) 25 credits raised with banks.

Foreign Trade Finance

Foreign trade finance is one of BRE Bank's specialities, requiring broad co-operation with banks all over the world. At the end of 1999, the Bank had 1,377 correspondents (i.e., banks, with which it had exchanged SWIFT and/or telex codes), including 35 nostro and 70 loro correspondents.

The value of foreign trade transactions financed by the Bank between January and December 1999 was USD 4,621.1 million in exports and USD 5,817.0 million in imports (excluding capital flows of USD 890.9 million in exports and USD 277.3 million in imports). This produced a total of USD 10,438.2 million. In the same period, Polish exports totalled USD 26,386 million and were 12.4% lower than in the previous year. Imports dropped too, but at a lower rate of 6.8%, amounting to USD 40,848 million. The total value of Poland's foreign trade in 1999 was USD 67,234 million.

BRE Bank's share in Polish foreign trade finance amounted to 15.5%, compared to 13.0% (including capital flows) in 1998. In exports, this share was higher and stood at 17.5%, while in imports it was 14.2%.

Project Finance

In 1999, the Bank maintained its high position in the market of syndicated loans and project finance. The Bank was the arranger or co-arranger of financing for four major projects in telecommunications, transportation, and construction.

The largest of these was the consortium to finance the construction of a telecommunication network for EL-Net SA at a total of PLN 305 million. A novelty in the Polish market was a EUR 37.1 million loan (about PLN 160 million, including PLN 43 million from BRE Bank) for the TVN television network. The total value of the loans involved in these projects was PLN 741.3 million, with BRE Bank's participation amounting to PLN 259.3 million. The Bank also participated in five syndicated loans arranged by other banks, its involvement reaching PLN 65.9 million.



The Bank financed several major projects independently. One of these was a loan for the purchase of two aeroplanes which were leased to the Polish airlines PLL LOT through a BRE Bank subsidiary.

In 1999, the Bank started offering financing for acquisitions of existing companies with a whole array of credit instruments.

Capital Market Operations

Debt Issues

BRE Bank is the arranger of short-term and mid-term debt issues for its corporate clients and banks. Short-term papers with maturity below 1 year prevail in the Polish market. By the end of 1999, BRE Bank has arranged and was actively dealing 36 short-term debt issues at the total nominal value of PLN 2,834.7 million. The largest was the PLN 300 million issue for Rabobank Polska SA.

In December 1999, BRE Bank was the second largest arranger in terms of the number of issues and ranked fifth by the total worth of arranged debt issues (CERA ranking, 31 December 1999, no. 24(64)).

In 1999, BRE Bank in a consortium with Citibank Polska SA signed a contract for one of the largest short-term debt issues in Poland for 4 Volkswagen Group subsidiaries in Poland. This was a 5-year PLN 600 million contract.

The Bank marked its presence in the debt market in 1999 with its PLN 50 million Securitisation Programme for the pharmaceutical company Urtica Zaopatrzenie Farmaceutyczne SA, the first such project in Poland. Under this 3-year Securitisation Programme, Urtica SA can repeatedly sell to the special-purpose vehicle Urtica Finanse SA its trade debt in respect of sales of pharmaceuticals and medical supplies to Health Care Institutions. The trade debt sold to Urtica Finanse SA forms the security for the redemption of Commercial Papers.

Under the Programme, BRE Bank arranged and implemented for Urtica Finanse SA the issue of short-term Commercial Papers secured with trade debt. The Bank was the Issue Arranger, Sales Agent, Paying Agent, and Depository. The Polish rating agency CERA assigned the papers issued under the Programme the highest investment rating CP-1.

In addition to short-term debt issues, the Bank also arranged mid-term bond issues, including the issues of corporate bonds and convertible bonds for Mennica Państwowa SA (the State Mint).

Derivatives

In 1999, BRE Bank launched new types of warrants on the Warsaw Stock Exchange market: purchase and sale warrants on the Warsaw Stock Exchange index WIG-20; purchase warrants on the National Investment Funds (NIF) index; and purchase warrants on 10 public stocks. The warrants were issued under new standards for BRE Bank purchase and sale warrants on WIG-20 and NIF indices and 19 public listed stocks. Further issues under the standards are planned for 2000. The issue programme of BRE Bank stocks and indices warrants is the first in the Polish market.

BRE Bank was recognised for its innovative activity in the stock market of derivatives: the Chairman of the Warsaw Stock Exchange awarded the Bank in 1999 for its "contribution to the development of the derivatives market." BRE Bank is the only Polish financial institution to offer derivatives also in the non-public market.

Underwriting Stock Issues in the Primary Market

BRE Bank is also present in the Polish capital market as an underwriter of stock issues in the primary market (who acquires those shares that are not sold, or first acquires and then sells such shares in primary trading).

In 1999, the Bank participated in several underwriting consortia and was the Lead Underwriter for the initial public offering of shares in Polski Koncern Naftowy SA (Polish Oil Corporation). This was the largest stocks underwriting project in the Polish market.

In the 1999 ranking published by the Polish daily Rzeczpospolita (10 January 2000), BRE Bank ranked the highest in this segment of the Polish market.

Money Market Operations

Trading in money and currency market instruments

The Bank actively participated in money market operations, including liquidity management, proprietary transactions, as well as operations ordered by clients.

The Bank deposited funds with other banks and extended loans and credits to financial institutions. At the end of December 1999, total amounts due from banks and other financial institutions amounted to PLN 3,195.9 million, 2.5 times more than in the previous year. This high figure was largely the result of the inflow, at the year's end, of short-term clients' funds that had to be invested in liquid assets.



The Bank also borrowed funds from other banks, mainly in foreign currencies, which at the end of December 1999 reached the equivalent of PLN 3,337.2 million accounting for 70% of amounts due to financial institutions (the remaining 30% were deposits of banks and other financial institutions). The liquidity structure was influenced most by the four-year EUR 180 million syndicated loan received by the Bank.

Liquidity management involved active trading in Treasury securities and NBP bills, as well as fx swap transactions. At the end of the year, the portfolio of debt securities stood at PLN 2,875.4 million, 21.3% higher than in the previous year. The largest part of the portfolio (77.6%) consisted of Treasury securities (mainly T-bills), and 17.2% were NBP-issued debt instruments.

Securities denominated in foreign currencies represented 28.8% of total securities; these were mainly Polish government bonds denominated in USD. Due to their falling prices in world markets, as well as the change in US interest rates, the yield from this portfolio was much lower than in the previous year. In order to curb the drop in profitability, the portfolio was hedged against in the derivative transactions market with contracts for American government bonds.

BRE Bank remained very active in the area of Treasury and monetary bill trading. Its share in this market amounted to about 20%, with daily trading volume at an average PLN 100 million. According to an NBP report, by the end of 1999 the Bank had received 52 points in the Dealership Index, whereas the average result of the 15 most active banks was 27 points. In an additional ranking published by NBP, BRE Bank took first place outrunning PKO BP and Bank Handlowy w Warszawie.

Developments in derivatives

Last year brought a significant growth of trading in derivatives denominated in zlotys. Due to increased fluctuations in the US dollar exchange rate and the higher exchange risk, there was growing interest in the Bank's exchange rate related hedging instruments (currency options, currency warrants quoted on the OTC market and based on the USD exchange rate, forward foreign exchange transactions), as well as instruments tied to interest rates (FRA, IRS, interest rate options). In effect, forward foreign exchange rate transactions made by clients grew by 44% and interest in other derivatives also heightened significantly.

In an effort to meet the expectations of many clients, as of March 1999, in addition to the opportunity of purchasing currency options, BRE Bank enabled customers to "structure" more sophisticated hedging strategies. This has resulted in increased sales, with currency options trading nearly ten times as high as in 1998.

Custody Services

The year 1999 was yet another period of dynamic growth for BRE Bank as a depository of customers' assets placed in its custody. The Bank provided custody services in the public trading of securities and short-term commercial papers of companies and banks.

In 1999, the value of assets placed in the Bank's custody grew from PLN 3 billion to PLN 5 billion. There was a two-fold increase in the number of clients' securities accounts, while the number of settled transactions increased from 600 to 6,500 per month. This high growth in custody services is attributable to co-operation with the newly-established pension funds, 6 of which (out of 21) had chosen BRE Bank as the depository of their assets. By the end of 1999, the value of pension funds' assets at BRE Bank was PLN 1.3 billion, which accounted for over 60% of the volume of assets of all the pension funds operating in the market.

Strategic and Portfolio Investments

Some significant changes occurred in 1999 in the portfolio of shares and other rights held by the Bank. Its investment increased from PLN 301.0 million to PLN 765.6 million, i.e., by PLN 464.6 million. This was accompanied by a decrease from 82 to 66 in the number of companies in which the Bank held shares. Stocks of 27 companies were sold, in 9 cases to affiliated companies, specifically to Pierwszy Polski Fundusz Rozwoju and Drugi Polski Fundusz Rozwoju (First and Second Polish Development Funds). Stocks were purchased in 11 companies, including long-term investments in several companies expected to generate above-average profits, e.g., PLN 62.2 million in ITI Holdings SA, equal to 7.9% of the equity and votes at the General Shareholders' Meeting; and PLN 115.1 million in the shares and ADS's (American Depository Shares) of Netia Holdings SA (4.9% of the equity and votes).

The significant increase in the Bank's equity investment was also the effect of equity raises in 11 companies owned solely or in part by BRE Bank, and additional opening capital payments to 5 companies. The equity raises and other capital injections registered in 1999 amounted to PLN 336.6 million.

Of the stocks held by BRE Bank, 33 are strategic or infrastructure investments, 19 are treated as long-term investments, 14 were purchased as commercial companies or based on debt to equity swaps. In addition, the Bank held participation units in three investment funds.

By the end of 1999, the Bank's equity investments equalled 56.5% of the Bank's equity, with the admissible limit allowed by the Banking Law at 60%.

Growth of the BRE Bank Capital Group

Several strategic companies of BRE Bank Group noted considerable growth in 1999.



PTE Skarbiec-Emerytura SA

As of March 1, 1999, the pension fund company started acquiring clients for the pension fund under its management, Skarbiec-Emerytura. By the end of the year, it had 380,000 participants out of the total number of 10 million people who joined the various pension funds. This ranked Skarbiec seventh among the 21 operating funds. The value of assets under its management at the end of December 1999 was PLN 60.1 million. BRE Bank holds a 75% stake in the company, the remaining 25% belong to STU Hestia Insurance SA.

Skarbiec TFI SA

The investment fund company Skarbiec TFI offered participation units in seven funds at the end of 1999:

1. money market fund Skarbiec Kasa
2. balanced-growth fund Skarbiec Waga
3. stocks fund Skarbiec Akcja
4. investment fund Skarbiec Program Prywatyzacji Plus
5. securities fund Skarbiec Obligacja
6. closed-ended fund Sezam I, operating similarly to a venture capital investment
7. pension fund Skarbiec III Filar created for the needs of the social security reform, the first to receive the permit of the pension fund regulator UNFE to launch operations as an employee pension fund.

At the beginning of the year 2000, Skarbiec TFI offered participation units in its second closed-ended fund, Gwarancja 2002. At the close of 1999, the total value of assets managed in all the funds was PLN 603.4 million, up by 250% compared to 1998. The market share held by Skarbiec TFI funds at the end of 1999 was 20%, compared to 9.5% a year earlier, ranking second in the market.

BRE Bank owns 60% of the Skarbiec TFI stock, while the remaining 40% is held by one of the largest German investment companies, ADIG mbH.

BRE Bank Securities (Dom Inwestycyjny BRE Banku SA)

In mid-1999, the brokerage business of the Bank was separated from its organisation and transformed into an independent brokerage house, BRE Bank Securities (Dom Inwestycyjny BRE Banku), to which BRE Bankers was contributed in kind. BRE Bank is the company's sole shareholder.

BRE Bank Securities is one of the leading investment houses operating in the market. In 1999, it ranked first in the IPOs market and floated 7 companies on WSE. A major success was its participation in the initial public offering of the oil company Polski Koncern Naftowy. In addition, BRE Bank Securities was involved in 21 distribution consortia. The total value of the share issues in which it acted as offerer was PLN 2.5 billion. The company ranked third in terms of secondary market trading with a 6.8% market share, fourth in the bonds market with an 8.1% share, and second in forward transactions with a 10.6% market share (source: daily Rzeczpospolita, Jan. 10, 2000).

The brokerage house is one of the top five institutions in terms of the value of assets managed on clients' orders. These grew by approximately 90%, reaching PLN 137.5 million at the end of 1999.

RHEINHYP-BRE Bank Hipoteczny SA

On December 2, 1999 the mortgage bank RHEINHYP-BRE Bank Hipoteczny received the permission to launch operations. The bank intends to play a leading role in the Polish market of real estate financing. It will finance both housing construction and commercial real estate development, i.e., office buildings, trade centres, shopping malls, warehouses, hotels, recreation and entertainment facilities. The bank's activity will be refinanced with mortgage bonds, the first issue of which is planned by mid-2000.

At the end of 1999, BRE Bank held a 49% stake of PLN 24.5 million in the company.

Other Companies of the BRE Bank Group

Business Management & Finance SA

BMF offers advisory service in finance, privatisation of companies, restructuring, mergers and acquisitions. Its other business includes private placements and co-operation with BRE Bank Securities in arranging public issues.

BMF clients include companies from the Polish petrochemical and automotive industries, as well as government agencies. The company was the advisor to the State Treasury in several large privatisation programs, including the privatisation of the oil company Polski Koncern Naftowy and the Polish airlines PLL LOT. The value of transactions finalised by BMF on behalf of its clients exceeded PLN 4.1 billion in 1999. The British branch of the company, BMF (UK), is involved in a number of projects aimed at seeking investment opportunities in Poland on behalf of foreign clients.

In a ranking of consulting firms prepared by The Warsaw Business Journal (Mar. 13-19, 2000) BMF ranked first in terms of 1999 earnings from management consulting.

BRE Leasing Sp. z o.o.

For several years now, this company has been the leader in the market of industrial equipment leasing while its share in movables leasing now approaches 10% (16% in industrial equipment), ranking second in the market. The value of leasing contracts signed last year was PLN 550 million, 5.4% higher than in the previous year.

Polfactor SA

Polfactor is the second largest factoring company in the Polish market. In 1999, its turnover was PLN 716.7 million, 41.4% higher than in 1998. It is the only Polish member of Factors Chain International, and as such offers export factoring, including import guarantees and taking the risk of the buyer's insolvency. FCI has recognised Polfactor as the Best Factor in the area of developing import services.

BRE/Cresco Management Sp. z o.o.

This company's business consists in managing the assets of several National Investment Funds. Previously known as BRE/IB Austria Management, the company changed its name following the investment by a new shareholder, Cresco Financial Advisors Sp. z o.o. Apart from continued management of the assets of the First National Investment Fund, as of mid-1999 the company is also managing the Fifth NIF "Victoria"



and the Thirteenth NIF "Fortuna". The net asset value of the three NIFs the company managed at the end of December 1999 was PLN 562.6 million (figure not audited).

BEST SA

Under its strategy to use BEST as a distribution channel for retail products, BRE Bank made a public call for shares and bought 83.12% of the company's equity, raising its voting rights at the General Meeting of Shareholders to 90.3%. BEST had purchased from BRE Bank 100% of the shares of FINOKO in order to take over its business in the market of instalments loans.

At the end of the year, BEST was classified as the fifth company in the loan sales market, with a loan portfolio of PLN 242.6 million and a 4.7% market share.

BRE Hestia Service Sp. z o.o.

This is a new company in the Group. In 1999, the Bank acquired 51% of the stock of BRE Hestia Services Sp. z o.o. headquartered in Gdynia. BRE Bank and STU Hestia Insurance SA (holding the remaining shares) are also the shareholders of PTE Skarbiec Emerytura and STUnŻ Alte Leipziger Hestia SA. BRE Hestia Services Sp. z o.o. will offer property insurance, life insurance with pension fund savings, participation units in Skarbiec investment funds, and Hestia's financial products.

BRE Services Assistance Sp. z o.o.

This is a company that offers security transportation of money and valuables, protection of property and persons, installation of alarm systems, investigation services, and cash sorting and counting.

**Pierwszy Polski Fundusz Rozwoju-BRE Sp. z o.o. and Drugi Polski Fundusz Rozwoju-BRE Sp. z o.o.
(BRE Bank First and Second Polish Development Funds)**

These two companies play the role of special-purpose vehicles in BRE Bank Group. Their main business is short- and mid-term investments. Both considerably intensified their operations last year, which reflected BRE Bank's strategy of reconstructing its investment portfolio. At the end of the year, the two funds managed assets worth over PLN 120 million.

AMBRESA SA

This is a special-purpose vehicle, involved in conducting the Bank's equity investments; it also acts on its own account, trading in securities and shares. At the end of 1999, its portfolio included two companies worth PLN 10.4 million.

BRELLA Spółka komandytowa

The limited partnership BRELLA was formed by BRE Bank and its affiliate, AMBRESA. The company has been equipped with an opening capital of PLN 30.7 million, BRE Bank holds 99.73% of its shares. The company is a special-purpose vehicle. In 1999, BRELLA purchased two Embraer EMB-145 passenger jets and signed an operational leasing agreement with the Polish Airlines PLL LOT.

Organisation and Human Resources

At the end of December 1999, the Bank employed 2,154 people. Compared to the end of 1998, "net" employment had not changed. In fact, however, there was intensive redeployment: on the one hand, the headcount decreased following to the formation of stand-alone companies BRE Bank Securities and the mortgage bank, but on the other hand, it also grew with the development of special businesses (e.g., fund administration, private banking service, derivatives, mass transactions processing, information technologies).

The Bank's staff is relatively young: 63.7% of the employees are below 35 years of age.

54.4% have university education. An additional 122 persons completing their studies in evening courses or studying for higher degrees received reimbursement of the costs involved. The Bank's employees have also raised their qualifications through in-house training programs, attended by 1,490 persons, and in outsourced training courses, completed by 496 persons.

There were no major changes in the Banks' organisational structure. Two new offices were created, the Funds Administration Office and the Retail Loans Office. The first acts as a transfer agent, servicing the pension fund Skarbiec-Emerytura, and is preparing to play a similar role for Skarbiec TFI investment funds. The Retail Loans Office was established to consolidate management and control of credit risk in all risk-related products used by the Bank's retail clients.

In 1999, one new branch in Białystok was added to the Bank's branch network now comprising 24 outlets.

Developments in Information Technologies

Year 2000 Problem

In 1999, the Bank's focus in information technology was to ensure uninterrupted functionality at the turn of 1999 and 2000. This was successfully completed and no operational disturbances were experienced. The implementation of the project, launched in April 1998, involved the work of over 100 employees from the Bank's various organisational units. The Bank achieved additional long-term benefits as the project enhanced the efficiency of the Bank's computer network in modernisation, standardisation and making Y2K compliant all the elements of its IT infrastructure. The capital expenditure was PLN 30 million.



Electronic Banking

The electronic banking system was further developed in 1999, with the number of BRESOK users growing for the next consecutive year by about 50% and reaching nearly 5,000. In the first half of the year, all users were equipped with a Y2K-compliant version of the system, with the additional function of electronic social security payments. As of December 1999, users can also make direct debit transfers via BRESOK.

IT Infrastructure

The Bank completed the implementation of a local area network, based on a state-of-the-art ATM technology. This solution guarantees nearly 100% reliability and can be easily expanded depending on users' growing needs.

A number of other projects were also completed, designed to increase the safety of processed data, facilitating the administration of stored data, and improving control over elements of the Bank's IT infrastructure.

Plans and Outlooks

BRE Bank intends to continue as a commercial and investment bank, focused on providing comprehensive service to corporate customers. At the same time, it intends to have a stronger focus on retail clients.

The bank is already the market leader in private banking services, however the goal for the coming years is to assume a leading position in the targeted retail banking segment. The Bank will strive to attain this objective with the help of the newest technological solutions, which should provide a competitive edge and help the Bank to offer its service to a considerable portion of this market within several years.

The Bank intends to expand its entire client base, including large corporates, small and medium-sized enterprises, and private banking clients. This will be achieved by enlarging the Bank's sales force, developing its product offer, ensuring easier access to the Bank, both by means of expanding the branch network and through the electronic banking system BRESOK.

The significant growth of own funds as a result of the 1999 profits will allow the Bank to further increase its exposure per client in the target group of large companies and to expand its investment banking activities.

Acting on its own account and through its subsidiaries, BRE Bank will strengthen its position in money market operations, capital market operations, brokerage service, and M&A advisory service. Fund management services are also starting to play an increasingly important role. Fast further growth is expected in assets under the Bank Group's management, including those of the open-ended pension funds, as well as investment funds and private equity investments.

The Bank will continue to pursue an active policy of proprietary portfolio investments, focusing on those companies and sectors that are expected to ensure above-average profits in the medium term.

Always open to various consolidation opportunities, BRE Bank will continue to develop independently in the nearest future. A solid base for this strategy is provided by the Bank's considerable financial potential, state-of-the-art banking technologies, highly-qualified staff, and growing client base. An important dimension of the Bank's aspirations aimed at further growth is the support provided by its strategic partner, Commerzbank AG.

By extending the scope of operations, raising efficiency, and rationalising costs, the Bank intends to achieve profits that will ensure real ROE of no less than 15%, and to maintain a cost/income ratio of less than 50%.

At the same time, the Bank will strive to maintain the highest quality of its products by developing quality management policy, in addition to increasing operational safety. The latter objective will be supported by the creation of a back-up centre for producing and storing back-up data filed in the Bank's IT system.

BRE Bank will work to develop and strengthen its Capital Group; it will take advantage of the complementary and synergetic nature of the services rendered by the Bank and its subsidiaries as a source of increasing earnings. A good example is the co-operation planned with the mortgage bank Rheinhyp BRE Bank Hipoteczny in mortgage bonds issues and market-making, or the sale of participation units in TFI Skarbiec-owned funds by BRE Hestia Service.

In pursuing its strategic and operational objectives, BRE Bank will be highly flexible in its response to all new trends in the economy and the financial sector, with the main objective of expanding its profitable business.



Results of Operations

The abbreviated financial report of BRE Bank SA for the year ended 31 December 1999 that follows was based on financial statements prepared for statutory purposes. It does not contain all data presented in the financial statements prepared for statutory purposes. Moreover, part of that data was presented in a different format. The financial statements of BRE Bank SA as at and for the year ended 31 December 1999 were prepared and signed by the Bank's Management Board and the person responsible for maintaining its accounting records in accordance with Article 52.2 of the Accounting Act. The Shareholders may read the financial statements of BRE Bank SA as at and for the year ended 31 December 1999 at the registered office of BRE Bank SA.

The Registered Auditor's opinion included herein has been expressed on the abbreviated financial report presented below. This opinion has not been expressed on the financial statements of BRE Bank SA as at and for the year ended 31 December 1999, prepared for statutory purposes. The Registered Auditor's opinion expressed on the financial statements of BRE Bank SA as at and for the year ended 31 December 1999, prepared for statutory purposes, forms an integral part of the "Audit opinion and report on the financial statements as at and for the year ended 31 December 1999" signed by PriceWaterhouseCoopers Sp. z o.o. on 24 March 2000. This opinion was not expressed on the included herein abbreviated financial report and it should only be analysed in conjunction with the above mentioned financial statements as at and for the year ended 31 December 1999. The Bank's Shareholders may read the Registered Auditor's opinion and report at the Bank's registered office.

Translators Explanatory Note

The following document comprises a free translation of the abbreviated financial report of the above mentioned Polish company and the opinion expressed thereon.

The accompanying translated abbreviated financial report and the opinion expressed thereon have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo Saxon countries has been adopted to the extent practicable.

Registered Auditor's Opinion to the Shareholders of BRE Bank SA

We have audited financial statements of BRE Bank SA, Warsaw, 18 Senatorska Street (hereafter referred to as "the Bank") from which the abbreviated financial report was derived.

In our auditor's report dated 24 March 2000, on the financial statements for the year ended 31 December 1999, we expressed an unqualified opinion on the financial statements from which the abbreviated financial report was derived. Without qualifying of audit opinion as to the true, fair and clear view of Bank's financial statements we draw your attention to the matter described in Additional Note No. 3 of the abbreviated financial report.

In our opinion, the accompanying abbreviated financial report is consistent, in all material respects, with the Bank's financial statements from which it was derived.

For a better understanding of the Company's financial position and the results of its operation for the year ended 31 December 1999, and the scope of our audit on the financial statements for the aforementioned accounting year, the abbreviated financial report should be read in conjunction with the financial statements, from which the abbreviated financial report was derived and our auditor's report thereon, for the year ended 31 December 1999.

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

Lech Chrastek

Registered Auditor
No. 477/5752

Dariusz Nowak

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

Warsaw, 24 March 2000

Introduction to the Financial Report for the year 1999

1. Basic information about the Bank

Bank Rozwoju Eksportu SA ("the Bank") was established by Resolution No. 99 of the Council of Ministers of 11 December 1986. On 23 December 1986, the Bank was entered in the Trade Register maintained by the District Court in Warsaw, 16th Commercial and Registration Department, under the reference number RHB 14036. The 9th Extraordinary General Meeting of the Shareholders of 4 March 1999 passed a resolution to change the Bank's name to BRE Bank SA. The Bank's new name was registered on 23 March 1999.

According to the its Articles of Association, the Bank is engaged in providing banking, consulting and advisory services in the field of finance as well as conducting business activities specified therein.

The Bank renders services to domestic and foreign legal entities and individuals, both in Polish zloty and foreign currencies. In particular, the Bank supports all activities aimed at promoting export.

The Bank may open and keep accounts with Polish and foreign banks. It also has a licence to hold cash and cash equivalents in foreign currencies and to deal in them.

In conjunction with the above, the Bank:

1) conducts the following banking activities:

- maintaining bank accounts,
- accepting savings and term deposits,
- clearing,
- extending and raising loans,
- conducting transactions involving bills of exchange and cheques,
- granting and accepting guarantees and warranties,
- conducting foreign currency transactions and servicing financial aspects of foreign trade,
- servicing State loans,
- issuing securities, trading in those securities and maintaining deposit accounts for securities,
- conducting activities commissioned in connection with issuing securities,
- storing valuables and securities and offering safe deposit boxes,
- conducting future & forward financial transactions,
- factoring,
- acting as a representative bank as described in the Bond Act.

2) conducts other activities, including:

- providing advisory services in the field of economy and finance,
- administering funds at the request of State authorities and other persons,
- acquiring shares in banks and companies and acquiring units and investment certificates in investment funds in Poland and abroad,
- establishing and participating in establishing banks and companies in Poland and abroad,
- canvassing for pension funds,
- acting as a depositary within the meaning of the Act on the Organisation and Operations of Pension Funds,
- acting as a depositary within the meaning of the Investment Fund Act,
- accepting orders to acquire, redeem and subscribe units or investment certificates in investment funds,
- maintaining registers of pension fund members and registers of investment fund members.

According to the European Classification of Activities, the Bank is engaged in "Other agency services in the field of foreign exchange transactions."

This financial report contains the data for the year ended 31 December 1999, whereas the comparative data relate to the year ended 31 December 1998.

2. Comparability of the financial statements

In the 1999 financial statements, amounts due from leasing firms have been included in amounts due from other financial institutions, whereas in the financial statements as at and for the year ended 31 December 1998, they were disclosed with the amounts due from clients and public sector entities.

3. Accounting policies

a) Financial statement basis

The financial statements of BRE Bank SA were prepared on the basis of the applicable laws specified in:

- the Accounting Act of 29 September 1994 (Journal of Laws No. 121/591, with subsequent amendments),
- Resolution No. 1/98 of the Banking Supervision Commission of 3 June 1998 on specific accounting policies to be employed by banks and the preparation of notes to financial statements (NBP Official Journal No. 14/27),
- Resolution No. 13/98 of the Banking Supervision Commission of 22 December 1998 (NBP Official Journal No. 29/65) on principles for recording provisions against banking risk.

The notes to the financial statements were prepared in accordance with Decree of the Council of Ministers of 22 December 1998 on the type, format and scope of ad hoc and periodical reporting and reporting deadlines for issuers of securities admitted for public trading (Journal of Laws No. 163/1160).

b) Basis of accounting

In the years ended 31 December 1998 and 31 December 1999, the Bank used the adopted accounting policies on a consistent basis. Those policies are described below.

In accordance with the matching principle, all income and corresponding costs relating to a given accounting period are recorded in the accounting books of that period and included in the financial result for the period, regardless of the date of their receipt or payment.

Individual assets, liabilities and equity components are stated at cost actually incurred in acquiring them, applying the prudence principle.

The value of individual assets, liabilities and equity components, income and the corresponding costs is determined separately. The balances of different categories of assets and liabilities, income and corresponding costs and extraordinary gains and losses are not offset against each other.

c) Bills of exchange eligible for rediscounting at the Central Bank

Bills of exchange eligible for rediscounting at the Central Bank comprise bills of exchange from clients classified as 'normal,' denominated in Polish zloty and redeemable within up to three months.

d) Amounts due from financial institutions, clients and public sector entities

Amounts due from financial institutions, clients and public sector entities are carried in the balance sheet in the net amounts, i.e. at the nominal value plus interest accrued, interest in default and subject to capitalisation, less specific provisions for amounts classified as 'watch,' 'substandard,' 'doubtful,' and 'loss.'

e) Amounts due from reverse repo transactions

'Repo' and 'reverse repo' represent transactions of purchase and sale of securities with a commitment to repurchase or resell at a fixed future date and at a fixed rate. These transactions are recorded in the balance sheet as deposits (sale of securities) or placements (purchase of securities) with securities as a pledge, irrespective of the type of the underlying asset. Realisation of these transactions does not affect the securities portfolio.

f) Debt securities

Marketable (trading) debt securities are stated at the lower of the purchase price (adjusted for accrued interest and amortised discount or premium) and net realisable value (e.g. a stock quotation).

Any value increase or diminution is recorded at a valuation day, i.e. as at the month-end, separately for each type of securities. Diminution in value occurs when the net realisable value is lower than the purchase price. The increase in value, on the other hand, occurs when the net realisable value exceeds the value recorded at the end of the previous month. The value increase is recorded only up to the original purchase price of a given security.

Investment debt securities are carried at their purchase prices, including accrued interest, adjusted for accreted discount or amortised premium and any permanent diminution in value.

Permanent diminution in value of securities or permanent value increase is recorded as at the valuation day, e.g. as at the month-end, separately for each type of securities. Diminution in value is considered permanent when the market price of a security remains below its purchase price for more than three consecutive months. Value increase is recognised when the market price of a security equals or exceeds the original purchase price for at least three months. The security value is adjusted at the value as at the last day of the three-month period unless the purchase price was lower than that value.

The Bank performs an assessment of the credit risk associated with bonds issued by non-financial entities and records a specific provision to offset that risk.

Debt securities of the same issuer purchased at different dates and at different prices are sold by the Bank in accordance with the principle of the lowest yield, which means that securities are sold in an order of increasing yield, irrespective of the period they have been held in the Bank's portfolio.

Discount (arising when the purchase price is lower than the nominal value) or premium (arising when the purchase price is higher than the nominal value) accretes/is amortised over the period from the date of purchase to sale or redemption. Accreted discount or amortised premium is credited or charged, respectively, to the income statement.

g) Equity investments

Equity investments comprise shares and securities categorised into trading and investment portfolios.

Shares and securities in the trading portfolio are recorded at the lower of the purchase price and net realisable value (e.g. a stock exchange quotation). Any difference between the purchase price and net realisable value is charged to financial costs. Any subsequent increase in the market value of these shares and securities is offset against the previous value adjustment, up to the level of the original purchase price.

Shares and securities in the investment portfolio are recorded at the purchase price adjusted for any permanent diminution in value. Diminution in value is considered permanent if the market quotation of shares and securities remains at the level below their original purchase price for more than three months. Provisions for permanent diminution in value are determined on the basis of the comparison of the purchase price with the market value of shares and securities as at the end of the month in which the valuation is performed.

h) Intangible and tangible fixed assets

Intangible and tangible fixed assets are stated at cost less accumulated amortisation/depreciation. Amortisation/depreciation is calculated on a straight-line basis, in accordance with the principles and rates specified in the Decree of the Minister of Finance of 17 January 1997 on depreciation of tangible fixed assets and amortisation of intangible assets (Journal of Laws No. 6/35). In the past, the Bank's tangible fixed assets were periodically revalued in accordance with the principles specified in the applicable regulations. The revaluation of those assets is reflected in the revaluation reserve in the balance sheet.

Annual amortisation/depreciation rates used by the Bank for the major categories of intangible and tangible fixed assets are as follows:

buildings and structures	2.5-4.0%
plant and machinery	6.0-12.5%
vehicles	20.0%
computer hardware	30.0%
Leasehold improvements	2.5-10.0%
office equipment, furniture	14.0-20.0%
computer software	20.0-50.0%
goodwill	10.0%

Tangible fixed assets with a value not exceeding PLN 2,500.0 are entered in the Fixed Asset Register and immediately written off.

i) Accruals and prepayments

The Bank records prepaid expenses if the expenditure relates to the months following the month in which it was incurred. Prepayments also include deferred taxation assets.

Accruals include costs of services rendered to the Bank that do not yet constitute a liability. Accruals also include income received in advance, capitalised interest due to the Bank and interest due on loans in default until it is actually received or written off.

j) Liabilities

The Bank's liabilities arise principally from deposits accepted from customers and deposits and loans from other banks. Liabilities are stated at amounts due as at the balance sheet date, including interest accrued but not payable.

k) Specific and general provisions

The Bank records specific provisions for receivables in default in accordance with Resolution No. 13/98 of the Banking Supervision Commission of 22 December 1998 on principles for recording provisions against banking risk and general banking risk reserve pursuant to the provisions of the Banking Law.

The principles governing the general reserve are set out by Art. 130.2 of the Banking Law. The charges to the general banking risk reserve, which are calculated based on the average value of outstanding loans reduced by the value of loans covered in full by specific provisions are regarded as tax deductible in the first month following each quarter of the year, up to 1.5% of the value of the loan portfolio. The charge may not exceed the amount transferred to the general banking risk fund from prior year profit.

The Bank also records provisions based on temporary timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes. A positive difference is shown in the liabilities and equity as a provision for deferred income tax. A negative difference is included in prepayments and accrued income as a deferred taxation asset. Movements in the deferred tax position compared with the previous year are charged to tax in the income statement. The Bank calculates deferred tax provisions using the liability method. The Bank takes account of all provisions against risks and losses in the determination of the financial result of the Bank.

l) Equity

Equity comprises capital and funds created by the Bank in accordance with the applicable laws, i.e. the relevant acts and the Bank's Articles of Association.

Share capital is carried in the amount specified in the Bank's Articles of Association and entered in the Trade Register at par.

Supplementary capital is accumulated from appropriations of net profits and share premium arising on the issue of shares. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets sold is transferred from the revaluation reserve to supplementary capital.

Reserve capital, recorded for purposes specified in the Bank's Articles of Association, is accumulated from appropriations of net profits. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets may be credited to reserve capital. Reserve capital also includes the general banking risk fund created in accordance with the Banking Law.

Revaluation reserve represents the difference between net book value of fixed assets before and after revaluation carried out in accordance with the Act. Revaluation surplus represents the cumulative change in the net book value of fixed assets shown in the balance sheet arising from successive revaluations. Revaluation surplus relating to fixed assets sold, liquidated or given up is transferred to supplementary capital.

Net result for the accounting year is the profit disclosed in the income statement. Net profit is presented net of corporate income tax charge and deferred tax provision based on temporary differences in recognition of income as earned and costs as incurred for accounting and tax purposes.

m) Foreign currencies transactions

Assets and liabilities denominated in foreign currencies are translated into Polish zloty at the end of each day (including the balance sheet date) using the official Central Bank mid exchange rate.

Realised and unrealised foreign exchange gains and losses are reflected in the income statement for a given accounting period.

Foreign exchange gains and losses on derivative transactions are reflected in the financial result on expiry of a contract or closing of a position.

n) Off-balance-sheet derivative instruments and transactions

■ Sell/buy back transactions

Sell/back transactions represent commitments to sell or buy securities at a fixed rate in the future and are recorded off-balance sheet until realised.

Those transactions, irrespective of the type of the underlying asset, are recorded as two separate transactions, i.e.: 1) sale of assets (and their removal from the portfolio) together with the realisation of accrued discount and/or interest, and 2) the repurchase of those assets (and their inclusion in the portfolio) with discount amortised over the period from the date of repurchase to redemption.

■ Options and warrants

The full amount of premium paid or received on the purchase or sale of options is charged or credited to income statement on a cash basis.

Warrants for securities are recorded off balance sheet at the value of the underlying assets as at date of sale of the warrant. The result on sale of a warrant is recognised in the income statement on a cash basis on expiry of the warrant.

■ Futures contracts

Daily profits and losses arising from changes in prices of futures contracts are deferred and recorded in correspondence with the relevant assets. On expiry of those contracts or closing of a position, the total realised profit or loss on a given transaction is recognised in the income statement.

Contracts based on indices are recorded off balance sheet only in quantitative terms.

■ Interest rate instruments

Forward Rate Agreement (FRA) represents a transaction of purchase or sale of a deposit agreement for a particular currency with a fixed amount, period and interest rate. The nominal value of the deposit is recorded off balance sheet. Interest received or paid is recognised in the income statement on a cash basis.

Interest Rate Swap represents an exchange of fixed and floating interest cash flow streams with interest payments calculated, respectively, on the basis of a fixed and a floating reference rate for a given interest settlement period and a notional value, denominated in an agreed-upon currency. The notional value is recorded off balance sheet. The fixed and floating interest cash flow streams are recorded at each interest settlement date.

■ Foreign exchange spot and forward transactions

These transactions are recorded off balance sheet. The result realised on these transactions is recognised in the income statement on a cash basis in "Foreign exchange result."

Beginning from August 1999, unrealised gains or losses arising on the mark to market valuation of transactions maturing before the year-end are recognised in the income statement on an accrual basis.

In the case of swap transactions, the result on spot and forward transactions is recorded separately.

o) Determination of net profit (loss)

■ Interest income

Interest income comprises income received or accrued on loans, inter-bank deposits and securities.

Interest income, including interest on loans classified as 'normal,' is credited to the income statement and presented in the balance sheet as "Amounts due from (other) financial institutions" or "Amounts due from clients and public sector entities."

Accrued interest due but not received within 30 days is classified as interest in loans in default and included in "Accruals and deferred income."

Interest on loans in default is included in the income statement on a cash basis.

Income received in advance is recorded as "Accruals and deferred income" and recognised in the income statement of the period to which it relates.

Interest income also includes capital gains arising on sales of bonds.

■ Interest expense

Interest expense represents interest paid and accrued on clients' deposits and the issue of own securities. Interest is accrued on a cumulative basis as at the end of each day. Interest expense is recognised in the income statement on an accrual basis.

■ Commission income and expense

Commission income comprises mainly amounts other than interest received in relation to the granting of loans or bank guarantees. It also includes charges for cash transactions, maintenance of client accounts, transfers, letters of credit and other. In addition, commission income includes amounts arising from brokerage activities. Commission income is recognised in the income statement on a cash basis.

Commission expense comprises amounts paid in connection to loans taken, re-financing operations, letters of credit, cheque acceptance and foreign exchange activities. Commission expense is recognised in the income statement on a cash basis.

■ Income from shares and other securities

Income from shares and other securities includes dividends received from companies in which the Bank holds shares. Dividends are recognised in the income statement upon receipt.

■ Result on financial transactions

Result on financial operations comprises the result on sale of securities and profit or loss on derivative transactions realised on a cash basis. Also included are diminutions and increases in the carrying value of trading securities.

■ Foreign exchange result

Foreign exchange result comprises realised and unrealised foreign exchange gains and losses. Foreign currency denominated income and expenses are translated into Polish zloty at the Central Bank at the average rate at the balance sheet date (and not at the transaction date rate).

■ Provisions and revaluation

Charges to provisions comprise:

- loans in default;
- permanent diminution in value of financial assets;
- guarantees;
- costs to be incurred;
- general banking risk;
- future costs.

Specific provisions are created in relation to the risk associated with individual transactions. Provisions for risk associated with specific transactions relate to off-balance-sheet assets and liabilities which have been analysed individually and classified as 'watch,' 'sub-standard,' 'doubtful' or 'loss.' The classification is performed in accordance with Resolution No. 13/98 of the Banking Supervision Commission.

The general banking risk reserve is set up pursuant to the provisions of the Banking Law.

■ Corporate income tax

Corporate income tax is charged at 34% (in 1998 - 36%) of gross profit determined on the basis accounting regulations and adjusted for tax exempt income and disallowed costs.

Provision for deferred income tax is based on timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes. Provision for deferred income tax was calculated according to the 30% (in 1999 - 34%) corporate income tax rate in force from 1 January 2000. Temporary timing differences include investment relief, accrued interest payable and receivable recognised on an accrual basis, provisions for 'loss' loans and 75% of provisions for 'doubtful' loans and guarantees granted after 1997 that were disallowed for tax purposes. Taxation for the year comprises corporate income tax charge and the deferred tax charge or credit for year. In the calculation of the deferred tax provision the Bank does not take account of provisions which have been recognised as tax-allowable costs in the current year or in previous years.

In accordance with the Corporation Income Tax Act of 15 February 1992 (Journal of Laws No. 106/482, with subsequent amendments), the Bank took advantage of investment reliefs in 1994-1999, reducing the tax base by the following amounts:

	PLN '000
1994	5,539
1995	11,490
1996	49,140
1997	49,262
1998	58,915
1999	128,495

In addition, the Bank also entitled to the investment relief bonus (amounting to half of the amount of investment relief claimed in the previous tax year) of:

	PLN '000
1995	2,770
1996	5,745
1997	24,570
1998	24,631
1999	29,457

p) Exclusions from the net profit (loss)

Interest (due but not received and accrued) on loans in default and capitalised interest, which are included in "Accruals and deferred income" until received is not reflected in the income statement.

In addition, the net profit excludes discount and other interest received in advanced, which related to subsequent periods

4. Adjustments to the financial statements resulting from qualifications in the audit opinion issued by a registered audit company in the previous year.

The registered audit company expressed the following qualifications in the opinion on Bank's the financial statements as at and for the year ended 31 December 1998:

1) "As at 31 December 1998, BRE Bank SA included net goodwill of PLN 102,591 thousand, which resulted from acquiring Polski Bank Rozwoju S.A. (PBR SA), in "Intangible assets" in its balance sheet, whereas the amortisation charge in the income statement for the period amounted to PLN 3,538 thousand. The goodwill as at 31 July 1998 amounted to PLN 106,129 thousand. It was calculated as the difference between the purchase price and the book value of net assets of the former PBR S.A. as specified in the financial statements as at and for the year ended 31 July 1998. According to Art. 58.2 of the Accounting Act, goodwill should be calculated on the basis of the market value of the net assets of the acquired entity. BRE Bank SA did not conduct a statutory market valuation of the net assets of the former PBR S.A. with regard to "Shares in subsidiaries and associated companies" or "Shares and other non-fixed income securities" not listed on the Warsaw Stock Exchange with a book value of PLN 30,390 thousand which represented 2% of the balance sheet total of the former PBR S.A."

The Bank made no adjustments to goodwill in its accounting records.

The majority of shares that were covered by the above qualification were sold and the related capital gains were realised.

The following represents the most significant disposals:

■ sale of shares in Stocznia Szczecińska	-	gain of	PLN 24,890 thousand;
■ sale of shares in Energoaparatura S.A.	-	gain of	PLN 6,599 thousand;
■ sale of shares in Huta Luccini Warszawa Sp. z o.o.	-	gain of	PLN 3,809 thousand;
■ sale of shares in Warta Vita S.A.	-	gain of	PLN 864 thousand;
■ sale of shares in PRIM S.A.	-	gain of	PLN 583 thousand;
■ sale of shares in Pollena Aroma Sp. z o.o.	-	gain of	PLN 150 thousand;
■ sale of shares in Grupa Przemysłowa Sp. z o.o.	-	gain of	PLN 85 thousand;

2) "As at 31 December 1998, BRE Bank SA included in "Other assets" in its financial statements the value of leasehold improvements in the building leased by the former PBR S.A. As the Lessor did not make the premises available despite a preceding decision of the District Court in Warsaw, II Civil Department, on 25 July 1996, which restored the property to the former PBR S.A. to the extent specified in the lease agreement, the former PBR S.A. renounced the lease agreement on 10 February 1997 and, on 6 March 1997, sued the Lessor for damages of PLN 37,558.7 thousand, i.e. including the expenditures for leasehold improvements of PLN 9,785.4 thousand, for failing to comply with the lease agreement. The damages demanded, exclusive of the expenditures incurred of PLN 9,785.4 thousand, are not included in the assets of BRE Bank SA. We are not in a position to comment on the likelihood of recovering the amount included in the assets of BRE Bank SA."

In 1999, the Bank recorded a provision of PLN 9,785.4 thousand for assets referred to in the above qualification.

3) "As at 31 December 1998, BRE Bank SA included an amount of PLN 5,519,384 thousand in "Contingent liabilities - Polish and foreign currencies to disburse" and an amount of PLN 5,531,023 thousand in "Contingent liabilities - Polish and foreign currencies receivable" in its financial statements. The above amounts are carried off-balance-sheet. At the same time, as per the records in the Bank's transaction databases, the amounts in question totalled PLN 5,519,244 thousand and PLN 5,520,289 thousand, respectively as at 31 December 1998. As a result of the difference between the accounting records and the records in the transaction databases, the above amounts included in the financial statements may have been overstated by PLN 140 thousand ("Polish and foreign currencies to disburse") and by PLN 10,734 thousand ("Polish and foreign currencies receivable.") respectively.

The Bank has reconciled the accounting records with the records in the transaction databases.

5. Aggregated data including financial information of the organisational units which prepare their own financial statements

The financial statements as at and for the year ended 31 December 1998 include financial information of the Brokerage House of BRE Bank SA, which was required to prepare its own financial statements. In May 1999, brokerage activities were separated from the Bank's operations by contributing the portion of its business - separate in terms of the organisational structure - referred to as the Brokerage House to Dom Inwestycyjny BRE S.A. The income statement of BRE Bank SA for the year ended 31 December 1999 includes the income and costs of the Brokerage House for the period from 1 January to 28 May 1999.

6. Primary differences between the International Accounting Standards and the Polish Accounting Regulations

The Bank prepares its financial statements only in accordance with the Polish Accounting Regulations ("PAR"). Should it consider preparing financial statements in accordance with the International Accounting Standards ("IAS"), the Bank would be required to consider the differences between the two sets of standards. The primary differences include:

- Under PAR, the Bank records marketable trading securities at the lower of the purchase price and the net realisable value. Under IAS, the Bank might be allowed to elect to carry such securities at the net realisable value. In addition, under PAR, investment securities are recorded at purchase price less potential permanent diminution in value. Under IAS, the Bank might be allowed to periodically re-value the investment portfolio.
- In stand-alone financial statements prepared in accordance with the PAR, the Bank carries all shares in subsidiaries and associated companies at purchase price less (potential) permanent diminution in value. Under IAS, the Bank could disclose them using the equity method.
- In financial statements prepared in accordance with the PAR, the Bank does not recognise in the income statement unrealised gains or losses on valuation of derivative instruments except for gains or losses on valuation of foreign exchange futures or forward contracts that mature by the end of the (accounting) year. When preparing financial statements in accordance with the IAS, the Bank could elect to carry derivative instruments at their market values and recognise gain or loss on that valuation in the income statement.

- In financial statements prepared in accordance with the PAR, the Bank does not provide for future liabilities in respect of jubilee and one-off retirement bonuses. Under IAS, the Bank should make an actuarial estimate of such liabilities and recognise them in the financial statements.
- In financial statements drawn up in accordance with the PAR, the Bank - as specified in the applicable laws - appropriates an amount out of the net profit to the Social Fund. Under IAS, the Bank should recognise such amount as an expense in the income statement.
- In addition, there exist differences between the IAS and PAR in the extent of required disclosures as well as grouping and composition of individual components of the financial statements.

Balance sheet

Assets

PLN '000

	Note	As at 31 December 1999	As at 31 December 1998
Cash and balances with the Central Bank		413,120	480,761
Debt securities eligible for discounting at the Central Bank		36,393	101,415
Amounts due from other financial institutions	1	3,195,926	1,620,052
1. Current deposits		68,935	71,889
2. Term deposits		3,126,991	1,548,163
Amounts due from clients and public sector entities	2	6,217,524	5,440,033
1. Current deposits		1,063,515	956,165
2. Term deposits		5,154,009	4,483,868
Amounts due from reverse repo transactions		0	0
Debt securities	3	2,875,436	2,371,010
Shares in subsidiaries	4, 6	345,031	65,594
Shares in associated companies	5, 6	79,035	36,069
Shares in other entities	7	151,222	54,567
Other securities	8	190,336	144,732
Intangible assets	9	141,666	137,023
Tangible fixed assets	10	710,785	466,334
Own shares for sale		0	0
Other assets	11	152,763	109,242
1. Acquired assets for sale		22,928	958
2. Other		129,835	108,284
Prepayments and accrued income	12	39,909	17,950
1. Deferred taxation assets		33,868	13,776
2. Other prepayments and accrued income		6,041	4,174
Total assets		14,549,146	11,044,782

Liabilities and equity

PLN '000

	Note	As at 31 December 1999	As at 31 December 1998
Amounts due to the Central Bank		0	7,986
Amounts due to other financial institutions	13	4,783,372	3,967,552
1. Current		105,549	62,619
2. Term		4,677,823	3,904,933
Amounts due to clients and public sector entities	14	7,356,700	4,787,318
1. Savings deposits:		0	0
a) Current		0	0
b) Term		0	0
2. Other, including:		7,356,700	4,787,318
a) Current		1,824,748	1,538,315
b) Term		5,531,952	3,249,003
Liabilities arising from repo transactions		0	183,960
Liabilities arising from the issue of own securities	15	0	354,326
Special funds and other liabilities	16	105,861	149,352
Accruals and deferred income	17	149,944	115,067
Provisions		122,846	43,759
1. Provisions for deferred income tax		0	0
2. Other provisions	18	122,846	43,759
Subordinated liabilities		0	0
Share capital	19	91,200	91,200
Unpaid share capital		0	0
Supplementary capital	20	737,913	737,847
Revaluation reserve		7,969	8,040
Other reserve capital	21	528,294	393,288
Foreign exchange differences on foreign branches		0	0
Unappropriated profits (uncovered loss) from previous years		0	0
Net profit (loss)		665,047	205,087
Total liabilities and equity		14,549,146	11,044,782
Capital adequacy ratio		11.19	12.12
Book value (net assets)		2,030,423	1,435,462
Number of shares		22,800,000	22,800,000
Book value per share (PLN)		89.05	62.96

Off-balance sheet items

PLN '000

	As at 31 December 1999	As at 31 December 1998
Contingent liabilities	4,167,602	2,959,473
1. Liabilities granted:	3,754,852	2,462,003
a) financing	2,933,850	1,636,346
b) guarantees	821,002	825,657
2. Liabilities received:	412,750	497,470
a) financing	150,918	355,990
b) guarantees	261,832	141,480
Liabilities arising from purchase/sale operations	37,895,832	14,228,623
Total off-balance sheet items	42,063,434	17,188,096

Income statement

PLN '000

	Note	For the year ended 31 December 1999	For the year ended 31 December 1998
Interest income	22	1,132,560	1,081,088
Interest expense	23	840,590	719,319
Net interest income		291,970	361,769
Commission income	24	478,067	158,298
Commission expense		38,398	24,516
Net commission income		439,669	133,782
Income from shares and other securities	25	8,478	4,779
Result on financial operations	26	751,610	162,690
Foreign exchange result		225,511	190,890
Profit on banking activities		1,717,238	853,910
Other operating income		31,772	25,238
Other operating expenses		28,447	8,081
Overhead costs	27	397,861	283,437
Depreciation and amortisation		61,255	36,586
Provisions created and valuation	28	480,969	361,007
Release of provisions and valuation	29	247,464	156,856
Net provisions		(233,505)	(204,151)
Operating profit		1,027,942	346,893
Net extraordinary gains/(losses)		141	(1,770)
1. Extraordinary gains		232	18
2. Extraordinary losses		91	1,788
Gross profit		1,028,083	345,123
Taxation	30	363,036	140,036
Other charges against gross profit		0	0
Net profit		665,047	205,087
Net profit		665,047	205,087
Weighted average number of shares		22,800.0	20,265.5
Profit per ordinary share (PLN)		29.17	10.12

Statement of movements in equity

PLN '000

	For the year ended 31 December 1999	For the year ended 31 December 1998
I. Equity at the beginning of the year	1,435,462	961,873
a) changes in accounting principles	0	0
b) correction of fundamental errors	0	0
I.a. Adjusted equity at the beginning of the year	1,435,462	961,873
1. Share capital at the beginning of the year	91,200	76,000
1.1. Change in share capital	0	15,200
a) Increase	0	15,200
- issue of shares	0	15,200
b) Decrease	0	0
1.2. Share capital at the end of the year	91,200	91,200
2. Unpaid share capital at the beginning of the year	0	0
2.1. Change in unpaid share capital	0	0
2.2. Unpaid share capital at the end of the year	0	0
3. Supplementary capital at the beginning of the year	737,847	424,446
3.1. Change in supplementary capital	66	313,401
a) Increase	66	313,500
- share premiums	0	313,500
- transfer from revaluation reserve arising from separation of the Brokerage House	60	0
- transfer from revaluation reserve	6	0
b) decrease	0	99
- transfer to realised foreign exchange gains/losses arising from the sale of IBP	0	99
3.2. Supplementary capital at the end of the year	737,913	737,847
4. Revaluation reserve at the beginning of the year	8,040	8,048
4.1. Change in revaluation reserve	(71)	(8)
a) Increase	0	0
b) Decrease	71	8
- sale and liquidation of fixed assets	11	8
- transfer to supplementary capital arising from the separation of the Brokerage House	60	0
4.2. Revaluation reserve at the end of the year	7,969	8,040
5. General banking risk fund at the beginning of the year	98,000	102,906
5.1. Change in general banking risk fund	135,000	(4,906)
a) Increase	135,000	98,000
- amounts expensed to the income statement	0	0
- appropriation of profit	135,000	98,000
b) Decrease	0	102,906
- liquidation of the general banking risk fund (according to Art. 174 of the Banking Law)	0	102,906
5.2. General banking risk fund at the end of the year	233,000	98,000
6. Brokerage fund at the beginning of the year	20,000	15,000
6.1. Change in brokerage fund	(20,000)	5,000
a) Increase	0	5,000
- transfer arising from separation of brokerage fund from supplementary capital	0	5,000
b) Decrease	20,000	0
- transfer from brokerage fund arising from separation of the Brokerage House	20,000	0

PLN '000

	For the year ended 31 December 1999	For the year ended 31 December 1998
6.2. Brokerage fund at the end of the year	0	20,000
7. Other reserve capital at the beginning of the year	275,288	189,198
7.1. Change in other reserve capital	20,006	86,090
a) Increase	20,006	94,033
- transfer from general banking risk fund	0	94,025
- transfer from revaluation reserve	0	8
- transfer from other reserve capital arising from separation of the Brokerage House	20,000	0
- sale and liquidation of fixed assets	5	0
- other (due to rounding of amounts)	1	0
b) Decrease	0	7,943
- transfer to realised foreign exchange gains/losses arising from the sale of IBP	0	2,943
- transfer arising from separation of brokerage activity fund	0	5,000
7.2. Other reserve capital at the end of the year	295,294	275,288
8. Foreign exchange differences from re-translation of foreign branches	0	0
9. Unappropriated profits (uncovered loss) from previous years at the beginning of the year	205,087	146,275
9.1. Unappropriated profits from previous years at the beginning of the year	205,087	146,275
9.2. Adjusted unappropriated profits from previous years at the beginning of the year	205,087	146,275
a) Increase	0	0
b) Decrease	205,087	146,275
- appropriation to general banking risk fund	135,000	98,000
- appropriation to other reserve capital	0	0
- appropriation to Social Fund	1,687	1,742
- dividends	68,400	46,533
9.3. Unappropriated profits from previous years at the end of the year	0	0
9.4. Uncovered loss from previous years at the beginning of the year	0	0
9.5. Adjusted uncovered loss from previous years at the beginning of the year	0	0
9.6. Uncovered loss from previous years at the end of the year	0	0
9.7. Unappropriated profits (uncovered loss) from previous years at the end of the year	0	0
10. Net profit (loss)	665,047	205,087
a) net profit	665,047	205,087
b) net loss	0	0
II. Equity at the end of the year	2,030,423	1,435,462

Cash flow statement

PLN '000

	For the year ended 31 December 1999	For the year ended 31 December 1998
NET CASH FLOWS FROM OPERATING ACTIVITIES		
(I +/- II) - indirect method	(206,416)	(787,901)
I. Net profit (loss)	665,047	205,087
II. Total adjustments:	(871,463)	(992,988)
1. Amortisation and depreciation	61,255	36,585
2. Foreign exchange differences	61,693	64,183
3. Interest and dividends	98,343	11,991
4. (Profit) loss on investing activities	(737,238)	(180,760)
5. Increase/decrease in other provisions	107,941	53,218
6. Taxation (disclosed in the income statement)	363,036	140,036
7. Corporate income tax paid	(451,025)	(112,907)
8. Change in debt securities	(106,957)	(1,313,085)
9. Change in amounts due from other financial institutions	(2,029,006)	898,433
10. Change in amounts due from clients and public sector entities	(358,263)	(1,910,066)
11. Change in amounts due from reverse repo transactions	0	1,912
12. Change in shares and other non-fixed income securities	3,078	(6,278)
13. Change in amounts due to other financial institutions	(274,008)	246,241
14. Change in amounts due to clients and public sector entities	2,569,382	1,362,183
15. Change in liabilities arising from repo transactions	(183,960)	(205,821)
16. Change in liabilities arising from own securities issued	0	0
17. Change in other liabilities	(8,652)	(62,292)
18. Change in accruals and prepayments	20,958	(1,244)
19. Change in deferred income	(8,040)	(15,317)
20. Other adjustments	0	0
B. NET CASH FLOWS FROM INVESTING ACTIVITIES (I-II)	(380,302)	(513,520)
I. Proceeds from investing activities	1,257,750	222,959
1. Sale of intangible assets	950	91
2. Sale of tangible fixed assets	3,804	4,855
3. Sale of shares in subsidiaries	59,055	8,528
4. Sale of shares in associated companies	64,967	2,137
5. Sale of shares in holding entity	0	0
6. Sale of other shares and securities		
(including trading shares and securities) and equity rights	1,120,614	202,999
7. Other proceeds	8,360	4,349
II. Expenditure on investment activities	1,638,052	736,479
1. Purchase of intangible assets	10,068	4,728
2. Purchase of tangible fixed assets	316,089	186,887
3. Purchase of shares in subsidiaries	341,071	29,226
4. Purchase of shares in associated companies	93,460	15,474
5. Purchase of shares in holding entity	0	0
6. Purchase of other shares and securities		
(including trading shares and securities)	877,364	113,062
7. Purchase of own shares for resale	0	0
7a. Cost of purchase of PBR SA less acquired cash and cash equivalents	0	387,102
8. Other expenditures	0	0

	For the year ended 31 December 1999	For the year ended 31 December 1998
C. NET CASH FLOWS FROM FINANCING ACTIVITIES (I-II)	485,173	1,520,057
I. Proceeds from financing activities	1,200,271	1,826,125
1. Long-term bank loans received	936,172	1,438,517
2. Long-term loans received from other financial institutions	264,099	58,908
3. Issue of debentures and other debt securities to other financial institutions	0	0
4. Increase in subordinated liabilities	0	0
5. Inflow from issue of own shares	0	328,700
6. Contributions to capital received	0	0
7. Other proceeds	0	0
II. Expenses in respect of financing activities	715,098	306,068
1. Repayment of long-term loans	78,113	131,784
2. Repayment of long-term loans from other financial institutions	50,321	66,117
3. Redemption of debentures and other debt securities from other financial institutions	407,635	0
4. Decrease in subordinated liabilities	0	0
5. Share issue expenses	0	9,465
6. Redemption of shares	0	0
7. Dividends and other amounts paid to shareholders	68,400	46,533
8. Bonuses paid as an appropriation of net profit to the Management and Supervisory Board	0	0
9. Donations	0	0
10. Repayment of principal amounts under finance lease agreements	0	0
11. Other expenses	110,629	52,169
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	(101,545)	218,636
E. CHANGE IN CASH AND CASH EQUIVALENTS	(101,545)	218,636
- including foreign exchange differences	4,194	(1,801)
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	538,826	320,190
G. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F+/- D)	437,281	538,826

Notes

Note 1

Amounts due from other financial institutions by type

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Current accounts	69,598	72,449
2. Loans and deposits	3,159,614	1,590,863
3. Purchased receivables	75,306	80,628
4. Realised guarantees	10,017	8,462
5. Other receivables	3,606	4,841
6. Interest	26,733	5,503
a) accrued	24,697	3,686
b) in default	2,036	1,817
Total gross amounts due from other financial institutions	3,344,874	1,762,746
7. Provision for amounts due from other financial institutions in default	(148,948)	(142,694)
Total net amounts due from other financial institutions	3,195,926	1,620,052

For comparability purposes, the 1998 amounts were adjusted to reflect reclassification of PLN 419,228 thousand from amounts due from clients and public sector entities to amounts from other financial institutions in relation to leasing firms

Amounts due from other financial institutions by maturity

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Current accounts	69,598	72,449
2. Term (by period remaining to maturity):	3,248,543	1,684,794
a) within 1 month	2,259,669	851,674
b) between 1 and 3 months	211,945	72,449
c) between 3 months and 1 year	253,928	463,971
d) between 1 and 5 years	372,197	124,517
e) above 5 years	22,194	50,087
f) in default	128,610	122,096
3. Interest	26,733	5,503
a) accrued	24,697	3,686
b) in default	2,036	1,817
Total gross amounts due from other financial institutions	3,344,874	1,762,746

Note 2
Amounts due from clients and public sector entities by type

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Loans	6,131,338	5,238,420
2. Purchased receivables	60,776	33,920
3. Realised guarantees	2,640	2,332
4. Other receivables	109,520	202,072
5. Interest	99,495	103,197
a) accrued	77,123	68,388
b) in default	22,372	34,809
6. Receivables in respect of state contributions to preferential loans	0	0
Total gross amounts due from clients and public sector entities	6,403,769	5,579,941
7. Provision for amounts due from clients and public sector entities in default	(186,245)	(139,908)
Total net amounts due from clients and public sector entities	6,217,524	5,440,033

The Bank has no loans arising from financial lease. For comparability purposes, the 1998 amounts were adjusted to reflect reclassification of PLN 419,228 thousand from amounts due from clients and public sector entities to amounts from other financial institutions in relation to leasing firms.

Amounts due from clients and public sector entities by maturity

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Current accounts	1,059,439	956,165
2. Term (by period remaining to maturity):	5,244,835	4,520,579
a) within 1 month	335,702	410,037
b) between 1 and 3 months	503,912	413,671
c) between 3 months and 1 year	1,957,159	1,283,594
d) between 1 and 5 years	1,769,777	1,774,085
e) above 5 years	539,431	478,116
f) in default	138,854	161,076
3. Interest	99,495	103,197
a) accrued	77,123	68,388
b) in default	22,372	34,809
Total gross amounts due from clients and public sector entities	6,403,769	5,579,941

*Gross amounts due from clients
and public sector entities*

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Normal	5,235,342	5,248,881
2. Watch	612,052	0
3. In default:	456,880	261,599
a) sub-standard	147,912	31,208
b) doubtful	158,270	131,251
c) loss	150,698	99,140
4. Interest	99,495	69,461
a) accrued	77,123	35,061
b) in default	22,372	34,400
- on normal and watch loans	2,556	0
- on loans in default	19,816	34,400
Total gross amounts due from clients and public sector entities	6,403,769	5,579,941

*Provisions for amounts due from clients
and public sector entities*

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. regular	2,200	0
2. watch	10,835	0
3. in default	173,210	139,908
a) sub-standard	12,406	6,518
b) doubtful	33,085	43,012
c) loss	127,719	90,378
Total provisions for amounts due from clients and public sector entities	186,245	139,908

Change in provisions for amounts due from clients and public sector entities

PLN '000

	As at 31 December 1999	As at 31 December 1998
Provisions at the beginning of the year	139,908	109,926
1. Increase	223,206	103,701
a) provisions created	214,356	47,584
b) from merger with PBR SA on 31.07.98	0	54,214
c) reclassification	7,030	0
d) foreign exchange differences	1,820	1,903
2. Utilisation	58,023	42,033
a) amounts written off	48,915	40,880
b) reclassification	9,108	1,153
3. Release	118,846	31,686
a) release	118,846	31,686
Provisions at the end of the year	186,245	139,908

Note 3

Debt securities by type

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Issued by State Treasury, including:	2,232,076	1,894,920
a) Treasury bonds	1,322,289	1,028,250
b) Treasury bills	909,787	866,670
2. Issued by other entities, including:	643,360	476,090
a) bonds	378,295	40,461
b) other (by type):	265,065	435,629
- NBP bills	149,588	298,898
- investment bonds	0	59,036
- commercial paper	873	0
- convertible bonds	33,036	57,890
- investment bills	40,316	19,805
- certificates of deposit	41,252	0
Total debt securities	2,875,436	2,371,010

Debt securities by type (cont.)

PLN'000

	As at 31 December 1999	As at 31 December 1998
a) trading	2,099,264	1,946,170
b) investment	776,172	424,840
Total debt securities	2,875,436	2,371,010

Note 4
Shares in subsidiaries

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Banks	0	0
2. Other financial entities	320,199	50,580
3. Non-financial entities	24,832	15,014
Total shares in subsidiaries	345,031	65,594

All shares in subsidiaries have been classified into the investment portfolio.

Note 5
Shares in associated companies

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Banks	24,500	9,000
2. Other financial entities	34,031	11,839
3. Non-financial entities	20,504	15,230
Total shares in associated companies	79,035	36,069

All shares in associated companies have been classified into the investment portfolio.

Note 6
Shares in subsidiaries and associated companies

	Name	Registered office	Activity	Date of acquisition of control/ significant influence
1	Business Management & Finance S.A.	Warsaw	services	07-1997
2	Dom Inwestycyjny BRE Banku S.A.	Warsaw	services	07-1998
3	Budowa Centrum Senatorska Sp. z o.o.	Warsaw	services	04-1997
4	Polskie Towarzystwo Prywatyzacyjne Sp. z o.o. *	Warsaw	services	05-1999
5	Pierwszy Polski Fundusz Rozwoju - BRE Sp. z o. o.	Warsaw	fund	11-1995
6	Drugi Polski Fundusz Rozwoju - BRE Sp. z o. o.	Warsaw	fund	10-1995
7	Polska Grupa Zarządzania Funduszami Sp. z o. o.	Warsaw	fund	04-1993
8	BRE Services Assistance Sp. z o.o.	Warsaw	services	10-1997
9	AMBRESA Sp. z o.o.	Warsaw	services	01-1996
10	BRELLA Sp. komandytowa***	Warsaw	services	07-1999
11	FERREX Sp. z o.o.	Poznań	manufacturing	07-1993
12	Promes Sp. z o.o.	Gdańsk	services	12-1993
13	PTE Skarbiec Emerytura S.A.	Warsaw	pension fund	08-1998
14	C.HARTWIG S.A.	Gdynia	services	01-1996
15	BEST S.A.	Sopot	services	09-1998
16	SKARBIEC TFI S.A.*	Warsaw	services	08-1997
17	BRE Hestia Service Sp. z o.o.**	Sopot	services	10-1999
18	BRE/CRESCO Management Sp. z o.o.*	Warsaw	services	11-1993
19	RHEINHYP-BRE Bank Hipoteczny S.A.	Warsaw	banking	03-1999
20	BRE Leasing Sp. z o.o.	Warsaw	services	12-1992
21	BRE Rachunkowość Sp. z o.o.	Warsaw	services	02-1995
22	Alte Leipziger Hestia S.A. *	Sopot	insurance	08-1998
23	Tele-Tech Investment Sp. z o.o.***	Warsaw	services	12-1999
24	Budowa Centrum Plac Teatralny Sp. z o.o.	Warsaw	services	11-1994
25	AWiM Mediabank S.A.	Warsaw	publishing	05-1992
26	Meble-Wyszków Sp. z o.o. (company did not commence operations)	Wyszków	production	10-1992
27	Pozmeat S.A.	Poznań	manufacturing	05-1999
28	Gdańska Giełda Towarowa S.A.	Gdańsk	services	01-1994
29	Swarzędzkie Fabryki Mebli S.A.	Swarzędz	manufacturing	08-1998
30	POLFACTOR S.A.****			

Total

* estimates

** as at 30 September 1999

*** the company commenced activities in 1999

**** the company was sold on 2 November 1999

Purchase price	Permanent diminution in value	Carrying value	Proportion of share capital held	Share capital at the end of the year	Net profit/(loss)	Dividends/share in profits for the year
PLN '000	PLN '000	PLN '000	%	PLN '000	PLN '000	PLN '000
7,777	0	7,777	100.00	2,292	195	385
26,000	0	26,000	100.00	33,274	7,274	0
1,480	0	1,480	100.00	659	(278)	0
5,567	0	5,567	100.00	5,476	2,194	934
1,000	0	1,000	100.00	29,419	(1,888)	797
67,689	5,945	61,744	100.00	75,037	(2,792)	0
750	0	750	100.00	920	170	256
4,745	0	4,745	100.00	(637)	(5,402)	60
100	0	100	100.00	612	304	160
30,627	0	30,627	99.67	30,727		0
1,815	1,440	375	97.86	7,237	600	187
950	562	388	93.41	2,583	1,678	0
144,187	0	144,187	75.00	97,107	(95,143)	0
4,500	0	4,500	75.00	13,635	3,837	720
26,987	2,116	24,870	83.12	47,410	(4,255)	0
19,980	0	19,980	60.00	13,694	(9,684)	0
5,000	0	5,000	51.01	1,671		0
5,940	0	5,940	50.00	5,174	4,217	0
24,500	0	24,500	49.00	49,779	(221)	0
2,940	0	2,940	49.00	14,500	1,242	2,967
45	0	45	45.00	655	331	44
30,902	0	30,902	41.00	34,580	(3,486)	0
2	0	2	40.00	4		
4,340	0	4,340	38.75	25,066	10,982	0
50	0	5	33.33	(300)	(852)	24
1	0	1	25.00	4		0
14,739	4,451	10,289	24.84	67,165	(2,561)	0
188	0	188	23.15	558	(38)	0
9,364	3,585	5,779	18.69	16,808	7,011	0
0	0	0	0.00	0		235
442,165	18,099	424,066				6,768

Note 7
Shares in other entities

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Banks	9,000	0
2. Other financial institutions	27,189	24,000
3. Non-financial institutions	115,033	30,567
Total shares in other entities	151,222	54,567

Note 8
Other securities (by type)

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Participation units in trust funds	18,324	8,421
2. Pre-emptive rights	7,360	0
3. Derivative rights	8,356	0
4. Other (by type)	156,296	136,311
a) shares of listed companies	136,935	89,092
b) shares of OTC listed companies	0	0
c) mass privatisation programme certificates	0	1,143
d) national investment funds units	19,361	44,776
e) (operating) securities held by the Brokerage House	0	1,300
Total other securities	190,336	144,732

Other securities

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. (Operating) securities held by the Brokerage House	0	1,300
2. Trading	26,656	26,707
3. Investment	163,680	116,725
Total other securities	190,336	144,732

Note 9
Intangible assets

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Deferred start-up or subsequent extension expenses of a joint stock company	7,247	9,243
2. Research and development costs	0	0
3. Goodwill	91,979	102,591
4. Concessions, patents, licences and other assets	7	81
5. Computer software	30,484	10,549
6. Rights to perpetual usufruct of land	11,949	12,570
7. Other intangible assets	0	1,989
8. Prepayments for intangible assets	0	0
Total intangible assets	141,666	137,023

Note 10
Tangible fixed assets

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Tangible fixed assets:	504,653	284,367
a) land and buildings used by the Bank for its own activities	168,093	58,728
b) other land and buildings	76	76
c) equipment	82,579	48,989
d) vehicles	16,595	15,993
e) other	34,672	29,400
f) leasehold improvements	202,638	131,181
2. Assets under construction	204,489	170,940
3. Prepayments for assets under construction	1,643	11,027
Total tangible fixed assets	710,785	466,334

Note 11
Other assets

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Assets held for resale	22,928	958
2. Other, including:	129,835	108,284
a) debtors	57,896	44,847
b) (refundable) capital contributions to subsidiaries and associated companies	61,698	40,971
c) inter-bank clearing accounts	281	1,022
d) inter-branch clearing accounts	0	0
e) securities clearing accounts	0	8,347
f) other	9,960	13,097
Total other assets	152,763	109,242

Note 12
Prepayments and accrued income

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Prepayments and accrued income, including:	5,035	3,628
a) prepaid expenses	5,035	3,503
b) fees paid on earlier redemption of securities	0	125
2. Other prepayments, including:	1,006	546
a) unearned income	1,006	546
Total prepayments	6,041	4,174

Note 13
Amounts due to other financial institutions (by type)

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Current accounts and deposits	1,403,522	1,787,781
2. Loans	3,337,197	2,152,507
3. Other	4,717	2,967
4. Interest	37,936	24,297
Total amounts due to other financial institutions	4,783,372	3,967,552

Amounts due to other financial institutions
(by maturity)

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Current	105,549	62,619
2. Term (by period remaining to maturity)	4,639,887	3,880,636
a) within 1 month	1,080,455	1,413,396
b) between 1 and 3 months	138,783	281,800
c) between 3 months and 1 year	755,769	57,310
d) between 1 and 5 years	2,366,957	1,850,240
e) above 5 years	297,923	277,890
f) in default	0	0
3. Accrued interest	37,936	24,297
Total amounts due to other financial institutions	4,783,372	3,967,552

*Note 14**Amounts due to clients and public sector entities (by type)**PLN '000*

	As at 31 December 1999	As at 31 December 1998
1. Current accounts and deposits	7,278,911	4,749,790
2. Other	41,785	13,989
3. Interest	36,004	23,539
Total amounts due to clients and public sector entities	7,356,700	4,787,318

*Amounts due to clients and public sector entities (by maturity)**PLN '000*

	As at 31 December 1999	As at 31 December 1998
1. Current	1,824,748	1,538,315
2. Term (by period remaining to maturity)	5,495,948	3,225,464
a) within 1 month	4,381,021	2,646,479
b) between 1 and 3 months	856,924	334,417
c) between 3 months and 1 year	214,898	204,802
d) between 1 and 5 years	43,105	39,766
e) above 5 years	0	0
f) in default	0	0
3. Interest	36,004	23,539
Total amounts due to clients and public sector entities	7,356,700	4,787,318

*Note 15**Liabilities arising from the issue of own securities**PLN '000*

	As at 31 December 1999	As at 31 December 1998
1. Bonds	0	350,400
2. Interest	0	3,926
Total liabilities arising from the issue of own securities	0	354,326

Change in liabilities arising from the issue of own securities

PLN '000

	As at 31 December 1999	As at 31 December 1998
At the beginning of the year	354,326	178,695
a) increase	0	175,631
- securities acquired from PBR SA	0	171,725
- foreign exchange differences	0	2,775
- interest	0	1,131
b) decrease	354,326	0
- redemption	354,326	0
At the end of the year	0	354,326

Nota 16

Special funds and other liabilities

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Special funds	10,393	8,566
a) social fund	177	36
b) housing fund	10,216	8,530
2. Other liabilities	95,468	140,786
a) income tax payables (Art.174 of the Banking Law)	3,332	48,514
b) inter-bank clearing accounts	2,430	10,738
c) securities clearing accounts	14,738	8,265
d) creditors	31,795	42,437
e) monetary collateral payable	43,173	30,832
Special funds and other liabilities	105,861	149,352

Note 17

Accruals and deferred income

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Accruals, including:	68,263	26,913
a) general cost	68,263	26,913
2. Deferred income, including:	13,780	15,081
a) unrealised foreign exchange differences	0	0
b) unearned income	1,567	5,882
c) other	12,213	9,199
3. Deferred income	67,901	73,073
a) interest in default	67,901	73,073
Total deferred and qualified income and expenses	149,944	115,067

Note 18
Other provisions (by type)

PLN '000

	As at 31 December 1999	As at 31 December 1998
Provisions:		
- off-balance sheet liabilities	7,624	5,242
- depreciation and amortisation	0	552
- general banking risk	115,222	37,965
Total other provisions	122,846	43,759

Note 19
Share capital

During 1999 the Bank's share capital did not reflect any changes.
As at 31 December 1999, it consisted of 22,740,000 bearer shares and 60,000 registered shares with a par value of PLN 4 each with the total value of PLN 91.2 million. All shares have been paid in full.
There were no preferred shares.

On 2 December 1999, the Bank listed (on the basis of the Resolution No. 566/99 of the Polish Securities and Exchange Commission in Warsaw of 24 November 1999) 1,000 ordinary bearer shares upon their conversion by the Central Depository from the form of registered shares.

The following shareholders held directly, or indirectly through subsidiaries, at least 5% of BRE Bank SA shares or at least 5% of the total voting rights at the Shareholders' Meeting:

- Commerzbank AG, 60621 Frankfurt am Main, Germany
- as at 31 December 1999 held 11,112,073 shares, which represents 48.74% of share capital of the Bank.

Note 20
Supplementary capital

PLN '000

	As at 31 December 1999	As at 31 December 1998
1. Share premium	733,495	733,495
2. Statutory supplementary capital	4,352	4,352
3. Other (transfer from the revaluation reserve)	66	0
Total supplementary capital	737,913	737,847

*Note 21**Other reserve capital (by designation)**PLN '000*

	As at 31 December 1999	As at 31 December 1998
1. General banking risk fund	233,000	98,000
2. Brokerage fund	0	20,000
3. Other	295,294	275,288
Total other reserve capital	528,294	393,288

*Note 22**Interest income**PLN '000*

	Year ended 31 December 1999	Year ended 31 December 1998
1. Financial institutions	106,645	86,479
2. Clients and public sector entities	744,010	657,504
3. Securities, including:	274,939	332,547
a) fixed income securities	274,939	332,547
b) variable income	0	0
4. Other	6,966	4,558
Total interest income	1,132,560	1,081,088

*Note 23**Interest expense**PLN '000*

	Year ended 31 December 1999	Year ended 31 December 1998
1. Transactions with financial institutions	330,458	226,218
2. Transactions with clients and public sector entities	505,068	489,878
3. Other	5,064	3,223
Total interest expense	840,590	719,319

*Note 24**Commission income**PLN '000*

	Year ended 31 December 1999	Year ended 31 December 1998
1. Banking operations	465,826	127,007
2. Brokerage activities	12,241	31,291
Total commission income	478,067	158,298

Note 25
Income from shares and other securities

PLN '000

	Year ended 31 December 1999	Year ended 31 December 1998
1. Subsidiaries	3,498	660
2. Associated companies	3,270	3,295
3. Other	1,710	824
Total income from shares and other securities	8,478	4,779

Note 26
Result on financial operations

PLN '000

	Year ended 31 December 1999	Year ended 31 December 1998
1. Result on operations in securities	738,982	154,469
a) revenue	840,468	200,109
b) cost	101,486	45,640
2. Result on other financial operations	12,628	8,221
Total result on financial operations	751,610	162,690

Note 27
Overhead costs

PLN '000

	Year ended 31 December 1999	Year ended 31 December 1998
1. Salaries	203,928	151,123
2. Statutory employment costs	0	0
3. Non-personnel costs	180,166	121,027
4. Taxes and charges	1,501	837
5. Contributions and payments to Bank Guarantee Fund	11,281	9,677
6. Other	985	773
a) corporate social fund	985	773
Total overhead costs	397,861	283,437

Note 28
Provisions created and valuation

PLN '000

	Year ended 31 December 1999	Year ended 31 December 1998
1. Provisions created:	397,581	337,278
a) loans in default	229,743	193,520
b) off-balance sheet liabilities	7,054	7,401
c) general banking risk	101,384	134,080
d) accrued cost *	16,522	0
e) future losses	98	2,170
f) disputed claims	37,200	59
g) VISA card transactions	444	48
h) other	5,136	0
2. Valuation (provision):	83,388	23,729
a) financial assets:	83,388	23,729
- debt securities	51,332	323
- shares in subsidiaries	8,062	0
- shares in associated companies	4,451	2,779
- shares in other (minority interest) companies	748	5,852
- other shares and securities	18,795	14,775
Total provisions and valuation	480,969	361,007

* A planned merger of Bank Handlowy w Warszawie SA and BRE Bank SA was not completed. Consequently, BRE Bank SA accrued PLN 16,522 thousand for costs to be incurred in 2000 with in this regard.

Note 29
Release of provisions and valuation

PLN '000

	Year ended 31 December 1999	Year ended 31 December 1998
1. Release of provisions for:	170,686	146,864
a) loans in default	136,601	36,842
b) off-balance sheet liabilities	4,784	6,168
c) general banking risk	16,531	96,115
d) accrued costs and future losses	10,354	0
e) other	2,416	7,739
2. Reversal of valuation (provision):	76,778	9,992
a) financial assets, including:	76,778	9,992
- debt securities	33,540	789
- shares in subsidiaries	11,031	0
- shares in associated companies	3,378	0
- shares in other (minority interest) companies	744	536
- other shares and securities	28,085	8,667
Total release of provisions and valuation	247,464	156,856

Note 30
Taxation

PLN '000

	Year ended 31 December 1999	Year ended 31 December 1998
1. Gross profit	1,028,083	345,123
2. Permanent differences between gross profit and taxable base	13,975	38,954
3. Temporary differences between gross profit and taxable base	112,892	40,518
4. Other differences between gross profit and taxable base, including:	0	0
a) prior year losses	0	0
5. Taxable base	1,127,000	424,595
6. Corporate income tax (at 36% in 1998 and 34% in 1999)	383,180	152,854
7. Tax relief/deductions*	52	1,109
8. Corporate income tax due	383,128	151,745
9. Provision for deferred tax	0	0
a) balance at the beginning of the year	0	0
b) increase	0	0
c) decrease	0	0
d) balance at the end of the year	0	0
10. Deferred taxation asset	0	0
a) balance at the beginning of the year	13,776	2,067
b) increase	45,531	38,199
c) decrease	25,439	26,490
d) balance at the end of the year	33,868	13,776
11. Taxation charge disclosed in the income statement	363,036	140,036

* The 1999 balance includes an amount of PLN 1,845 thousand in additional taxes due in relation to 1997 and 1996, following the Tax Inspection Bureau decision of 2 and 5 August 1999, and an offset of PLN 1,897 thousand in relation to taxes paid on dividends received

In accordance with the Resolution No. 3 of the 12th General Meeting of Shareholders of the Bank of 27 May 1999, the net profit of PLN 205,087 thousand was appropriated as follows:

dividends	PLN 68,400 thousand
general banking risk fund	PLN 135,000 thousand
corporate social benefit fund	PLN 1,687 thousand

The Management Board of BRE Bank SA intends to suggest to the General Meeting of Shareholders the following appropriation of the 1999 net profit:

dividends	PLN 182,400 thousand
general banking risk fund	PLN 120,000 thousand
reserve capital	PLN 361,147 thousand
corporate social benefit fund	PLN 1,500 thousand
Total:	PLN 665,047 thousand

Additional notes to the financial statements for the year ended 31 December 1999

1. Concentration of loans to entities, industries and capital groups, including and evaluation of associated risks

Loans

The Bank's loan portfolio reflects significant concentration in the following sectors:

Sector	% of portfolio	average exposure per client in PLN million
1. Wholesale trade	17.7%	2.1
2. Food and beverages	7.4%	4.7
3. Financial intermediaries	6.5%	10.6
4. Construction	4.7%	2.2
5. Power industry	4.2%	28.1
6. Production of other transportation equipment	3.6%	13.5
7. Paper and pulp	3.4%	19.1
8. Retail trade	2.7%	2.6

As at the end of 1999, the exposure from the above sectors constituted a half of the Bank's loan portfolio, both in terms of value and volume. The highest average credit concentration per customer was reflected in the following sectors: power industry, paper and pulp, production of other transportation equipment and financial intermediaries.

Based on the last year's report by Instytut Badań nad Gospodarką Rynkową (Market Economy Research Institute), power industry and paper and pulp were considered mid risk investment sectors. On the other hand, financial intermediaries were graded low risk as they primarily included leasing companies of a sound financial standing with shareholders representing reputable foreign financial institutions.

Exposure to the "production of other transportation equipment" (particularly the shipbuilding) sector also reflects high credit concentration. Due to a potentially higher risk, BRE Bank SA decided to limit its exposure to this sector to the sector's highest rated company, one of the largest domestic shipyards with international reputation and good financial performance due to professional structure and working efficiency. Other customers from this sector represent only a marginal portion of the exposure. Potential risk is further mitigated by short-term, mostly transactional, nature of the debt.

Individual large exposures are also part of the "wholesale trade" sector concentration. Within this sector, two types of exposures can be identified. The first category comprises large (often stock exchange listed) foreign trade companies that are holding companies for large production and trade groups. Clients from the metal as well as fuel and chemical branches of industry have traditionally dominated this group. The second type within the "whole trade" sector exposure comprises small businesses operating in the local markets and reflects significant differentiation among individual exposures.

The “food and beverages” is the most differentiated sector in terms of the production type. The largest exposures within this sector represent companies engaging in meat processing (with many of them inter-related as members of the same capital groups), beverage (including alcohol) production as well as vegetable fat processing. Pursuant to the Bank’s credit risk management policy, credit is extended only to large (members of strong capital groups) or public companies. The financial condition of individual industries is continuously monitored. Prudence is applied, especially with respect to those sectors that lost their sale markets after the crisis in Russia.

During 1999 the Bank significantly increased its exposure to the retail trade sector, primarily to branches of foreign based supermarkets.

The primary feature of the Bank’s exposure to the construction sector is its concentration in industrial and specialised construction. The Bank does not finance housing construction projects. Borrowers from the construction sectors are predominantly exchange-listed companies, which often become organised into capital groups and which, more and more often, diversify themselves away from the construction business.

Equity investments

The Bank’s capital investments (by sector) are as follows:

financial intermediaries	25.1%
pension funds and insurance business	22.5%
telecommunication	16.7%

The above sectors represent 64.3% of total capital investments of Bank.

Financial intermediaries are considered a low investment risk sector (the Bank provided against higher-risk holdings from this sector: NIF I and NIF V).

Investments in shares of a pension fund (PTE Skarbiec Emerytura) and a life insurance company (Alte Leipziger Hestia S.A.) result from the Bank’s long-term strategy of increasing its market share in banking services for new activities which generate large cash flows.

The telecommunication sector is considered a low investment risk sector. The provision recorded by the Bank against ADS of Netia Holding, a member of this sector, resulted from diminution in its value.

2. Information on financial instruments - investments in securities and derivative instruments

“Liabilities arising from purchase/sale operations “ disclosed among off-balance sheet items of the Bank includes the following:

	(PLN '000)
Spot and forward currency transactions (foreign and z oty currencies sold)	5,841,057
Spot and forward currency transactions (foreign and z oty currencies purchased)	5,796,719
Acceptances payable	140,231
Placements receivable	11,009
Sell/buy back transactions - securities purchased	559,321
Sell/buy back transactions - securities sold	161,550
Forward transactions - purchase	509,139
Forward transactions - sale	59,740
FRA transactions - sale	4,584,000
FRA transactions - purchase	6,042,830
Call options -purchase	1,019,265
Call options - sale	3,378,625
Put options - purchase	1,337,847
Put options - sale	1,118,459
Warranties - sale	38,043
Futures - purchase	406
Futures - sale	871,143
IRS transactions - interest flow receivable	3,190,198
IRS transactions - interest flow payable	3,183,250
Underwriting	53,000
Total:	37,895,832

Entering into derivative financial instruments is one of operating activities of the Bank. The Bank uses them to take (strategic) positions in the market as well as it offers them to the clients.

Unrealised gains/losses on valuation of off-balance sheet financial instruments

The following table presents unrealised gains/losses on valuation as at 31 December 1999 of off-balance sheet instruments not recognised in the income statement in accordance with the accounting policies applied by BRE Bank SA as described in Point 3 of the introduction to the annual report.

	Unrealised gains as at 31.12.1999 (PLN '000)	Unrealised losses as at 31.12.1999 (PLN '000)
foreign currency options	41,175	(34,318)
foreign currency warrants	133	(172)
spot transactions	214	(134)
forward transactions - hedging	70,608	(101,439)
forward transactions - trading	2,415	(9,569)
interest rate options	189	(495)
interest rate swaps	470,740	(472,702)
forward rate agreements	49,789	(22,984)
equity warrants	436	(638)
futures	17,196	0
forward transactions - investment bills and convertible bonds	1,032	(6)
forward purchase transactions	0	(2,096)
forward sale transactions	363	0
sell/buy back	5,195	(2,073)
buy/sell back	20	(296)
Total:	659,505	(646,922)

The unrealised gain/loss on purchases and sales of foreign currency options and warrants was calculated by comparing the carrying value of an option, calculated according to the Garman/Kohlhagen model, and the value of paid/received premium.

Spot transactions were valued by comparing the contract rates with NBP fixing rate as at 31 December 1999.

The unrealised gain/loss on forward (hedging) transactions was calculated by comparing the spot rate of the original forward contract discounted as at 31 December 1999 with the NBP fixing rate as at 31 December 1999 and interest on synthetic placements and deposits.

Forward (trading) transactions were valued by comparing the contract rate with the forward rate (calculated on the basis of NBP fixing rate as at 31 December 1999).

The unrealised gain/loss on purchased/sold interest rate options was calculated by comparing the carrying value of an option derived from the Garman/Kohlhagen model and the value of a paid/received premium.

Forward rate agreements and interest rate swaps were valued by using the discounted cash flow method, based on the interest rate curve combining WIBOR rates and yields on Treasury bills.

The unrealised gain/loss on equity options was derived by comparing their contract strike prices with BRE Bank SA quotations as at 31 December 1999.

Futures transactions were valued by comparing the contract rates with the stock exchange prices as at 31 December 1999.

Unrealised gain/loss on sell/buy back transactions, forward sales and purchases of securities and futures transactions was calculated by comparing the purchase price of the underlying security with its market price as at 31 December 1999.

3. Contingent liabilities

- On 17 November 1999, DeTe Mobil Deutsche Telecom MobilNet GmbH (“DeTe Mobil”) filed a suit with an arbitration court in Vienna against BRE Bank SA, its subsidiary - Drugi Polski Fundusz Rozwoju-BRE Sp. z o.o. (“Fundusz BRE”) and other entities (hereinafter referred to as “the Defendants”), in which it demands the following:
 - recognising the sale of shares in Polska Telefonia Cyfrowa Sp. z o.o. (“PTC”) which the Defendants made on 26 August 1999 as ineffective in full or, alternatively, in the part in which DeTe Mobil had pre-emptive rights to the shares in PTC and issuing a decision obligating the Defendants to transfer the shares on to DeTe Mobil in the part in which DeTe Mobil accepted the Defendants’ offer to sell those shares as part of exercising its pre-emptive rights;
 - obligating the Defendants to provide compensation for the damages;
 - recognising that some of the Defendants (other than BRE Bank SA and Fundusz BRE) significantly violated the Articles of Association of PTC. DeTe Mobil determined the value of the subject matter of litigation at USD 135,456,700, of which USD 134,456,700 represented the value of the shares in question, whereas USD 1,000,000 - the compensation for the damage done to DeTe Mobil. The Management Board of BRE Bank SA, based on its legal advisors’ opinions, has reasons to believe that the claim lodged by DeTe Mobil will be dismissed.
- On 30 August 1994 ART-B Export Import Sp. z o.o. w likwidacji (in receivership), Cieszyn, lodged a claim against BRE Bank SA with the Regional Court in Warsaw (now the district court) for PLN 99,077,860 plus default interest accrued since 5 September 1991, being an invalid payment made by the Bank in accordance with a loan agreement. Moreover, BRE Bank SA was co-sued under the proceedings conducted at the district court in Jerusalem, Israel, where ART-B Export Import Sp. z o.o. w likwidacji lodged claims against organisations and individuals who benefited from payments made by BRE Bank SA in accordance with loan agreements. Following the legal advice obtained the Bank’s Management Board have good reason to believe that the claim lodged with the Regional Court in Warsaw will be dismissed, whereas the co-suing under the proceedings conducted at the district court in Jerusalem - annulled.
- Following the inspection of corporation income tax records for the years 1996 and 1997, carried out by fiscal authorities, the Bank was refused the right to utilise investment relief in the year 1997. The Bank appealed against that decision to the Supreme Administrative Court (NSA). The case is pending. As the Bank utilised investment relief in the year 1998 in the same way as the way questioned by fiscal authorities, there is a contingent liability of PLN 14,723 thousand, consisting of investment relief bonuses which reduce tax bases in the years 1998 and 1999 (PLN 11,370 thousand in total) and default interest for the period to 31 December 1999 (PLN 3,353 thousand in total). The Bank did not recognise a specific provision against that contingent liability but, taking account of a potentially adverse NSA decision, allocated a relevant portion of the general risk provision thereto.

4. Information about income, costs and results of activities discontinued in the financial year or expected to be discontinued in the following year

Based on prior resolutions of the Management and the Supervisory Boards of the Bank, in 1999 brokerage activities were separated from the structure of the Bank. On 28 May 1999 this newly-separated business organised under the name of Biuro Maklerskie BRE Brokers and valued at PLN 18,143 thousand was contributed to Dom Inwestycyjny BRE S.A. On the same day, an increase in share capital of Dom Inwestycyjny BRE S.A. from PLN 4,000 thousand to PLN 26,000 thousand was registered.

Revenue of Biuro Maklerskie until 28 May 1999	PLN 26,823 thousand
Costs of Biuro Maklerskie until 28 May 1999	PLN 20,637 thousand

Profit	PLN 6,186 thousand
---------------	---------------------------

5. Capital commitments incurred and planned for the following year

Capital commitments incurred in 1999 amounted to PLN 224,502 thousand, of which PLN 213,294 thousand related to construction. Commitment incurred on IT amounted to PLN 56,172 thousand.

As at 31 December 1999 assets under construction amounted to PLN 204,489 thousand and related to the construction of the new head office of the Bank at Senatorska Street, construction of Saski Business Park, construction and adaptation of various buildings for the Bank's branches and subsidiaries as well as IT.

The value of assets under construction by individual Bank branches and subsidiaries was as follows:

	(PLN '000)
Olsztyn	4
Kraków	21,029
Szczecin	11
Bydgoszcz	1,034
Lublin	8,223
Poznań	52
Łódź	6,318
Head Office	167,818
Total:	204,489

Work on the BRE Bank SA business plan for the year 2000 is currently in progress. The Bank will release information on its budgeted capital commitments for that year soon upon its approval by the Supervisory Board.

6. Significant transactions of the Bank with related parties

In 1999, BRE Bank SA concluded a significant loan agreement with a related party, i.e. Commerzbank International (Ireland) Dublin, for the amount of DEM 50 million to be repaid on 10 December 2001. Commerzbank AG was also one of the organisers and underwriters of the syndicated loan extended to BRE Bank SA by a syndicate of foreign banks in the amount of EUR 180,000,000 for 4 years. The Commerzbank AG's share in this transaction amounted to EUR 16,300,000.

No other material transactions were concluded by the Bank, including transfer of rights and liabilities, at charge or free of charge, between the Bank and its holding company, subsidiaries, associated companies, members of Management and Supervisory Boards of the Bank, members of Management and Supervisory Boards of subsidiaries and associated companies, spouses and relatives of members of Management and Supervisory Boards of the Bank, the holding company, subsidiaries or associated companies.

The Bank consolidates the following companies:

Company name	% of votes	consolidation method
PPFR-BRE Sp. z o.o.	100%	acquisition accounting
DPFR-BRE Sp. z o.o.	100%	acquisition accounting
Dom Inwestycyjny BRE Banku S.A.	100%	acquisition accounting
BMF	100%	equity method
BEST S.A.	83%	equity method
PTE Skarbiec Emerytura	75%	equity method
Skarbiec TFI S.A.	60%	equity method
BRE/CRESCO Sp. z o.o.	50%	equity method
BRE Leasing Sp. z o.o.	49%	equity method
RHEINHYP-BRE Bank Hipoteczny	49%	equity method

7. Average number of the Bank's employees, by professional categories

The average number of employees in 1999 was 2,208 people. The Bank does not have the data on employee professional categories.

8. Remuneration of members of the management and supervisory bodies, including bonuses

The remuneration of the Management Board and the Supervisory Board in 1999 was as follows:

Management Board	PLN 5,765 thousand
Supervisory Board	PLN 1,190 thousand

In addition, during 1999 members of BRE Bank SA Management Board received remuneration of PLN 371 thousand for participation in Management and Supervisory boards of subsidiaries and associated companies.

In 1997, the management of the Bank was granted PLN 170.5 thousand options to purchase Bank's shares. These options expire in 2000.

9. Advances, loans and guarantees extended to members of the Management and Supervisory Boards, including details of interest rates and debt servicing

Loans extended to members of the Bank's Management Board as at 31 December 1999:

Housing loans	PLN 1,051 thousand
Cash loans	PLN 31 thousand and DEM 275 thousand

As at 31.12.1999 there were no loans to Supervisory Board members.

Loans in cash granted by BRE Bank SA to its employees is equal to the variable rediscounting rate, whereas loans taken over from PBR S.A. bear a fixed annual rate of interest of 6% per annum. Loans denominated in foreign currencies are granted on market terms. Housing loans bear an annual rate of interest of 1% per annum. Loans are repaid in monthly instalments.

Members of Management and Supervisory Boards did not obtain any advances, bank loans, loans or guarantees from BRE Bank SA subsidiaries and associates.

10. Information about significant events which took place after the balance sheet date and were not disclosed in the balance sheet or the income statement

- BRE Bank SA purchased, through a block trade from Drugi Polski Fundusz Rozwoju BRE Sp. z o.o., its subsidiary, 895,787 shares of ELEKTRIM S.A., a public company, for PLN 33,412,855.10, which constitutes 1.19% of its share capital and gives the same per cent of votes at General Meeting of Shareholders.
- On 31 January 2000 the Bank signed a syndicated loan agreement for Elektrownia Turów to finance the 3rd stage of power plant modernisation. The loan was arranged by Bank Pekao S.A. together with: Bank Handlowy w Warszawie SA, BRE Bank SA and Bank PKO BP. The total amount of loan is the PLN equivalent of USD 250,000,000. The share of BRE Bank SA was determined to be the PLN equivalent of USD 30,000,000.
- On 11 February 2000 Bank Staropolski was declared bankrupt. The banking sector will have to pay approximately PLN 620 million to the Banking Guarantee Fund to cover disbursement of guaranteed deposits of customers of the bankrupt bank. BRE Bank SA liabilities with respect to the share in the BGF will amount to approximately PLN 18 million. The amount is fully covered by the guaranteed deposit protection fund in 2000.
- On 14 February 2000 BRE Bank SA concluded a working loan agreement for a PLN loan with Drugi Polski Fundusz Rozwoju - BRE Sp. z o.o., BRE Bank SA subsidiary. The amount of the loan is PLN 188,000,000 and it bears floating WIBOR-based interest rate.
- On 15 February 2000 BRE Bank SA concluded an agreement with Drugi Polski Fundusz Rozwoju - BRE Sp. z o.o., its subsidiary, by virtue of which BRE Bank SA guarantees DPFR-BRE Sp. z o.o. the sale of Bank Handlowy w Warszawie SA shares held by DPFR-BRE Sp. z o.o. for 101% of the purchase price plus costs which DPFR-BRE Sp. z o.o. incurs with respect of the purchase and sale of the shares at the guaranteed price. Any premium over the guaranteed price will constitute BRE Bank SA's income.
- On 15 February 2000 BRE Bank SA concluded an agency and deposit agreement as well as a dealership agreement with Drugi Polski Fundusz Rozwoju-BRE Sp. z o.o., its subsidiary, with respect to the DPFR-BRE Sp. z o.o. bond issue of PLN 60,000,000. The bond issue plan provides for multiple bond issues over two years from the date of signing the agreements with a redemption date within this period. BRE Bank SA will act as a Depositary, Payment Agent and Dealer. Under the plan, on 16 February 2000 DPFR-BRE Sp. z o.o. issued bonds with the total par value of PLN 54,000,000 which were acquired by BRE Bank SA on the primary market.
- On 16 February 2000 Drugi Polski Fundusz Rozwoju BRE Sp. z o.o., BRE Bank SA's subsidiary, purchased ordinary bearer shares of Bank Handlowy w Warszawie SA. The shares constitute 4.89% of Bank Handlowy w Warszawie SA share capital. As a result of purchasing these shares, DPFR-BRE Sp. z o.o. exceeded 5% of share capital and votes at Bank Handlowy w Warszawie SA's General Meeting of Shareholders. The afore-mentioned investment is of a portfolio nature and it is financed from external funds, including the working capital loan from BRE Bank SA.
- On 16 February 2000 a syndicated loan agreement for Polskie Zakłady Lotnicze Sp. z o.o. of USD 40,493,201.86 was concluded. The share of BRE Bank SA in the afore-mentioned loan is USD 20,246,600.



*BRE Bank's Supervisory Board
and Board of Management*

Board of Management



Wojciech Kostrzewa
*President of the Board
of Management*
CEO

Henryk Okrzeja
*Deputy President of the Board
of Management*
Head of Banking Operations

Anton M. Burghardt
*Deputy President of the Board
of Management*
Head of Investment Banking

Jan Zieliński
*Deputy President of the Board
of Management*
CFO

Supervisory Board

Krzysztof Szwarc - *Chairman of the Supervisory Board, Chairman of the Executive Committee*

Klaus-Peter Müller - *Deputy Chairman of the Supervisory Board, Member of the Executive Committee,
Member of the Board of Managing Directors - Commerzbank AG*

Maciej Leśny - *Member of the Supervisory Board, Member of the Executive Committee*

Axel Freiherr von Ruedorffer - *Member of the Supervisory Board, Member of the Executive Committee,
Member of the Board of Managing Directors - Commerzbank AG*



Krzysztof Kokot

*Deputy President of the Board
of Management
Head of Sales
(from 1.05.2000)*

Mieczysław Groszek

*Deputy President of the Board
of Management
Head of Asset Management
(until 31.12.1999)*

Sławomir Lachowski

*Member of the Board
of Management
Head of Retail Banking
(from 1.05.2000)*

Jan Guz - *Member of the Supervisory Board, Deputy Chairman of the Supervisory Board - Netia Telekom*

Ryszard Harhala - *Member of the Supervisory Board, President of the Management Board - Stalexport S.A.*

Zbigniew Kędzierski - *Member of the Supervisory Board,
Deputy President of the Management Board - Polskie Sieci Elektroenergetyczne SA*

Enrico Meucci - *Member of the Supervisory Board, Member of the Management Board,
General Director - Banca Commerciale Italiana*

Andrzej Skowroński - *Member of the Supervisory Board, Advisor to the Management Board - Elektrim S.A.*

Jan Szomburg - *Member of the Supervisory Board, President - Gdańsk Institute for Market Economics*

Ryszard Ściborowski - *Member of the Supervisory Board,
President of the Management Board - PRiKB „REALBUD”*

Edward Wojtulewicz - *Member of the Supervisory Board,
President - Polish - Belgian - Luxembourgian Chamber of Industry and Commerce,
Advisor to President of EURO-AMER*



Head Office

ul. Senatorska 18
00-950 Warszawa, Poland
P.O. Box 728
www.brebank.com.pl

tel. (48 22) 829 00 00
fax (48 22) 829 00 33

Branches

Białystok Branch

ul. Warszawska 59
15-062 Białystok
P.O. Box 57
tel. (0-85) 732 32 57
fax (0-85) 732 15 87

Bielsko-Biała Branch

pl. Wolności 7
43-304 Bielsko-Biała
P.O. Box 96
tel.: (0-33) 813 93 00
(0-33) 813 94 00
fax (0-33) 813 93 07

Bydgoszcz Branch

ul. Grodzka 17
85-109 Bydgoszcz
P.O. Box 430
tel. (0-52) 345 64 22
fax (0-52) 345 64 21

Częstochowa Sub-Branch

ul. F. Focha 89
42-200 Częstochowa
tel. (0-34) 366 48 52
fax (0-34) 366 26 81

Dąbrowa Górnicza Sub-Branch

ul. Piłsudskiego 10
41-300 Dąbrowa Górnicza
tel./fax (0-32) 264 41 22
fax (0-32) 264 31 64

Gdańsk Branch

ul. Wały Jagiellońskie 8
80-900 Gdańsk 2
P.O. Box 48
tel. (0-58) 301 28 52
fax (0-58) 301 89 25

Gdynia Sub-Branch

ul. Zygmuntowska 4
81-371 Gdynia
tel. (0-58) 661 52 61
fax (0-58) 661 52 29

Gliwice Sub-Branch

ul. Mikołowska 7
44-100 Gliwice
tel. (0-32) 230 79 08
fax (0-32) 238 29 01

Gorzów Wielkopolski Branch

ul. Jagiellończyka 4
66-400 Gorzów Wielkopolski
P.O. Box 740
tel. (0-95) 721 02 71
fax (0-95) 721 02 70

Katowice Branch

ul. Powstańców 43
40-024 Katowice
tel. (0-32) 200 65 00
fax (0-32) 200 65 01

Kielce Branch

(in process of organization)
ul. Manifestu Lipcowego 34
25-323 Kielce
tel. (0-41) 332 63 64
fax (0-41) 332 62 07

Kraków Branch*

ul. Lubicz 25
31-503 Kraków
P.O. Box 177
tel.: (0-12) 422 04 77,
(0-12) 422 23 35
fax (0-12) 421 06 04

Addresses and Telephones

Lublin Branch

ul. Krakowskie Przedmieście 6
20-954 Lublin, P.O. Box 117
tel. (0-81) 532 30 31
(0-81) 532 98 11
fax (0-81) 532 94 42

Łódź Branch

ul. Piotrkowska 148/150
90-063 Łódź, P.O. Box 257
tel.: (0-42) 636 15 91
(0-42) 636 38 33
fax (0-42) 636 15 28

Olsztyn Branch

ul. Głowackiego 28
10-448 Olsztyn
P.O. Box 1282
tel. (0-89) 522 03 01
fax (0-89) 523 62 76

Opole Branch

ul. Koraszewskiego 7/9
45-011 Opole
tel. (0-77) 456 76 22
fax (0-77) 456 76 24

Poznań Branch

ul. Szyperska 20/21
60-967 Poznań 9
P.O. Box 207
tel. (0-61) 852 62 88
fax (0-61) 852 56 07

Rybnik Sub-Branch

ul. Rudzka 3, 44-200 Rybnik
tel.: (0-36) 423 00 26
fax (0-36) 423 04 06

Rzeszów Branch*

ul. Ks. Jałowego 8a
35-010 Rzeszów
tel.: (0-17) 852 49 15,
(0-17) 852 47 76
fax (0-17) 852 49 18

Szczecin Branch

ul. Tkacka 55
70-556 Szczecin
P.O. Box 809
tel. (0-91) 430 11 03
fax (0-91) 488 32 27

Warszawa Branch*

ul. Senatorska 18
00-950 Warszawa
P.O. Box 728
tel.: (0-22) 829 06 60
(0-22) 829 06 61
fax (0-22) 829 05 45

Warszawa XI Sub-Branch

ul. Domaniewska 41
02-672 Warszawa
tel. (0-22) 874 44 44
fax (0-22) 874 44 01

Wrocław Branch

ul. Podwale 63
50-010 Wrocław,
P.O. Box 956
tel.: (0-71) 370 08 90
(0-71) 370 09 99
fax (0-71) 341 88 12

Zielona Góra Branch

al. Wojska Polskiego 88 c
67-762 Zielona Góra
tel. (0-68) 324 69 16
fax (0-68) 324 57 00

* change of adress is expected

BRE Bank Group

AMBRESA Sp. z o.o.

President

Janusz Maciejewicz

pl. Bankowy 2

00-950 Warszawa

tel. (0-22) 829 01 13

fax (0-22) 829 01 19

BEST SA

President

Jarosław Remesz

ul. Polna 58/60

81-740 Sopot

tel. (0-58) 550 44 88

fax (0-58) 551 12 34

www.best.com.pl

BRELLA Sp. komandytowa

President

Janusz Maciejewicz

pl. Bankowy 2

00-950 Warszawa

tel. (0-22) 829 16 01

fax (0-22) 829 15 98

BRE/CRESCO MANAGEMENT

Sp. z o.o.

President

Anthony Doran

ul. Dworkowa 3

00-784 Warszawa

tel. (0-22) 646 85 46

fax (0-22) 646 85 36

www.brecresco.com.pl

BRE HESTIA SERVICE Sp. z o.o.

President

Anna Włodarczyk

ul. Pułaskiego 6

81-368 Gdynia

tel. (0-58) 661 06 28

fax (0-58) 661 06 78

BRE LEASING Sp. z o.o.

President

Adam S. Martowski

ul. Marszałkowska 82

00-963 Warszawa

skr. poczt. 59

tel. (0-22) 621 40 74

fax (0-22) 625 72 36

www.bre-leasing.com.pl

BRE RACHUNKOWOŚĆ Sp. z o.o.

President

Tadeusz Rostkowski

ul. Świętokrzyska 36 lok. 40

00-116 Warszawa

tel. (0-22) 652 04 86

fax (0-22) 652 04 85

www.bre.com.pl

BRE SERVICE ASSISTANCE

Sp. z o.o.

President

Ryszard Międzybrodzki

ul. Marszałkowska 82

00-517 Warszawa

tel. (0-22) 628 73 23

fax (0-22) 623 66 95

www.bresa.com.pl

BUSINESS MANAGEMENT & FINANCE SA

President

Wojciech Janczyk

ul. Dworkowa 3

00-784 Warszawa

tel. (0-22) 646 89 89

fax (0-22) 646 97 98

www.bmf.com.pl

**DOM INWESTYCYJNY
BRE BANKU SA**

President
Andrzej Podgórski
ul. Wiejska 20
00-490 Warszawa
tel. (0-22) 629 22 44
fax (0-22) 628 89 82

**PIERWSZY POLSKI FUNDUSZ
ROZWOJU - BRE SP. Z O.O.
I DRUGI POLSKI FUNDUSZ
ROZWOJU - BRE SP. Z O.O.**

pl. Bankowy 2
00-950 Warszawa
tel. (0-22) 829 16 09
fax (0-22) 829 15 98

POLFACTOR SA

President
Andrzej Żbikowski
ul. Długa 44/50
00-963 Warszawa
tel. (0-22) 635 78 85
fax (0-22) 635 81 05

PTE SKARBIEC-EMERYTURA SA S.T.U. ALTE LEIPZIGER

President
Krzysztof Telega
ul. Nowogodzka 47a
00-695 Warszawa
tel. (0-22) 521 30 00
fax (0-22) 521 30 01

**RHEINHYP-BRE BANK
HIPOTECZNY SA**

President
Piotr Cyburt
ul. Koszykowa 54
00-675 Warszawa
tel. (0-22) 630 83 48
fax (0-22) 630 82 23

HESTIA SA

President
Piotr Śliwicki
ul. Reja 13/15
80-874 Sopot
tel. (0-58) 550 70 08
fax (0-58) 55 05 16

SKARBIEC TFI SA

President
Andrzej Dorosz
ul. Bartycka 22
00-716 Warszawa
tel. (0-22) 522 94 00
fax (0-22) 522 94 31
www.skarbiec.com.pl

BRE Bank supports Polish artists and cultural institutions.

Innovation and high professionalism of the Silesian Dance Theatre Group were the main reason why BRE Bank became the patron of the Group.

The Silesian Dance Theatre Group of Bytom is the first Polish professional modern dance group. It was founded in 1991 by the choreographer Jacek Łumiński. The innovative modern dance technique the Group has developed is closely linked with Polish culture and folk tradition and reflects the Polish sentiment and history. The Group is known not only for its performances in Poland and abroad, but also for its promotion and development of modern dance. The Group offers regular dance workshops, classes for youngsters, and - in co-operation with the Ballet School of Bytom - it has set up the first faculty of modern dance in Poland.

As an attempt to introduce you to the Silesian Dance Theatre Group, we illustrated this Annual Report with pictures of dance performances by the Group.